

## RATING ACTION COMMENTARY

# Fitch Revises Leumi's Outlook to Stable; Affirms IDR at 'A-'

Wed 29 Oct, 2025 - 12:16 PM ET

Fitch Ratings - London - 29 Oct 2025: Fitch Ratings has revised Bank Leumi Le-Israel B.M.'s (Leumi) Outlook to Stable, from Negative, while affirming its Long-Term Issuer Default Rating (IDR) at 'A-'. At the same time, Fitch has affirmed its Viability Rating (VR) at 'a-'. A full list of rating actions is below.

The Outlook revision reflects the resilience of Leumi's financial profile to Israel's operating environment challenges since the start of the war and our view that downside risks have reduced. Economic activity has returned mostly to normal, providing growth opportunities to Israeli banks while containing asset quality pressures. Downside risks to our operating environment assessment for the country's banks are linked to the sovereign ratings (A/Negative/F1+).

## KEY RATING DRIVERS

**Diversified Business Model:** Leumi's Long-Term IDR is driven by its VR and reflects its strong franchise in retail and corporate banking in Israel as the largest domestic bank and better-than-expected resilience of asset quality and earnings through the war. The VR also reflects the bank's sound funding profile, backed by its diversified and granular deposit base, and adequate capitalisation.

**High Probability of Government Support:** Leumi's IDRs are also underpinned by potential government support, which is reflected in a Government Support Rating of 'a-'. The state has strong incentives to provide support given the bank's systemic importance in the country, with about 30% of banking system assets.

**Close Regulatory Oversight:** Leumi's underwriting standards are conservative, helped by prudent regulatory limits and oversight. Like other banks in the country, Leumi has material exposure to the construction and real estate sectors, which are vulnerable to the disruption from the war. However, such exposure is driven by high population growth, which supports housing credit demand and mitigates risks.

The bank is also exposed to market risk from equity investments in non-financial companies, typically made through Leumi Partners. The book value of these investments amounted to 9% of Leumi's consolidated common equity Tier 1 (CET1) capital at end-2024. We do not expect this exposure to increase significantly.

**Asset Quality Remains Sound:** Leumi's impaired loans ratio (end-1H25: 0.4%) compares favourably with those of both domestic and international peers. We expect higher loan impairment charges as loans season, given high loan growth in recent years. Asset quality will be supported by declining interest rates, sound underwriting standards and a resilient operating environment. We expect the impaired loans ratio to remain below 1% in the next two years. Asset quality is also underpinned by a high coverage of impaired loans by loan loss allowances (over 300%), although we expect this to trend down but remain above 200%.

**Resilient Earnings Continue:** Net interest income has benefitted from loan growth and higher interest rates in recent years. Higher inflation has also supported income, given the bank's net long exposure to the consumer price index. We expect profitability resilience to continue, helped by sound loan growth and the bank's continuous focus on improving efficiency. We forecast its operating profitability to remain above 2.5% of risk-weighted asset for the next two years, benefitting also from limited loan impairment charges, underpinned by substantial loan loss allowances.

**Capital Buffers Adequate:** Leumi's capitalisation is adequate, with a CET1 ratio of 12.3% at end-1H25. We expect its 204bp buffer above the regulatory minimum requirement to normalise to pre-war levels, at about 100bp-150bp, but to remain adequate given the high risk-weighted assets density from using the standardised approach (63% at end-1H25), prudent provisioning and resilient internal capital generation.

**Large, Stable Deposit Base:** Leumi's funding and liquidity score is driven by government support and our expectation that the government's propensity to provide support is more certain in the near term, given the systemic importance of Leumi. As a result, a lower funding and liquidity score would not trigger a downgrade of the bank's 'F1' Short-Term IDR, which is the higher of two possible Short-Term IDRs that map to an 'A-' Long-Term IDR.

Leumi's funding and liquidity profile is also underpinned by its stable, granular and diversified deposit base. The bank also has proven access to domestic and international debt markets. Liquidity is sound, with a liquidity coverage ratio of 130% at end-1H25.

## RATING SENSITIVITIES

## **Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade**

Leumi's Long-Term IDR would be downgraded if its GSR and VR were downgraded. A downgrade of the bank's GSR would be triggered by a downgrade of the sovereign rating, which could also trigger a downgrade of the VR if it sharply increased pressure on the financial profile. This reflects the contagion risk resulting from the links between the sovereign, the operating environment and country's banks' performance.

The most likely trigger for a downgrade of Leumi's VR would be a deterioration of asset quality that results in an impaired-loan ratio of above 2% for an extended period, combined with a CET1 ratio declining below current levels and weakening internal capital generation.

