T125
Public

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
34 Yehuda Halevi Street, Tel Aviv 651316
Phone: 076-8858111, 076-889419; Facsimile: 076-8859732
Electronic Mail: Livnat.EinShay@bll.co.il

Transmission Date: January 4, 2018
Reference: 2018-01-001861

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 January 3, 2018, Standard & Poor's published

An updated rating report/notice:

1. Rating report or notice

Rating of corporation: *Other* Standard & Poor's A-/A-2 *Positive*
Comments/Substance of Notice: Rating affirmation

Ratings history for 3 years preceding the date of the rating/notice:

Date	Subject of Rating	Rating	Comments/ Substance of Notice
October 24, 2017	Bank Leumi le-Israel Ltd.	*Other* Standard & Poor's A-/A-2 _________Positive	Outlook upgrade
December 20, 2016	Bank Leumi le-Israel Ltd.	*Other* Standard & Poor's A-/A-2 _________ Stable	Rating affirmation
November 5, 2015	Bank Leumi le-Israel Ltd.	*Other* Standard & Poor's A-/A-2 _________ Stable	Rating affirmation
October 7, 2014	Bank Leumi le-Israel Ltd.	*Other* Standard & Poor's A-/A-2 _________ Stable	Rating upgrade

Explanation: The ratings history should specify only the ratings history of the ratings company which is the subject of the Immediate Report

Attached hereto is the Rating Report: 2018__isa.pdf

Standard & Poor’s affirmed the Bank’s Long-Term Credit Rating at A-. In addition, Standard & Poor's affirmed the outlook at positive. For additional information, see the attached full rating report.

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

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/

Name of Electronic Reporter: David Raoul Sackstein, Position: Advocate, General Secretary
Yehuda Halevi Street 34, Tel Aviv 6513616, Phone: 076-8857984, Facsimile: 076-8859732
Electronic Mail: david.sackstein@bankleumi.co.il

S&P Global
Ratings

RatingsDirect®

Bank Leumi le-Israel B.M.

Primary Credit Analyst:
Stephanie Mery, Paris (33) 1-4420-7344; stephanie.mery@spglobal.com

Secondary Contact:
Terence Klingman, RAMAT-GAN +972-3-7539708; Terence.Klingman@spglobal.com

Table Of Contents

Bank Leumi le-Israel B.M.

SACP	bbb+

Anchor	bbb	
Business Position	Strong	+1
Capital and Earnings	Adequate	0
Risk Position	Adequate	0
Funding	Average	0
Liquidity	Adequate	

\+

Support	+1

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	+1

\+

Additional Factors	0

Issuer Credit Rating
A-/Positive/A-2

Major Rating Factors

Strengths:	Weaknesses:
• Strong market position and franchise as one of the two largest banking groups in Israel with a strong presence in all key business lines and digital banking. • Improving efficiency ratios. • Conservative approach to provisioning. • Large domestic customer deposit base that underpins good funding and liquidity metrics. • Moderately high likelihood of extraordinary government support, if required, due to high systemic importance for Israel.	• Regulatory attempts to limit market share, primarily by forcing divestment of credit card subsidiary. • High concentration in real estate sector. • Limited ability to diversify fee income or raise fees.

Outlook: Positive

S&P Global Ratings' positive outlook on Bank Leumi le-Israel B.M. indicates the possibility of an upgrade over the next 12-24 months if Israel's economic and operating environment becomes more supportive, ultimately resulting in a higher anchor for Israeli banks. That aside, we expect that Leumi will continue moderately strengthening its capital, reaching a risk-adjusted capital (RAC) ratio of about 10% in the next two years, which could result in a stronger capital and earnings assessment and improvement in its stand-alone creditworthiness. We anticipate that it will maintain conservative underwriting standards while developing its loan book at a measured pace and continuing to improve its relatively modest efficiency ratios.

We could revise the outlook to stable if the positive economic trend reverses, driven perhaps by imbalances in the housing market. We could also revise the outlook to stable if we witness larger-than-expected pension-related costs deriving from the bank's defined-benefit pension that would hurt its capitalization.

Bank Leumi USA

The positive outlook on Bank Leumi USA (BBB+/Positive/--) matches our outlook on its parent. We assess the bank to be highly strategic to its parent and therefore rate it one notch below Leumi's supported group credit profile. All things equal, if we upgrade its parent, we would upgrade Bank Leumi USA. If we revise the outlook on its parent to stable, we would take the same rating action on the bank.

