

Translation of Immediate Report

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Public

Bank Leumi le-Israel B.M.

Registration No. 520018078

Securities of the Corporation are listed on The Tel Aviv Stock Exchange

Abbreviated Name: Leumi

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Reference: 2020-01-009459

To: Israel Securities Authority (www.isa.gov.il)
The Tel Aviv Stock Exchange (www.tase.co.il)

Report supplement the report filed on 13 January 2020 with reference No. 2020-01-005292

The main details added/supplements:

1. Rating updated for Subordinated Tier 2 Nptes from BBB(EXP) to BBB Final.
2. The details of the rating are provided in the attached file

Immediate Report of Rating of Debentures/Rating of Corporation, or of Withdrawal of Rating

On 13 January 2020, Fitch Ratings published

An initial rating report/notice:
Rating of corporation's debentures

Name and type of security	Number on the Stock Exchange	Rating company	Current Rating	Comments/ Substance of Notice
Subordinated Tier 2 Notes		Fitch Ratings	Other BBB None/NOO	Initial Rating

Attached hereto is the Rating Report: Notesa_Final_BBB - 23 Jan 2020 isa.pdf

Details of the authorized signatories who are authorized to sign on behalf of the corporation:

	Signatory's name	Position
1	Omer ziv,	CFO

Explanation: In accordance with Regulation 5 of the Securities Regulations (Periodic and Immediate Reports), 1970, a report filed pursuant to these regulations shall be signed by the corporation's authorized signatories. For a staff position of this matter, see the Authority's website: [click here](#)

Fitch Ratings has granted a rating of BBB Final to Subordinated Tier 2 Notes with a loss absorption mechanism.

For information regarding the Bank's rating (A/Stable/a-) by Fitch Ratings, see the Immediate Report dated 17 December 2019 (Reference No. 2019-01-110643).

The report was signed on behalf of the corporation, in accordance with Regulation 5 of the Securities (Periodic and Immediate Reports), 1970, by Mr. Omer Ziv, Head of the Finance Division.

Reference numbers of previous documents on the subject (the reference does not constitute inclusion by way of reference):

Name of Electronic Reporter: Livnat Ein-Shay (Adv.), Position: Secretary
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The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il>

23 Jan 2020 | New Issue

Fitch Rates Bank Leumi's Subordinated Tier 2 Notes Final 'BBB'

Fitch Ratings-London-23 January 2020:

Fitch Ratings has assigned Bank Leumi Le-Israel B.M.'s USD750 million 3.275% subordinated notes due 2031 (ISIN IL0060404899) a final long-term rating of 'BBB'. The notes are direct, unsecured, and subordinated obligations of Bank Leumi and rank pari passu with the bank's other Tier 2 debt.

The assignment of the final rating follows the completion of the issue and receipt of documents conforming to the information previously received. The final rating is in line with the expected rating assigned on 13 January 2020 (see: Fitch Rates Bank Leumi's Subordinated Tier 2 Notes 'BBB(EXP)' at www.fitchratings.com)

Key Rating Drivers

The notes are rated two notches below Bank Leumi's 'a-' Viability Rating (VR) to reflect Fitch's view of a heightened likelihood of poor recoveries in the event of default. We do not notch the notes for non-performance as in our opinion the principal loss absorption feature gives rise to low incremental non-performance risk relative to the bank's VR. This considers Bank Leumi's domestic systemic importance, the absence of a deposit guarantee scheme and of recovery and resolution legislation, and intensive and proactive supervision and regulation.

The notes qualify as Tier 2 regulatory capital due to full or partial conversion into share equity of the bank if either i) Bank Leumi's common equity Tier 1 (CET1) capital ratio falls below 5%; or ii) if the bank's regulator, the Bank of Israel, notifies the bank in writing that a conversion of the debt is necessary for the bank to avoid becoming non-viable, or if it determines that a capital injection is needed from the public sector, or support of equal value to the bank, to avoid non-viability. There is no coupon flexibility on these notes.

Bank Leumi was Israel's largest banking group at end-September 2019 by total assets, accounting for about 30% of the system total. Its VR reflects its modest risk appetite despite the presence of some industry concentrations, healthy asset quality, resilient earnings and fairly strong capitalisation, particularly in view of the high risk-weight density of Bank Leumi for its risk profile. It reported a CET1 ratio of 11.73% at end-3Q19, above a regulatory minimum of 10.26%.

RATING SENSITIVITIES

The notes' rating is primarily sensitive to a change in the bank's VR, from which it is notched. The notes' rating is also sensitive to a change in notching should Fitch reassess the notes' loss severity or relative non-performance risk.

Date of Relevant Committee

08 January 2020

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity.

Bank Leumi Le-Israel B.M.

---subordinated; Long Term Rating; New Rating; BBB

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Additional information is available on www.fitchratings.com

Applicable Criteria

[Exposure Draft: Bank Rating Criteria \(pub. 15 Nov 2019\)](#)

Additional Disclosures

[Dodd-Frank Rating Information Disclosure Form](#)

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