

Translation of Immediate Report

T125
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: David_S@bll.co.il

Transmission Date: August 3, 2023
Reference: 2023-01-089280

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

Report amending an erroneous report issued on August 1, 2023 whose reference no. is:
2023-01-087702

The error: Technical error of the rating company in chart 4 on page 10 in the rating report.

The cause of the error: Technical error of the rating company in chart 4 on page 10 in the rating report.

Summary of correction: Amendment of a technical error of the rating company in chart 4 on page 10 in the rating report.

Immediate Report of Rating of Bonds/Rating of a Corporation, or of Withdrawal of Rating

On July 31, 2023, *Standard & Poor's* published the following:

A rating report/update notice: *Updated*

1. Rating report or notice

Rating of the corporation: *Standard & Poor's A/A-1 ___ stable ___*
Comments/Nature of Notice: *Affirmation of rating*

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

Date	Subject of Rating	Rating	Comments/ Substance of Notice
July 20, 2022	Bank Leumi le-Israel B.M.	Standard & Poor's A/A-1 ___ stable ___	Affirmation of rating
January 20, 2022	Bank Leumi le-Israel B.M.	Standard & Poor's A/A-1 ___ stable ___	Affirmation of rating
July 20, 2021	Bank Leumi le-Israel B.M.	Standard & Poor's A/A-1 ___ stable ___	Affirmation of rating

<i>December 22, 2020</i>	<i>Bank Leumi le-Israel B.M.</i>	<i>Standard & Poor's A/A-1</i> <i>___ stable ___</i>	<i>Affirmation of rating</i>
<i>July 20, 2020</i>	<i>Bank Leumi le-Israel B.M.</i>	<i>Standard & Poor's A/A-1</i> <i>___ stable ___</i>	<i>Affirmation of rating</i>

Explanation: As part of the ratings history, one should only provide the details of the rating history of the rating agency which is the subject matter of the immediate report.

Rating of the corporation's bonds:

Security name & type	TASE Security No.	Rating agency	Current rating	Comments / nature of notice
<i>Leumi dollar 2031</i>	<i>6040489</i>	<i>Standard & Poor's</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>
<i>USD senior Unsecured Notes</i>	<i>6040687</i>	<i>Standard & Poor's</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>
<i>US\$ Tier 2 Subordinated Green Notes</i>	<i>6050679</i>	<i>Standard & Poor's</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>

Rating history in the 3 years prior to the rating/notice date:

Security name & type	TASE Security No.	Date	Type of rated security	Current rating	Comments / nature of notice
<i>US\$ Tier 2 Subordinated Green Notes</i>	<i>6050679</i>	<i>January 10, 2023</i>	<i>Bond</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Initial rating</i> <i>_____</i>
<i>USD senior Unsecured Notes</i>	<i>6040687</i>	<i>July 18, 2022</i>	<i>Bond</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Initial rating</i> <i>_____</i>
<i>Leumi dollar 2031</i>	<i>6040489</i>	<i>July 7, 2021</i>	<i>Bond</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>
<i>Leumi dollar 2031</i>	<i>6040489</i>	<i>December 22, 2020</i>	<i>Bond</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>
<i>Leumi dollar 2031</i>	<i>6040489</i>	<i>July 20, 2020</i>	<i>Bond</i>	<i>Standard & Poor's</i> <i>___ stable</i>	<i>Affirmation of rating</i> <i>_____</i>

Explanation: As part of the ratings history, one should only provide the details of the rating history of the rating agency which is the subject matter of the immediate report.

Attached is the rating report:

[2023_Sanitized_isa.pdf](#)

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

Name of signatory	Title	other
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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](#).

Standard & Poor's affirmed the Bank's long-term credit rating at A, short-term credit rating at A-1, and affirmed the outlook at Stable. For more information, see the attached full rating report.

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

The securities of the corporation are listed for trading on the Tel Aviv Stock Exchange

Ticker: Leumi

Address: Yehuda Halevi Street 34, Tel Aviv 6513616, Tel: 076-8858111, Facsimile: 076-8859732 Electronic Mail: David_S@bll.co.il company's website: www.leumi.co.il

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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/>

Bank Leumi le-Israel B.M.

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Table Of Contents

Ratings Score Snapshot

Credit Highlights

Outlook

Key Metrics

Anchor: 'bbb+' For Banks Operating Only In Israel

Business Position: Leading Domestic Player

Capital And Earnings: Strong Profitability Will Strengthen Capital

Risk Position: High Concentration In Real Estate-Related Lending

Funding And Liquidity: Sound Liquidity And Customer Deposits Underpin The Funding Base

Support: One Notch Of Uplift For Government Support

Environmental, Social, And Governance

Key Statistics

Table Of Contents (cont.)

Related Criteria



Related Research

Bank Leumi le-Israel B.M.

(Editor's Note: This report was republished on Aug. 2, 2023 to update chart 4.)

Ratings Score Snapshot

Issuer Credit Rating
A/Stable/A-1

SACP: a-  **Support: +1**  **Additional factors: 0**

Anchor	bbb+	
Business position	Strong	+1
Capital and earnings	Strong	+1
Risk position	Moderate	-1
Funding	Adequate	0
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	+1

Issuer credit rating
A/Stable/A-1

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Overview

Key strengths	Key risks
Market leader in Israel, with a strong presence in all key business lines.	Large and growing concentration in the real estate sector.
Earnings tailwind from higher interest rates and cost-savings initiatives.	Large investment securities and pension liabilities, which create volatility in capitalization.
Large domestic customer deposit base.	Operations in a competitive environment

Leumi's strong franchise is credit positive. Leumi is a universal bank that serves the full spectrum of customers in Israel, from households to large corporates and institutions, thus providing reasonably predictable earnings and balance-sheet metrics.