Rationale

We base our ratings on our 'bbb' anchor for Leumi, as well as its strong business position, adequate capital and earnings, adequate risk position, average funding, and adequate liquidity. We assess Leumi's stand-alone credit profile (SACP) at 'bbb+'. The long-term rating on Leumi is one notch above its SACP, reflecting our view that there is a moderately high likelihood that the State of Israel would provide extraordinary support to the bank in the event of financial distress. We classify Leumi as having high systemic importance and consider Israel to be supportive toward its banking sector.

Anchor: Reflects domestic focus on Israel

We use our Banking Industry Country Risk Assessment (BICRA) economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating to a bank. Our anchor for a commercial bank operating in Israel is 'bbb', based on the economic risk and industry risk scores of '4' (on the scale between 1 and 10, with '1' being the lowest risk and '10' the highest risk).

We base our assessment on the rounded geographical split of the bank's customer loan portfolio as of end-2016, 90% of which relates to Israel and 5% to the U.S. We expect the geographical lending split to remain broadly stable in the next two years.

In our view, the positive trend of Israel's economic indicators, with adequate resilience and no major imbalances, is supportive of the banking sector. However, the sector remains sensitive to risks emanating from geopolitics, inequality, and elevated exposure to real estate.

With regard to industry risk, we expect new non-bank competitors to emerge in retail and small business lending, in addition to an already strong non-bank presence in corporate lending. The Israeli banking sector has an adequate institutional framework, whereby internal checks and balances should ensure relative stability despite more competitive pressures. Industry stability is also underpinned by a high and stable share of core retail deposits and improving efficiency levels at banks.

Table 1

Bank Leumi le-Israel B.M. Key Figures					
	--Year-ended Dec. 31--				
(Mil. ILS)	**2017***	**2016**	**2015**	**2014**	**2013**
Adjusted assets	439,216	438,586	416,481	397,154	374,441
Customer loans (gross)	270,325	266,092	265,523	256,996	245,315
Adjusted common equity	32,111	29,113	28,048	24,589	22,459
Operating revenues	9,769	12,934	13,404	12,540	12,775
Noninterest expenses	6,146	8,580	8,831	9,313	8,804
Core earnings	2,280	2,787	2,753	1,454	2,227

*Data as of Sept. 30. ILS--Israeli new shekel.

Business position: Strong market position as one of the two largest banking groups in Israel

In our opinion, Leumi has a strong business position given its leading market presence and franchise as one of the two largest banking groups in Israel. Leumi had total assets of Israeli new shekel (ILS) 439 billion at Sept. 30, 2017. Leumi enjoys a strong franchise in Israel, controlling 27% and 29% of system loans and deposits, respectively. This, together with a distribution network of 203 retail branches, 24 business branches managing the activity of middle-market commercial companies, and the LeumiTech Business Center, makes Leumi one of the two largest banking groups in Israel.

Leumi has diversified business lines supported by its significant presence in all segments of the Israeli banking industry, including complimentary activities that embrace capital markets services, and investment banking capabilities with a particular focus on equity investments in non-financial companies. We believe this wide diversification suggests that the bank handles industry challenges better than peers with the same industry risk--such as smaller banks in Israel, Austria, Denmark, or Czech Republic--and mitigates its high geographic concentration.

Having shrunk its corporate exposure markedly over the past decade in favor of retail and mid-market clients, we now expect the bank's growth to be more balanced across all segments, since the bank aims to build on its domestic market position by offering a wide range of financial products and services to clients through both traditional and alternative distribution channels--such as the launch of its mobile only bank Pepper.

Following the exit from its private banking activities in Luxembourg and Switzerland, Leumi's focus on foreign business is now primarily on the U.S. and the U.K. (to a lesser extent). Paid provisions for the U.S. authorities' tax investigation and global cross border regulatory tightening have led to a more cautious international development strategy. Leumi continues to have very limited appetite for foreign expansion or large-scale acquisitions, instead focusing on improving profitability at existing operations, with an eye on sub-segments that will positively contribute to its profit and loss statement.

