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Translation of Immediate Report

Bank Leumi le-Israel B.M.

Registration No. 520018078
Securities of the Corporation are listed on The Tel Aviv Stock Exchange
Abbreviated Name: Leumi
Leumi House, 34 Yehuda Halevi Street, Tel Aviv 65546
Phone: + 972 3 5148111, + 972 3 5149419; Facsimile: + 972 3 5149732
Electronic Mail: Yaelru@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
Nature of the Event: FitchRatings Notice

The Bank is pleased to announce that on 9 May 2013, FitchRatings published the attached notice regarding the affirmation of the Bank's rating.

See attached annex.

Date and time at which the corporation first became aware of the matter being the subject of the report: Date: 10 May 2013 Time: 13:53.

The report was signed on behalf of the corporation, in accordance with Regulation 5 of the Securities (Periodic and Immediate Reports), 1970, by Ron Fainaro, Head of the Finance and Economics Division at the Bank.

Name of Electronic Reporter: Yael Rudnicki, Position: Group Secretary
POB 2 Tel Aviv 61000, Phone: + 972 3 5149419, Facsimile: + 972 3 5149732,
Electronic Mail: Yaelru@bll.co.il

FITCH AFFIRMS BANK LEUMI & BANK HAPOALIM AT 'A-'; OUTLOOK STABLE

Fitch Ratings-London-09 May 2013: Fitch Ratings has affirmed Bank Leumi Le Israel B.M.'s (Leumi) and Bank Hapoalim's Long-term Issuer Default Ratings (IDR) at 'A-' with Stable Outlooks. Both banks' Viability Ratings (VR) have been affirmed at 'bbb+', one notch below their IDR. A full list of rating actions is at the end of this comment.

KEY RATING DRIVERS - IDRs, SUPPORT RATING FLOOR AND SUPPORT RATING
Both banks' Long- and Short-Term IDRs and Support Ratings and Support Rating Floors continue to be driven by the potential support which either bank can expect to receive, if needed, from the State of Israel ('A'/Stable). In the agency's opinion, the probability of such support being provided in a timely manner is extremely high because of the banks' large domestic franchises (together, they account for around 60% of Israel's banking system assets and deposits), their importance to the Israeli economy, and the Israeli authorities' consistent record of providing support to troubled banks in their jurisdiction.

The Stable Outlook on the Long-Term IDRs reflects the Stable Outlook on Israel's sovereign Long-term IDR.

KEY RATING DRIVERS - VRs
Both banks' VRs reflect their solid domestic franchises, strong funding profile and ample liquidity position. They also reflect capitalisation levels which are just turning from weak to acceptable as a result of reducing concentrations and increasing proportion of capital/risk weighted assets. Asset quality has remained healthy at both banks, with impaired loans accounting for about 3% of gross loans. Mortgage loans continue to perform extremely well with almost no losses seen from year to year, despite the strong growth in this form of lending which has been taking place since 2010.

Both banks' credit exposures are concentrated both by borrower and industry, particularly towards the real estate and construction sectors. These concentrations are difficult to avoid in the Israeli economy, where few large groups account for a big portion of the country's GDP. However, recently introduced prudential regulations are likely to reduce the levels of concentrations to capital levels, both as a result of increased capital requirements and of the need to reduce single name exposure. Hapoalim has the highest reported concentration in the system, as it reported one large exposure exceeding prudential limits and overall three group of borrowers whose exposure is greater than 15% of its capital (Leumi reported one).

Funding and liquidity is sound at both banks, where customer deposits, largely retail (cheap and relatively stable), are the main source of funding and adequately fund lending activities (loans/deposits ratio: stable at 85% for Leumi and 94% for Hapoalim at end-2012).

Leumi was hit by its share of the loss of one of its associates, additional provisions against staff cuts and provisions against possible expenses related to investigations that are being conducted by the US authorities with regard to customers who are US tax payers, related to 2002-2010. These series of one-offs moved it into the red in Q412. Nonetheless, its overall operating ROAE remained adequate at 7.6% (9.4% in 2011 and 13% in 2010). Its performance in 2013 is likely to begin to see some benefits from expected cost cuts.

However, the outlook for sector profitability and asset quality for 2013 is mildly negative as a result of the slowdown in economic growth from Q411 and the low interest rate environment in the country. This has had the effect of narrowing NIMs across the board.

Hapoalim's performance remained strong in 2012, with a reported operating ROAE of 15% (16% in 2011)

RATING SENSITIVITIES - IDRs
Both banks' Long and Short-Term IDRs are sensitive to changes in the Israeli sovereign rating, which would likely result in a revision of the bank's SRFs. The IDRs are also sensitive to a diminished propensity or ability to provide support by the State of Israel, which Fitch does not expect in the short to medium term.

RATING SENSITIVITIES - VRs
The banks' VRs take into account a gradual meeting of the minimum regulatory capital targets and, particularly in Hapoalim's case, a reduction in the concentration of the loan portfolio by both industry and single name. If these targets are not met as expected, the VRs could be downgraded. The VRs are also sensitive to a sharp deterioration in asset quality and profitability.

The rating actions are as follows:

Leumi
Long-Term IDR: affirmed at 'A-'; Stable Outlook
Short-Term IDR: affirmed at 'F2'
Viability Rating: affirmed at 'bbb+'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A-'

Bank Hapoalim
Long-Term IDR: affirmed at 'A-'; Stable Outlook
Short-Term IDR: affirmed at 'F2'
Viability Rating: affirmed at 'bbb+'
Support Rating: affirmed at '1'
Support Rating Floor: affirmed at 'A-'

Contact:
Primary Analyst
Claudia Nelson
Senior Director
+44 20 3530 1191
Fitch Ratings Limited
30 North Colonnade
London E14 5GN

Secondary Analyst
Fabio Ianno
Associate Director
+ 44 20 3530 1232

Committee Chairperson
Francesca Vasciminno
Senior Director
+39 02 8790 87225

Media Relations: Hannah Huntly, London, Tel: +44 20 3530 1153, Email: hannah.huntly@fitchratings.com.

Additional information is available on www.fitchratings.com

Applicable criteria, Global Financial Institutions Rating Criteria, dated August 2012 is available at www.fitchratings.com.

Applicable Criteria and Related Research
Global Financial Institutions Rating Criteria
http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686181