Rising interest rates are a strong tailwind to earnings, supporting the bank's capitalization. Leumi's profitability will benefit from rising interest rates, as well as the contribution from its recent, sustained business growth. Cost efficiency initiatives are also helping. We expect credit losses to increase to about 35 basis points (bps) by 2024-2025. In this context, we forecast that Leumi's risk-adjusted capital (RAC) ratio will improve to about 10.5% in 2025, compared with 9.7% as of December 2022, assuming a slowdown in lending expansion, particularly in riskier segments.

Leumi's higher concentration than that of its peers will continue to weigh on the ratings. Leumi continues to display higher concentration than its international peers, reflecting its focus on Israel and the local economy's relatively concentrated nature. Leumi is also sensitive to tail risks associated with its high real estate exposure. Construction and real estate loans have been the engine of growth over the past three-to-four years, and we consider this portfolio more vulnerable than others.

Leumi's large and granular deposit base supports its funding profile. At the same time, Leumi displays limited recourse to wholesale funding, which accounts for less than 10% of its funding base. This is despite a recent rise due to the bank's greater recourse to the market to fund its strong lending growth. The bank's large stock of liquid assets is sufficient to comfortably cover its liquidity needs.

Government support will continue to benefit the ratings. We factor into our ratings our view that Israel (AA-/Stable/A-1+) would provide extraordinary support to the bank in the event of financial distress.

Outlook

The stable outlook on Leumi reflects our view that the bank will be able to maintain strong capitalization, keeping its RAC ratio sustainably above 10% over the next two years, with its asset quality metrics remaining broadly in line with the system average.

Downside scenario

Rating pressure could emerge if the Israeli economy, particularly the real estate sector, deteriorated markedly. Such weakening could stem from an abrupt readjustment of the local real estate market, economic stress amid the deterioration in the global economic outlook, or a pronounced escalation in local geopolitical turbulence. Furthermore, we could take a negative rating action if Leumi failed to sustain its capitalization. This could happen if the bank's growth, particularly in real estate-related lending, exceeded our expectations and put pressure on the capital or risk profile.

Upside scenario

Although unlikely during our two-year outlook period, we could upgrade Leumi if the economic and operating conditions in Israel improved, in turn improving the bank's risk profile. This could happen if we observed lower concentration in the real estate sector and better profitability than at peer banks, for example.

Key Metrics

Bank Leumi le-Israel B.M.--Key ratios and forecasts

	--Fiscal year ended Dec. 31 --				
(%)	2021a	2022a	2023f	2024f	2025f
Growth in operating revenue	21.85	11.78	12.3-15.0	1.7-2.1	0.5-0.7
Growth in customer loans	15.62	12.21	6.3-7.7	4.5-5.5	5.4-6.6

Bank Leumi le-Israel B.M.--Key ratios and forecasts (cont.)

	--Fiscal year ended Dec. 31 --				
(%)	2021a	2022a	2023f	2024f	2025f
Net interest income/average earning assets (NIM)	2.41	2.79	3.0-3.3	2.8-3.1	2.7-2.9
Cost to income ratio	46.99	38.69	34.2-35.9	34.4-36.2	35.0-36.8
Return on average common equity	15.21	16.93	13.5-14.9	13.6-15.1	12.7-14.1
New loan loss provisions/average customer loans	(0.25)	0.13	0.4-0.4	0.3-0.3	0.2-0.2
Gross nonperforming assets/customer loans	1.12	0.77	1.0-1.1	1.3-1.4	1.2-1.4
Risk-adjusted capital ratio	9.41	9.74	9.7-10.2	10.1-10.6	10.2-10.7

All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'bbb+' For Banks Operating Only In Israel

We use our Banking Industry Country Risk Assessment's economic risk and industry risk scores to determine a bank's anchor, the starting point in assigning an issuer credit rating. The anchor for banks operating only in Israel is 'bbb+'.

We expect Israeli economic growth to slow to 1.5% in 2023 amid the current political turmoil, weaker growth in key trading partners, as well as tighter monetary policy. We assume that the broader political consensus will ultimately prevail, and that economic growth will return to an annual average of 3.5% from 2024, supported by strong performance in Israel's diversified high-tech sector, and an improving external environment. Since 2020, lending has grown about 27%, particularly in mortgage and construction, while real estate prices have risen by 22.4% in real terms mostly due to the housing shortage. We now expect inflation-adjusted house prices to contract moderately in 2023 and stabilize afterwards, and rising interest rates and higher inflation to dampen lending growth. Current indicators suggest that the level of risk in real estate-related segments is manageable and mitigated by conservative underwriting standards, coupled with strong housing demand. However, we are cautious about banks' exposure to real estate-related lending, particularly amid recent strong expansion. We expect credit losses to increase further to about 40 bps in 2023 before normalizing to pre-pandemic levels of about 25-30 bps by 2024-2025.