At the same time, we consider that the maturity and highly competitive nature of the domestic market, paired with regulatory and political scrutiny of banks' activities, may restrict growth prospects. The divestment of Leumi's credit card subsidiary LeumiCard over the next three to four years as required by regulation will reduce Leumi's market share in consumer lending. LeumiCard accounts for approximately 5% of Leumi's total lending and group net profits. Close to 42% of LeumiCard's outstanding loan balances reflect intra-month credit balances of bank-issued cards. Leumi has launched online mobile bank app Pepper and allows clients to take online consumer loans, so it is too early to assess whether the forced divestment will be sufficient to substantially erode Leumi's well-entrenched position in consumer and retail banking over the longer term. Nevertheless, the impact on fee income will be quite substantial with merchant fees accounting for about 17% of total fee income at Leumi in first-half 2017. At this stage, it is not clear how much of this will be recovered via interchange fees, distribution and card fees as the level of interchange fees is still subject to regulatory determination and the banks will have to conclude new commercial arrangements with the independent credit card companies.

We regard Leumi's management as experienced and professional. We note there has been some turnover in senior management ranks over the last couple of years.

Table 2

Bank Leumi le-Israel B.M. Business Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Total revenues from business line (mil. ILS)	9,854	13,000	13,592	12,610	12,874
Commercial banking/total revenues from business line	41.7	38.4	39.6	44.5	42.5
Retail banking/total revenues from business line	17.2	36.9	37.0	42.2	41.6
Commercial & retail banking/total revenues from business line	58.9	75.3	76.6	86.7	84.1
Other revenues/total revenues from business line	41.1	24.7	23.4	13.3	15.9
Return on equity	9.7	9.3	10.3	5.4	7.8

*Data as of Sept. 30. ILS--Israeli new shekel.

Capital and earnings: Capitalization benefits from moderate risk asset growth

We assess Leumi's capital and earnings as adequate. We project the bank's RAC ratio before adjustments at around 10% over the next two years.

We highlight that, despite current results, the projected average earnings buffer at 0.90% indicates a low capacity for earnings to cover normalized credit losses over a longer cycle. However, our positive outlook for the bank mirrors the positive trend for Israel's economic risk, which in effect suggests that historic normalized losses perhaps overstate the through the cycle credit losses the bank may sustain in the future. In any event, in our view, the bank's relatively low internal capital generation capability does not present a major rating consideration. This is because the bank's management is not targeting aggressive book growth, and we expect real risk costs to remain substantially below our normalized cost estimate in the next two years.

We do not factor into our RAC calculation any major changes in the actuarial valuation of the defined benefit pension fund. However, the bank has shown flexibility in dealing with this risk. In 2016 the bank issued shares to employees in the amount of ILS636 million in exchange for accepting less benefits. As the bank operates without a controlling shareholder, it is easier for the bank to equitize such employee obligations.

In addition, our RAC projection does not take into account the implications of the divestment of Leumi's credit card subsidiary on its capital, earnings, and risk assets. Although required to divest its credit card operations within three to four years, regulators have yet to determine key features of the card industry such as the level interchange fees. Given such uncertainty, the exact timing of the divestments of the credit card operations is difficult to forecast.

Israeli banks, unlike banks in many other developed economies, use the conservative standardized approach in calculating risk-weighted assets, as dictated by the Bank of Israel, rather than advanced models. This results in materially lower regulatory capital ratios compared with those of global peers (11.35% tier 1 ratio on Sept. 30, 2017), and low capital surplus above regulatory demands. We don't regard this as a risk, though, given our understanding that the regulator is comfortable with these narrow margins. We don't expect this to change in the near future.

In our base-case scenario, we assume that net profits, after dividend distributions of 40%, would be the main contributor to capital buildup in the next two years. We expect some acceleration in the current very modest levels of loan growth as the bank's capital buffer over minimum regulatory requirements continues to expand. We expect Leumi's regulatory capital ratio to be more prone to flattening yield curves and shrinking credit spreads than that of its main local competitor, given its defined benefit pension fund, although the regulator has smoothed the impact by allowing the bank to use a rolling-eight-quarter discount rate to value its pension obligations.

We estimate that credit losses would increase from their current lows in the next two years, as the current low level is not sustainable, in our view. Given the high concentration of real estate and mortgage lending in the overall business mix, adverse developments in the property market--while not our base-case scenario--may pose a risk to the capital forecast. We also expect that the continued low-interest-rate environment will continue to pressure Leumi's overall interest margins due to a moderation in bond trading gains, but that the underlying core margin will benefit moderately from the shifting business mix into higher-margin sectors.

