

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

34 Yehuda Halevi Street, Tel Aviv 651316

Phone: 076-8858111, 076-889419; Facsimile: 076-8859732

Electronic Mail: Livnat.EinShay@bll.co.il

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

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 (EXP) None/NOO	Initial Rating

Attached hereto is the Rating Report: [Fitch Press Release Leumi Tier 2 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 (EXP) 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
34 Yehuda Halevi St., Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732
Electronic Mail: Livnat.Ein-Shay@bll.co.il

Note: English translations of Immediate Reports of Bank Leumi are for convenience purposes only. In the case of any discrepancy between the English translation and the Hebrew original, the Hebrew will prevail.

The original Hebrew version is available on the distribution website of the Israel Securities Authority: <http://www.magna.isa.gov.il>

Fitch Ratings

Fitch Rates Bank Leumi's Subordinated Tier 2 Notes 'BBB(EXP)'

Fitch Ratings - London - 13 January 2020:

Fitch Ratings has assigned Bank Leumi Le-Israel B.M.'s (A/Stable/a-) planned subordinated Tier 2 notes a long-term rating of 'BBB(EXP)'.

The upcoming US dollar-denominated bonds will mature in 2031 and will constitute direct, unsecured, and subordinated obligations of Bank Leumi and will rank pari passu with the bank's other Tier 2 debt. These notes will either partly or in whole convert into share equity of the bank if either Bank Leumi's common equity Tier 1 (CET1) capital ratio falls below 5% (principal loss absorption feature) or if the bank's regulator, the Bank of Israel, notifies the bank in writing that a conversion of the debt is necessary 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 the point of non-viability (non-viability event). There is no coupon flexibility on these notes.

The assignment of a final rating is contingent on the receipt of final documents consistent with the information already received.

Key Rating Drivers

The notes are rated two notches below Bank Leumi's 'a-' Viability Rating (VR) to reflect Fitch's view that there is a heightened likelihood of poor recoveries in the event of default. In our opinion, the principal loss absorption feature gives rise to low incremental non-performance risk relative to the bank's VR and so we do not notch the notes for additional non-performance risk. 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.

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 relatively strong capitalisation, particularly in view of the bank's high risk-weight density for its risk profile. Bank Leumi's current minimum CET 1 ratio requirement is 10.26% and the bank reported a CET1 ratio of 11.73% at end-3Q19.

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 change its assessment of loss severity and/or relative non-performance risk.

Date of Relevant Committee

08-Jan-2020

ESG Considerations

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of 3. 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

RATING ACTIONS

ENTITY/DEBT	RATING	
Bank Leumi Le-Israel B.M.		
subordinated	LT BBB(EXP) Expected Rating	

Additional information is available on www.fitchratings.com

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Applicable Criteria

Exposure Draft: Bank Rating Criteria (pub. 15 Nov 2019)

Additional Disclosures

Dodd-Frank Rating Information Disclosure Form
Solicitation Status
Endorsement Policy

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