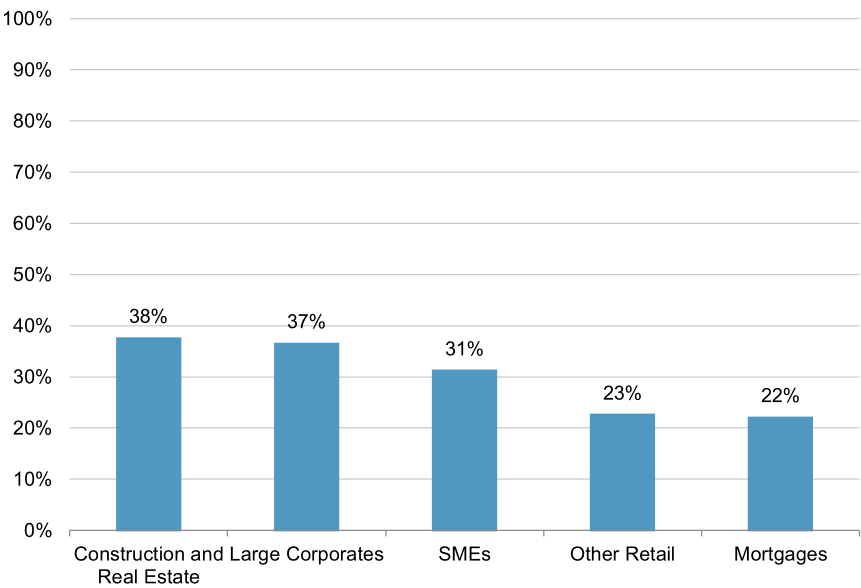
Israeli banks are well capitalized, highly liquid, with sound funding bases that primarily comprise domestic deposits. Regulatory oversight is prudent and has led banks to tighten their lending standards. We anticipate Israeli banking sector profitability to continue to benefit from higher interest rates and increasing efficiency. We believe that banks are well equipped to handle digitalization, though heightened competition from the Bank of Israel (BoI), as well as pressure related to nonbank players and technological adaptation, might undermine the sector's profitability in the near term.

Business Position: Leading Domestic Player

Our positive assessment of Leumi's business position reflects its strong franchise in its home market, where it enjoys significant presence in all segments (see charts 1 and 2). The bank aims to maintain its current market shares in most segments while continuing to grow in mortgages. At the same time, Leumi will continue to increase its digitalization and maintain tight cost control in the inflationary environment.

Chart 1

Leumi enjoys a strong market presence in all segments
Market share

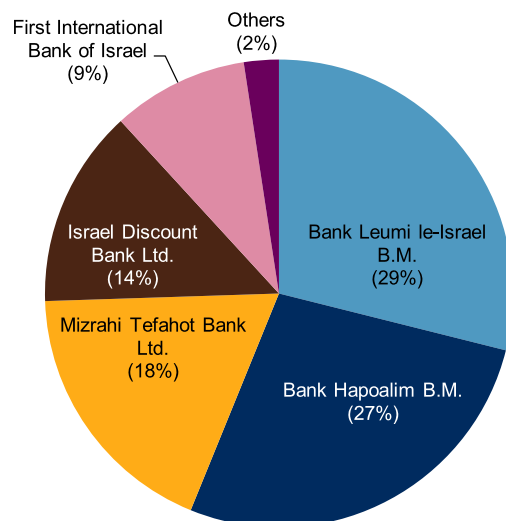


Source: S&P Global Ratings.
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Chart 2

Leumi is one of the top two banks in Israel

Domestic deposits market share as of March 31, 2023



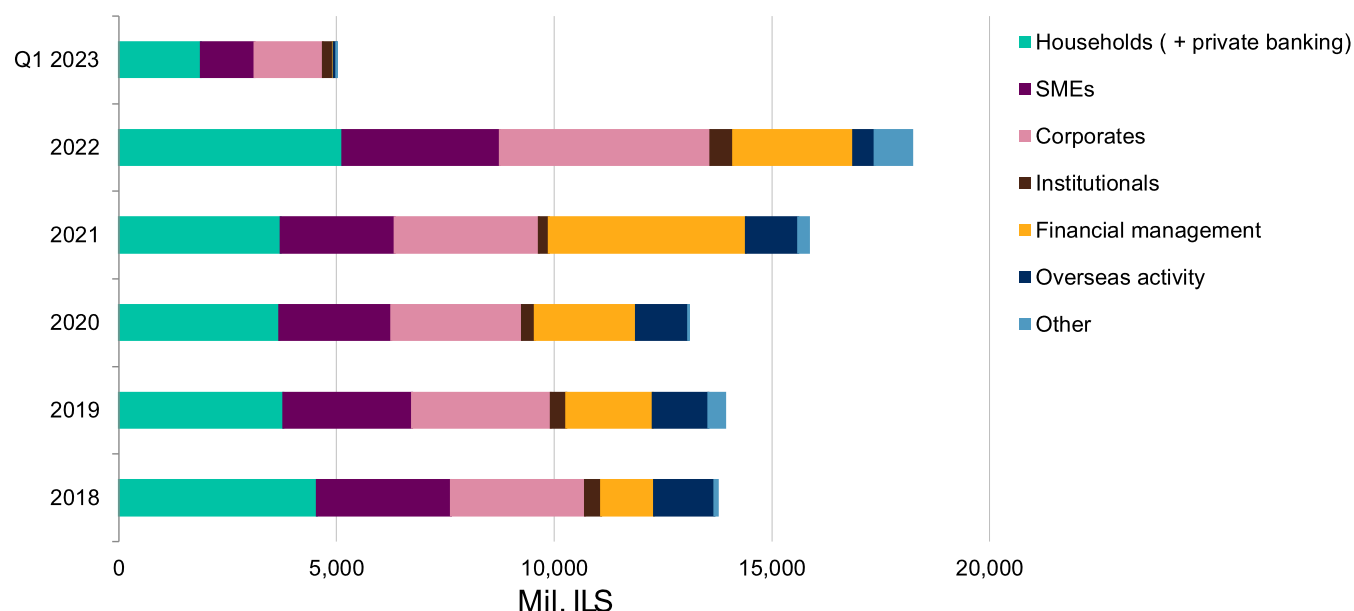
Source: S&P Global Ratings.