Continued improvement in operational efficiency is a key management goal, and the bank has made progress in this regard. In recent years, the bank implemented efficiency plans resulting in a substantial reduction in number of employees and an improvement in operational efficiency, with the most recent one announced in July 2017, which will come into effect year-end 2017. As a result of the steps taken by the bank, the cost income ratio has improved from close to 70% in 2013 to above its current level at above 60%. The bank's union had a history of achieving above-industry-average wage settlements. Making further inroads in operational efficiency than peers will therefore also depend on the bank leveraging significant IT investment over the past few years, both in core banking systems and front ends interfaces.

In our base-case scenario for Leumi's profitability, we are cautious to forecast trading gains and investment banking income deriving from realization of equity stakes in non-financial companies, both of which can be volatile and can heavily influence the results. We expect the bank to report profits of around ILS3 billion annually in the coming two years, but we highlight that the forecast is sensitive to swings in market sensitive income and risk costs.

Table 3

Bank Leumi le-Israel B.M. Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Criteria reflected in RAC ratios	2017 RAC Criteria	2017 RAC Criteria	2010 RAC Criteria	2010 RAC Criteria	2010 RAC Criteria
Tier 1 capital ratio	11.4	11.2	9.6	9.2	9.3
S&P RAC ratio before diversification	N/A	9.1	9.0	7.6	6.8
S&P RAC ratio after diversification	N/A	8.4	8.9	7.4	6.3
Net interest income/operating revenues	61.0	58.2	53.1	58.7	57.6
Fee income/operating revenues	31.4	30.7	30.5	33.2	32.8
Market-sensitive income/operating revenues	6.8	9.9	11.9	6.1	8.0
Noninterest expenses/operating revenues	63.0	66.3	65.9	74.3	68.9
Preprovision operating income/average assets	1.1	1.0	1.1	0.8	1.1
Core earnings/average managed assets	0.7	0.7	0.7	0.4	0.6

*Data as of Sept. 30. RAC--Risk-adjusted capital. N/A--Not applicable.

Table 4

Bank Leumi le-Israel B.M. Risk-Adjusted Capital Framework Data

(Mil. ILS)	**Exposure***	**Basel III RWA**	**Average Basel III RW (%)**	**S&P Global Ratings' RWA**	**Average S&P Global Ratings' RW (%)**
Credit risk					
Government and central banks	125,567	4,647	4	2,679	2
Institutions and CCPs	19,071	4,000	21	5,326	28
Corporate	172,932	160,046	93	164,186	95
Retail	126,249	79,812	63	70,444	56
Of which mortgage	78,187	43,588	56	28,562	37
Securitization§	2,117	443	21	445	21
Other assets†	9,139	6,058	66	19,472	213
Total credit risk	455,075	255,006	56	262,553	58
Credit valuation adjustment					
Total credit valuation adjustment	--	2,059	--	0	--
Market risk					
Equity in the banking book	3,154	15,121	479	23,655	750
Trading book market risk	--	6,138	--	9,206	--
Total market risk	--	21,259	--	32,861	--
Operational risk					
Total operational risk	--	20,863	--	23,726	--
(Mil. ILS)		**Basel III RWA**		**S&P Global Ratings' RWA**	**% of S&P Global Ratings' RWA**
Diversification adjustments					
RWA before diversification	--	292,165	--	319,141	100

Table 4

Bank Leumi le-Israel B.M. Risk-Adjusted Capital Framework Data (cont.)					
Total Diversification/Concentration Adjustments	--	--	--	25,526	8
RWA after diversification	--	292,165	--	344,667	108
(Mil. ILS)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings' RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments	--	32,586	11.2	29,113	9.1
Capital ratio after adjustments‡	--	32,586	11.2	29,113	8.4

*Exposure at default. §Securitization exposure includes the securitization tranches deducted from capital in the regulatory framework. †Other assets includes Deferred Tax Assets (DTAs) not deducted from ACE. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.ILS--New Israeli Shekel. Sources: Company data as of Dec. 31, 2016, S&P Global Ratings.

Risk position: Risks adequately covered by capital buffer

Our assessment of Leumi's risk position is adequate, which is similar to that of other large Israeli banks. We believe that risk metrics for the bank are in line with that of peer banks with similar business models in Israel or international peers that operate with the same weighted economic risk score.

We expect credit growth to be modest in 2017-2019. We have seen a slowdown in new mortgage production in the banking industry, which has been a key segment supporting growth as the property price inflation cools and the government sells land at below market prices. The Bank of Israel is introducing macro-prudential guidance with respect to auto loans. Although no longer constrained by the need to build capital, book growth will also be constrained by the higher dividend payout ratio.