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Its diversified revenue base provides business stability. However, larger operations than peers in the capital markets and investment banking segments create some volatility in its revenue base.

Chart 3**Leumi's diversified revenues help predictability**

Revenue distribution per segment



Source: S&P Global Ratings. ILS--Israeli new shekel.

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Leumi has significantly expanded its business since 2020, but it has mostly focused on construction and real estate segments, which we consider inherently riskier. We acknowledge that underwriting standards have remained conservative, but we think that rapid growth in the real estate segment might expose Leumi to risks, amid toughening economic conditions. We expect Leumi's lending growth to slow down over the next two-to-three years, in line with the system, amid tighter financing conditions. In particular, we expect the bank to adopt a more cautious approach toward real estate and construction.

On the international front, Leumi cooperates with U.S.-based Valley National Bank (Valley) to serve the U.S. operations of large Israeli companies that are important Leumi customers. Leumi sold its 85% stake in Bank Leumi USA to Valley on April 1, 2022, in exchange for about 14.2% of Valley and cash. While we think that the sale reduced Leumi's operational risk, we believe it magnified its exposure to the turmoil at U.S. regional banks. Leumi wrote down about Israeli new shekel (ILS) 1.1 billion of its investment in May 2023, to reflect Valley's weaker share price performance, in line with other U.S. regional banks. We see continued risks for Valley given its deteriorating net interest margins and funding metrics. We factor this into our assessment of Leumi by deducting the bank's ILS2.4 billion investment in Valley from our measure of capital.

Capital And Earnings: Strong Profitability Will Strengthen Capital

We expect Leumi will gradually improve its capital position, as measured by our RAC ratio, buoyed by strong profitability and the slowdown in business growth.

Leumi reported a strong return on equity (ROE) of 17% in 2022. In addition to lending expansion and cost-containment measures, Leumi's revenues and earnings have benefited significantly from rising interest rates, reflecting its deposit-heavy profile (see chart 4). This tailwind is likely to gradually ease as monetary policy tightening approaches a conclusion, deposit price competition grows, and there is greater migration from on-demand deposits to lower-margin term products.

In our forecast we factor in:

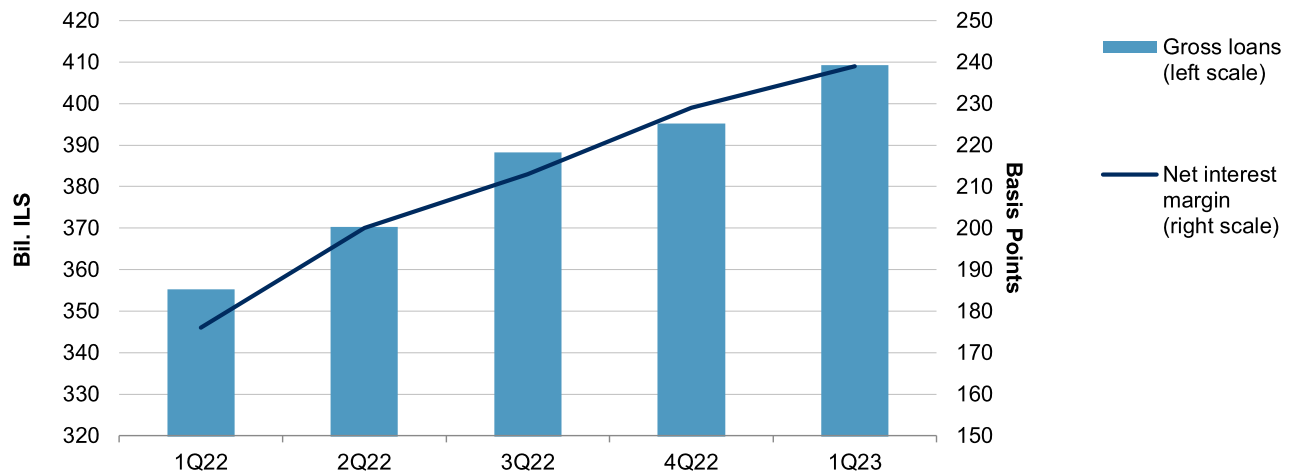
- ROE of around 13.5%-14.5%
- Net interest margin remaining around a high 3% in 2023, in line with the first quarter, and then converging toward the 2022 level.
- Resilient fee performance due to its diversified fees-based business.
- An increase in credit losses to about 35bps-40bps in 2023-2025 due to the deteriorating economic environment and recent strong lending expansion.
- Lending expanding by about 7%-8% in 2023, supported by the strong first quarter, and about 5% thereafter.
- A payout ratio similar to historical levels.

As such, we anticipate that Leumi's RAC ratio will be about 10.5% in 2025, compared with 9.7% as of December 2022.

Financial instruments accounted for about 14.5% of total assets as of March 31, 2023. Those are quite diversified (see chart 5), and about ILS6 billion is invested in equity, which carries a high 822% risk weight in our capital calculation.

Chart 4

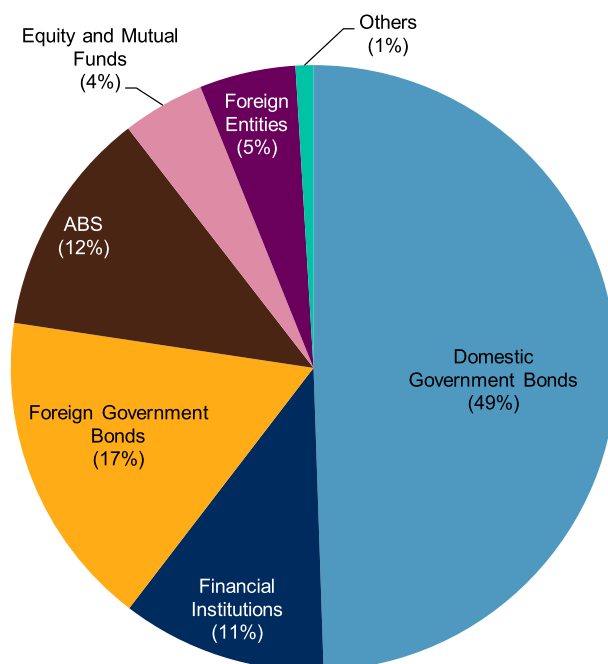
Leumi's lending volume follows the upward NIM trend



Note: data exclude BLUSA. Source: S&P Global Ratings. ILS--Israeli new shekel.
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Chart 5**Leumi's securities portfolio is quite diversified, although brings some volatility to regulatory capitalization**

Securities portfolio breakdown as of March 31, 2023



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Leumi's capitalization is more volatile than that of its peers due to its large securities portfolio and postretirement benefits. Unrealized fair value loss on Leumi's bonds accounted at fair value reached about ILS1.78 billion compared to a gain of about ILS874 million as of December 2021. This was fully reflected in regulatory capital ratios but neutralized in our RAC calculation. At the same time, however, we reduce our measure of capital by the amount of unrecognized losses for employee benefits, totaling ILS1.5 billion at the same date, down from a high ILS3.5 billion as of December 2021. Regulatory treatment has recently changed: from July 2022, the BOI allowed Leumi to spread over four quarters the change in the pension liability deriving from movement in the discount rate, net of the change in the value of assets designated for hedging this liability.

Risk Position: High Concentration In Real Estate-Related Lending

We view Leumi's risk position as weaker than peers, reflecting its higher concentration. Given the small size of Israel's economy, Leumi's leading position in corporate lending means that its sectorial and single-name borrower concentration represents a source of risk compared with banks in larger, more diverse economies.

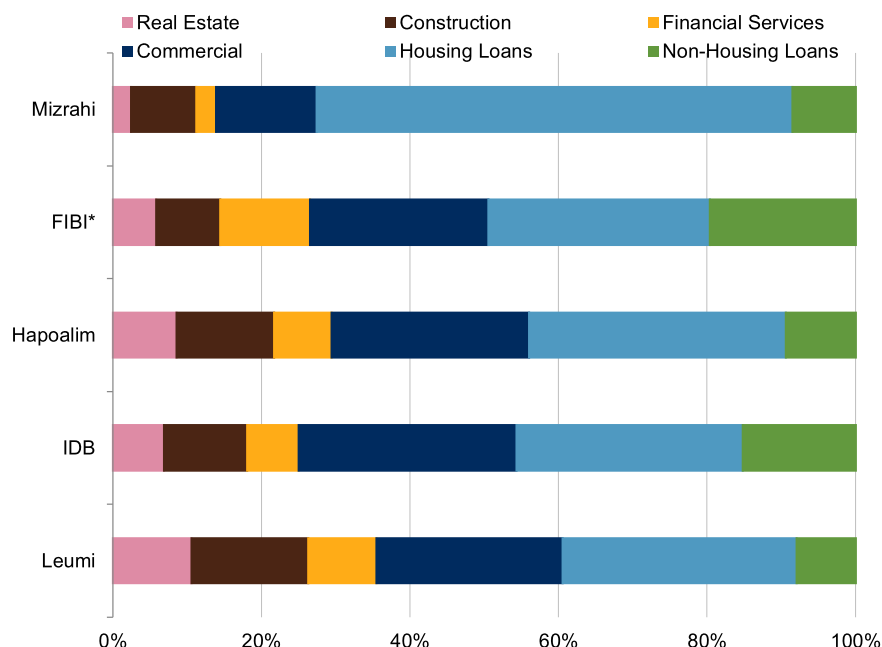
A key risk factor for Leumi and its local peers is the high exposure to property-related lending (see chart 6), namely for

construction and income-producing property.

Chart 6

Leumi's domestic property-related lending exposure is a source of risk

Loans breakdown March 31, 2023



* Data as of March 2023. Source: S&P Global Ratings.

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Housing carries lower risk, in our view, but we are mindful of the strong growth of both the sector and real estate prices over the past couple of years. Moderate loan-to-value ratios (averaging 48.6% as of March 2023), conservative underwriting standards, and sustained housing demand due to population growth and limited housing supply, somewhat mitigate these risks.