A key risk factor for Leumi and its local peers is high exposure to property-related lending, while at Leumi construction is mainly residential. This exposure has the potential to weigh on the bank's capital and earnings in a material property price correction or an adverse economic environment.

While we have seen a rise in the number of contractors experiencing financial difficulties, the legal framework governing the residential property construction, whereby banks provide apartment purchasers with guarantees in the event of contractor failure, ensures that banks lend mainly at the individual project level. Contractors are required to inject equity into the projects and bank financing is provided according to percentage completion and percentage of units sold, so that in the event of a default by contractors, losses incurred by banks tend to be moderate. The shift in the market to Buyer's Price projects (whereby contractors compete to provide the lowest price to first time homeowners in a return for below market prices on land sold by the government) means than many projects are now 100% pre-sold.

Macroprudential measures implemented by the Bank of Israel may help mitigate the risks inherent in large mortgage exposures, as Israel has very low loan-to-value ratios by developed market standards for residential mortgages which are fully amortizing. Macro prudential measures also cover payment-to-income tests and cap the amount of floating rate debt a borrower may take.

Unsecured consumer credit has been an additional growth engine in recent years in the industry as a whole. We view this type of credit as having a higher risk profile, which is reflected in its higher interest margins that have recently fed through into higher provisions. We highlight that Leumi's retail lending is more heavily weighted to mortgages and its recent loss experience in consumer and small business credit has been lower than industry averages.

Given the small size of Israel's economy, Leumi's position as Israel's largest corporate lender means that single-name-borrower concentrations also represent a source of incremental risk, compared with banks in larger countries with more diverse economies. However, Leumi has traditionally had a strong middle market franchise where risks are more diversified. The gradual dismantling of domestic holding company structures coupled with active market for risk-transfer to institutional investors and the bond market, also allowing Leumi flexibility in managing its corporate exposures.

Nonperforming assets at Leumi continued to decrease, amounting to 1.8% of total loans as of year-end 2016 and 1.5% by end-September 2017, which we consider very good in a global comparison and adequate compared with local peers. Loan loss provisions have been very low recently as the bank continued to record recoveries from previously provided loans. These metrics have improved in recent years at Leumi and in the Israeli banking sector in general, given a favorable economic environment, corporates deleveraging, and the use of alternative funding sources to refinance debt. We consider the bank's coverage ratio of nonperforming loans and 90 day past due loans of 80% on Sept. 30, 2017, to be broadly in line with global standards.

A key non-credit risk for Leumi is the volatility in the actuarial valuation of its defined benefits pension offered to employees until the end of 1999. While the valuation adjustment would be positive for capital build should rates increase, in the past,the size of the fund and the sharp decline in discount rates have acted as a drag on the banks capital build. However, the bank has shown flexibility in dealing with this risk. In 2016 it issued shares to employees in the amount of ILS636 million in return for them sacrificing some of their benefits. The fact that the bank now operates without a controlling shareholder makes it easier for the bank to equitize such employee obligations.

Operational risks are material, but not bank specific. They mainly relate to the geopolitical tensions in the region and potential damage to the bank in case of tail events. We reflect these risks in our anchor assessment for Israeli banks. In our view, Leumi is adequately protecting itself from cyber risks.

Table 5

Bank Leumi le-Israel B.M. Risk Position					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Growth in customer loans	2.1	0.2	3.3	4.8	(0.2)
Total managed assets/adjusted common equity (x)	13.7	15.1	14.8	16.2	16.7
New loan loss provisions/average customer loans	0.1	0.0	0.1	0.2	0.1
Net charge-offs/average customer loans	0.2	0.0	0.2	0.1	0.2
Gross nonperforming assets/customer loans + other real estate owned	1.5	1.8	1.8	2.2	2.8
Loan loss reserves/gross nonperforming assets	80.5	75.7	75.3	69.3	55.6

*Data as of Sept. 30. N/A--Not applicable.

Funding and liquidity: Sound liquidity, supported by a deep domestic funding base and comfortable liquidity indicators

We assess Leumi's funding as average and its liquidity as adequate. At end-September 2017, customer deposits were fully funding loans, with the ratio of total loans to customer deposits at 76% is not out of line with broad industry averages also better than some of its peers.

At end-September 2017, Leumi's stable funding ratio was 129%, close to the local industry average. We believe the funding profile, both at the bank and industry wide, are sound. We regard this as a strength for our overall banking industry assessment for Israel and reflect this in the anchor assessment.