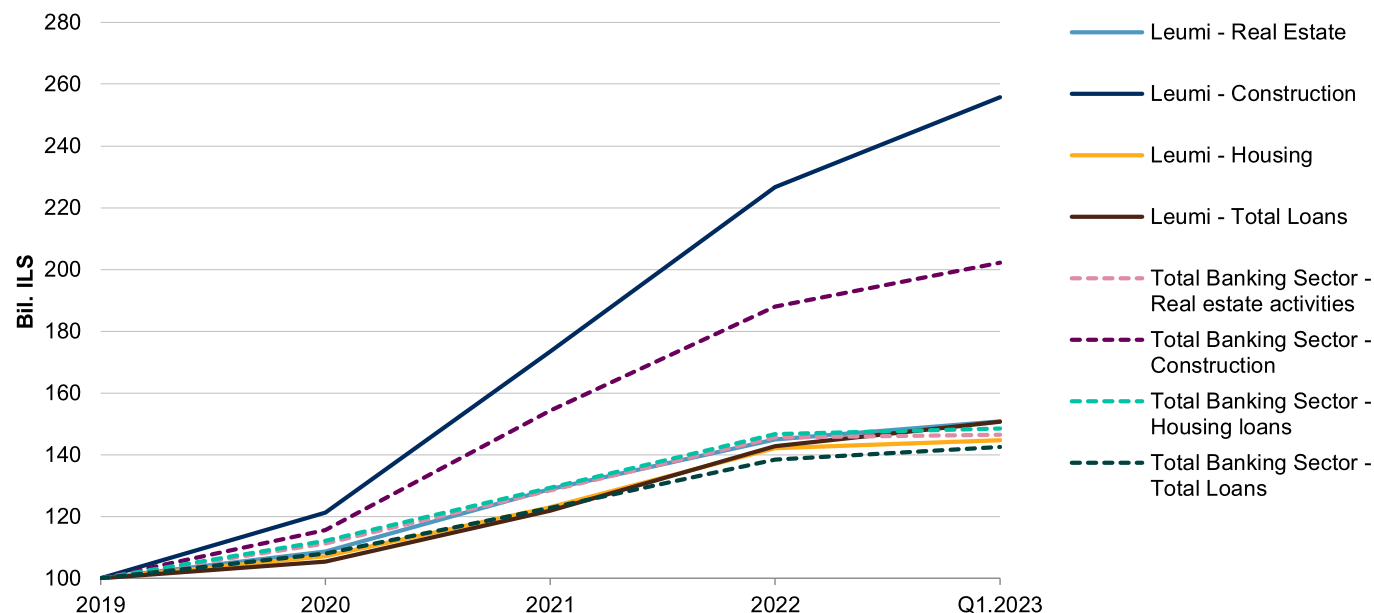
We consider the bank's high exposure to construction and income-producing real estate as riskier, particularly considering Leumi's strong growth in the segment over the past few years (see chart 7). About 60% of Leumi's exposure is concentrated in residential property projects, thus mitigating some of the risk. However, the unseasoned portfolio, and the fact that recent projects might rely on pricing assumptions that could prove to be challenging amid the weakened macroeconomic conditions, still represent a risk, in our view.

Offices and shopping malls have been resilient during the pandemic, but we still see a risk of oversupply, particularly in the office sector, if the IT sector's demand or the whole economy were to slow significantly.

Chart 7

Construction and Real Estate have led lending expansion

Domestic loans only



Source: S&P Global Ratings.

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Leumi's nonperforming loans amounted to about 0.8% of its total loans as of March 31, 2023. We consider this to be good compared with global and domestic peers. That said, because of the economic slowdown, rising inflation, and strong growth in construction and real estate, we expect to see some deterioration in the asset quality indicators, with nonperforming assets increasing to about 1.4% by 2025 and credit losses rising to about 35bps on average.

Exposure to credit risk could increase if the contraction in real estate prices lasts longer, or is steeper, than expected, if Leumi continues to increase its exposure to the sector, particularly construction and commercial real estate, or if the risk of oversupply in the retail and office segments materializes.

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 for Israeli banks.

Leumi has not experienced any major cyber risk events over the past three years and continues to strengthen its cyber risk management framework. The bank has established a sustainability strategy, policy, and framework, and environmental, social, and governance factors are becoming an important consideration in its lending or investment decisions.

Funding And Liquidity: Sound Liquidity And Customer Deposits Underpin The Funding Base

Leumi's funding base mostly comprises core deposits, which we see as highly diverse and stable. Corporate and institutional entities' deposits, accounting for about 51% of total domestic deposits, have a good track record of stability, but imply some deposit-pricing competition. We expect a migration from non-interest-bearing deposits, accounting for 34% as of March 2023, to interest bearing deposits, with the latter repricing faster than in 2022 over the next couple of quarters, particularly the largest ones.

Due to its large deposits base, Leumi does not rely materially on wholesale funding to finance long-term customer assets. As of March 31, 2023, outstanding debt issues stood at about 5.6% of total funding.

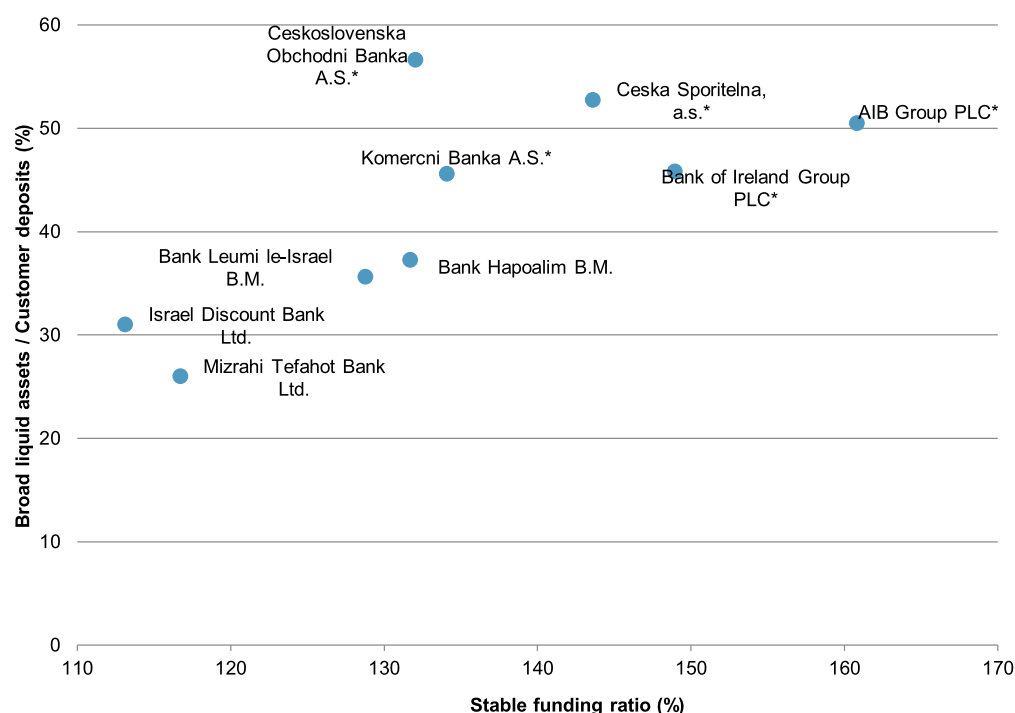
Liquid asset cushions are material, with cash, central bank, and other bank placements and investment securities constituting about one-third of assets on March 31, 2023.

Leumi's solid funding and liquidity metrics are supportive factors (see chart 8).

Chart 8

Solid liquidity supports Leumi's metrics

Data as of March 31, 2023



*Data as of end-2022. Source: S&P Global Ratings.

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Support: One Notch Of Uplift For Government Support

The long-term rating on Leumi is one notch higher than the stand-alone credit profile (SACP), reflecting our view that the bank has high systemic importance in Israel and that the government is supportive toward the domestic banking sector. We would reconsider our assessment of government support if the regulatory authorities introduced an updated bank resolution framework. However, we do not anticipate such a development in the medium term.

Environmental, Social, And Governance

ESG credit indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We think that environmental, social, and governance credit factors influence Leumi's credit quality similarly to its industry and local peers.

Over the past couple of years, some changes have occurred at the top management level, but we anticipate continuity in the bank's strategy. We regard the management team as professional and experienced. Leumi also presents a robust system of checks and balances in decision-making, with independent directors that contribute to the bank's strategy.

Environmental and social factors do not affect Leumi's credit quality differently to its industry peers. We expect that the bank's investment in digitalization will gradually have positive environmental implications. In addition, Leumi has introduced certain underwriting policy changes that will help it to meet its ESG objectives in the medium term. It also recently signed a €500 million deal with the European Investment Bank to pay out green credit to SMEs. Regarding social risk, Leumi will continue its staff reduction as part of its strategy. We believe that it will handle early retirements carefully.

Key Statistics

Table 1

Bank Leumi le-Israel B.M.--Key figures					
(Mil. ILS)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Adjusted assets	682,477.0	698,109.0	656,440.0	556,020.0	469,118.0
Customer loans (gross)	410,259.0	390,877.0	348,331.0	301,263.0	286,550.0
Adjusted common equity	47,290.9	45,903.8	38,843.2	34,586.2	32,236.5
Operating revenues	4,898.0	17,663.0	15,802.0	12,968.0	13,407.0
Noninterest expenses	1,629.0	6,834.0	7,425.0	6,928.0	7,799.0

Table 1**Bank Leumi le-Israel B.M.--Key figures (cont.)**

(Mil. ILS)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Core earnings	1,501.9	7,067.7	5,967.6	2,128.1	3,301.8

*Data as of March 31. ILS--New Israeli Sheqel.

Table 2**Bank Leumi le-Israel B.M.--Business position**

(%)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Total revenues from business line (currency in millions)	3,905.0	18,631.0	15,965.0	12,969.0	13,802.0
Commercial banking/total revenues from business line	71.8	48.0	42.8	50.7	44.5
Retail banking/total revenues from business line	48.1	27.7	24.0	28.6	28.8
Commercial & retail banking/total revenues from business line	119.8	75.8	66.8	79.3	73.3
Other revenues/total revenues from business line	(19.8)	24.2	33.2	20.7	26.7
Return on average common equity	7.9	16.9	15.2	5.8	10.0

*Data as of March 31. N/A--Not applicable.

Table 3**Bank Leumi le-Israel B.M.--Capital and earnings**

(%)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Tier 1 capital ratio	11.2	11.5	11.5	11.9	11.9
S&P Global Ratings' RAC ratio before diversification	N/A	N/A	9.4	10.7	10.4
S&P Global Ratings' RAC ratio after diversification	N/A	N/A	8.8	9.4	8.9
Adjusted common equity/total adjusted capital	100.0	100.0	100.0	100.0	100.0
Net interest income/operating revenues	80.2	74.8	65.5	67.3	65.9
Fee income/operating revenues	19.4	20.0	22.2	24.4	23.2
Market-sensitive income/operating revenues	0.5	2.9	10.8	7.9	10.3
Cost to income ratio	33.3	38.7	47.0	53.4	58.2
Provision operating income/average assets	1.9	1.6	1.4	1.2	1.2
Core earnings/average managed assets	0.9	1.0	1.0	0.4	0.7

*Data as of March 31. N/A--Not applicable.