Leumi benefits from sound liquidity, supported by its deep domestic funding base, which is highly diverse and dominated by retail deposits. Liquid asset cushions are sizable with cash, central bank, and other bank placements, and investment securities (two-thirds of which consist of Israeli and foreign governments bonds) constituting a sizable one-third of assets on Sept. 30, 2017. Leumi is a net placer of funds on the interbank market.

Apart from its deposit funding base, Leumi also has recourse to wholesale funding, issuing bonds, subordinated notes, and hybrid instruments in the domestic market. As of Sept. 30, 2017, outstanding debt issues stood at below 6% of total funding. Leumi's ratio of broad liquid assets to short-term wholesale funding was 23x as of end-September 2017, indicating its low reliance on such funding.

Table 6

Bank Leumi le-Israel B.M. Funding And Liquidity					
		--Year-ended Dec. 31--			
(%)	**2017***	**2016**	**2015**	**2014**	**2013**
Core deposits/funding base	94.2	92.9	92.7	91.2	90.4
Customer loans (net)/customer deposits	76.1	75.5	79.5	83.3	84.3
Long term funding ratio	98.7	98.6	98.3	97.7	97.9
Stable funding ratio	128.8	131.1	124.4	118.5	120.2
Short-term wholesale funding/funding base	1.4	1.5	1.8	2.5	2.2
Broad liquid assets/short-term wholesale funding (x)	23.1	21.7	15.8	10.1	11.6
Net broad liquid assets/short-term customer deposits	40.2	42.2	36.1	31.1	32.8
Short-term wholesale funding/total wholesale funding	23.7	21.3	24.6	28.2	23.3
Narrow liquid assets/3-month wholesale funding (x)	N/A	29.3	18.9	N/A	N/A

*Data as of Sept. 30. N/A--Not applicable.

External support: One notch of uplift to the SACP for potential government support

The long-term rating is one notch higher than the SACP, reflecting the bank's high systemic importance in Israel, which we classify as supportive toward its banking sector. In our view, there is a moderately high likelihood that the government would provide extraordinary support to the bank if necessary.

Subsidiary ratings

We regard Bank Leumi USA as a highly strategic important subsidiary of Leumi and, in our view, government support from Israel would also accrue to the U.S. subsidiary. Our rating on Bank Leumi USA reflects our view that it holds high strategic importance to its parent--meaning that we believe the parent would support it under almost all foreseeable circumstances if it came under stress. We rate the bank one notch below the supported group credit profile of 'a-'.

Related Criteria

- General Criteria: S&P Global Ratings' National And Regional Scale Mapping Tables, Aug. 14, 2017
- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- Criteria - Financial Institutions - Banks: Bank Hybrid Capital And Nondeferrable Subordinated Debt Methodology And Assumptions, Jan. 29, 2015
- General Criteria: National And Regional Scale Credit Ratings, Sept. 22, 2014
- General Criteria: Group Rating Methodology, Nov. 19, 2013
- General Criteria: Methodology: Timeliness Of Payments: Grace Periods, Guarantees, And Use Of 'D' And 'SD' Ratings, Oct. 24, 2013
- Criteria - Financial Institutions - Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- General Criteria: Understanding Standard & Poor's Rating Definitions, June 3, 2009

Related Research

- Summary: Bank Leumi USA, Dec. 12, 2017
- Banking Industry Country Risk Assessment Update: November 2017, Nov. 10, 2017
- Banking Industry Country Risk Assessment: Israel, Oct. 30, 2017
- State of Israel Outlook Revised To Positive On Economic Growth Momentum; 'A+/A-1' Ratings Affirmed, Aug. 4, 2017

Anchor Matrix

Industry Risk	Economic Risk									
	1	2	3	**4**	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	a-	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	**bbb**	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of January 3, 2018)		
Bank Leumi le-Israel B.M.		
Counterparty Credit Rating		A-/Positive/A-2
Counterparty Credit Ratings History		
24-Oct-2017	*Foreign Currency*	A-/Positive/A-2
07-Oct-2014		A-/Stable/A-2
04-May-2010		BBB+/Stable/A-2
24-Oct-2017	*Local Currency*	A-/Positive/A-2
07-Oct-2014		A-/Stable/A-2
04-May-2010		BBB+/Stable/A-2
Sovereign Rating		
Israel (State of)		A+/Positive/A-1
Related Entities		
Bank Leumi USA		
Issuer Credit Rating		BBB+/Positive/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

Additional Contact:

Financial Institutions Ratings Europe; FIG_Europe@spglobal.com