Table 4**Bank Leumi le-Israel B.M. RACF [Risk-Adjusted Capital Framework] Data**

(Mil. ILS)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global RWA	Average S&P Global RW (%)
Credit risk					
Government & central banks	240,462	5,048	2	2,429	1
Of which regional governments and local authorities	10,546	3,881	37	380	4
Institutions and CCPs	35,940	7,746	22	8,924	25
Corporate	264,934	243,784	92	273,174	103

Table 4

Bank Leumi le-Israel B.M. RACF [Risk-Adjusted Capital Framework] Data (cont.)					
Retail	162,778	97,047	60	65,839	40
Of which mortgage	121,346	65,893	54	34,754	29
Securitization§	3,174	751	24	751	24
Other assets†	8,220	28,964	352	21,391	260
Total credit risk	715,509	383,339	54	372,509	52
Credit valuation adjustment					
Total credit valuation adjustment	--	3,323	--	4,320	--
Market Risk					
Equity in the banking book	6,126	5,995	98	50,552	825
Trading book market risk	--	6,610	--	9,915	--
Total market risk	--	12,605	--	60,467	--
Operational risk					
Total operational risk	--	26,375	--	34,120	--
(Mil. ILS)	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global RWA	% of S&P Global RWA
Diversification adjustments					
RWA before diversification	--	425,642	--	471,416	100
Total Diversification/ Concentration Adjustments	--	--	--	50,374	11
RWA after diversification	--	425,642	--	521,790	111
(Mil. ILS)	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global RAC ratio (%)	
Capital ratio	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	Standard & Poor's RWA	
Capital ratio before adjustments	48,797	11.5	45,904	9.7	
Capital ratio after adjustments‡	48,797	11.5	45,904	8.8	

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions.

‡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 2022', S&P Global Ratings.

Table 5

Bank Leumi le-Israel B.M.--Risk position					
(%)	--Year-ended Dec. 31--				
	2023*	2022	2021	2020	2019
Growth in customer loans	19.8	12.2	15.6	5.1	4.1
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	N/A	7.4	13.4	17.1
Total managed assets/adjusted common equity (x)	14.4	15.2	16.9	16.1	14.6
New loan loss provisions/average customer loans	0.4	0.1	(0.3)	0.9	0.2
Net charge-offs/average customer loans	0.1	0.1	(0.0)	0.2	0.2
Gross nonperforming assets/customer loans + other real estate owned	0.8	0.8	1.1	1.6	1.2
Loan loss reserves/gross nonperforming assets	156.3	166.0	116.1	109.6	94.4

*Data as of March 31. N/A--Not applicable.

Table 6

Bank Leumi le-Israel B.M.--Funding and liquidity					
	--Year-ended Dec. 31--				
(%)	2023*	2022	2021	2020	2019
Core deposits/funding base	90.3	91.1	92.5	93.1	93.4
Customer loans (net)/customer deposits	75.9	69.2	64.0	66.2	75.7
Long-term funding ratio	95.5	94.9	95.0	96.4	97.5
Stable funding ratio	128.8	137.3	145.3	140.3	126.6
Short-term wholesale funding/funding base	4.9	5.5	5.4	3.9	2.7
Regulatory net stable funding ratio	118.0	128.0	131.0	N/A	N/A
Broad liquid assets/short-term wholesale funding (x)	6.6	6.7	7.8	10.1	11.8
Broad liquid assets/total assets	27.8	32.0	36.9	34.4	27.3
Broad liquid assets/customer deposits	35.6	40.1	45.1	42.8	34.3
Net broad liquid assets/short-term customer deposits	37.7	42.6	49.1	48.3	39.2
Regulatory liquidity coverage ratio (LCR) (x)	1.2	1.3	1.2	1.4	1.2
Short-term wholesale funding/total wholesale funding	50.4	61.3	71.1	57.2	40.8

*Data as of March 31. N/A--Not applicable.

Bank Leumi le-Israel B.M.--Rating component scores	
Issuer Credit Rating	A/Stable/A-1
SACP	a-
Anchor	bbb+
Economic risk	3
Industry risk	4
Business position	Strong
Capital and earnings	Strong
Risk position	Moderate
Funding	Adequate
Liquidity	Adequate
Comparable ratings analysis	0
Support	+1
ALAC support	0
GRE support	0
Group support	0
Sovereign support	+1
Additional factors	0

ALAC--Additional loss-absorbing capacity. GRE--Government-related entity. SACP--Stand-alone credit profile.

Related Criteria

- General Criteria: National And Regional Scale Credit Ratings Methodology , June 8, 2023
- General Criteria: Hybrid Capital: Methodology And Assumptions , March 2, 2022
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions

, Dec. 9, 2021

- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology , Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Group Rating Methodology , July 1, 2019
- 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
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Valley National Bancorp Outlook Revised To Negative On Margin And Funding Pressures; 'BBB' Rating Affirmed, May 15, 2023
- Global Banks Country-By-Country Midyear Outlook 2023: Resilience Will Be Tested, July 20, 2023 Banking Industry Country Risk Assessment: Israel, Oct. 18, 2022
- Israel Ratings Affirmed At 'AA-/A-1+'; Outlook Stable, May 12, 2023

Ratings Detail (As Of July 31, 2023)*

Bank Leumi le-Israel B.M.

Issuer Credit Rating	A/Stable/A-1
Junior Subordinated	BBB
Senior Unsecured	A

Issuer Credit Ratings History

10-Jul-2019	<i>Foreign Currency</i>	A/Stable/A-1
24-Oct-2017		A-/Positive/A-2
07-Oct-2014		A-/Stable/A-2
10-Jul-2019	<i>Local Currency</i>	A/Stable/A-1
24-Oct-2017		A-/Positive/A-2
07-Oct-2014		A-/Stable/A-2

Sovereign Rating

Israel	AA-/Stable/A-1+
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*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.

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