The Short-Term IDR would be downgraded if the sovereign's Short-Term IDR was downgraded by at least two notches.

## **Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade**

An upgrade of Leumi's IDRs is unlikely due to the negative outlook on the operating environment for local banks, which is sensitive to the drivers of a downgrade of the sovereign rating. In addition, upside is limited by the bank's geographical concentration and the requirement of a substantial strengthening of its business and financial profiles.

## **OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS**

Leumi's senior unsecured notes are rated in line with the Long-Term IDR. This reflects our view that a default on senior unsecured debt equates to a default of the bank. It also reflects Fitch's expectation of average recovery prospects.

Its Tier 2 subordinated notes are rated two notches below the bank's VR to reflect poor recovery prospects in the event of a failure or non-performance of the bank.

The Long-Term IDR (xgs) of 'A-(xgs)' is at the level of the VR. The Short-Term IDR (xsg) of 'F1(xgs)' is the higher of two options that map to a 'A-' Long-Term IDR (xgs) due to Leumi's 'a' funding and liquidity score.

## **OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES**

The senior ratings are sensitive to changes in the bank's Long-Term IDR.

The subordinated ratings are sensitive to changes in the bank's VR.

The Short-Term IDR (xgs) is sensitive to a lower funding and liquidity score.

The Long-Term IDR (xgs) is sensitive to changes in the bank's VR.

## VR ADJUSTMENTS

The operating environment score of 'a' is below the 'aa' implied category score for the following adjustment reasons: sovereign rating (negative), size and structure of economy (negative).

The earnings and profitability score of 'bbb+' is below the 'a' implied category score for the following adjustment reason: earnings stability (negative).

The capitalisation and leverage score of 'a-' is above the 'bbb' implied category score for the following adjustment reason: leverage and risk-weight calculation (positive).

## REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

## PUBLIC RATINGS WITH CREDIT LINKAGE TO OTHER RATINGS

Leumi's GSR is linked to Israel's Long-Term IDR while its Short-Term IDR is linked to the sovereign's Short-Term IDR.

## ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' 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. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit <https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

## RATING ACTIONS

ENTITY / DEBT ⚡

RATING ⚡

PRIOR ⚡

Bank Leumi Le-Israel B.M.	LT IDR	A- Rating Outlook Stable			A- Rating Outlook Negative
	Affirmed				
	ST IDR	F1	Affirmed		F1
	Viability	a-	Affirmed		a-
	Government Support	a-	Affirmed		a-
	LT IDR (xgs)		A-(xgs)	Affirmed	A-(xgs)
	ST IDR (xgs)		F1(xgs)	Affirmed	F1(xgs)
subordinated	LT	BBB	Affirmed		BBB
senior unsecured	LT	A-	Affirmed		A-
senior unsecured	LT (xgs)	A-(xgs)	Affirmed		A-(xgs)

[VIEW ADDITIONAL RATING DETAILS](#)

FITCH RATINGS ANALYSTS

**Maria Shishkina**  
Director  
Primary Rating Analyst  
+44 20 3530 1379  
maria.shishkina@fitchratings.com  
Fitch Ratings Ltd  
30 North Colonnade, Canary Wharf London E14 5GN

**Rory Rushton**  
Senior Analyst

Secondary Rating Analyst

+44 20 3530 1919

rory.rushton@fitchratings.com

**Cristina Torrella Fajas**

Senior Director

Committee Chairperson

+34 93 323 8405

cristina.torrellafajas@fitchratings.com

**MEDIA CONTACTS**

**Matthew Pearson**

London

+44 20 3530 2682

matthew.pearson@thefitchgroup.com

Additional information is available on [www.fitchratings.com](http://www.fitchratings.com)

**PARTICIPATION STATUS**

The rated entity (and/or its agents) or, in the case of structured finance, one or more of the transaction parties participated in the rating process except that the following issuer(s), if any, did not participate in the rating process, or provide additional information, beyond the issuer's available public disclosure.

**APPLICABLE CRITERIA**

[Bank Rating Criteria \(pub. 21 Mar 2025\) \(including rating assumption sensitivity\)](#)

**ADDITIONAL DISCLOSURES**

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

[Solicitation Status](#)

[Endorsement Policy](#)

**ENDORSEMENT STATUS**

Bank Leumi Le-Israel B.M.

UK Issued, EU Endorsed

**DISCLAIMER & DISCLOSURES**

All Fitch Ratings (Fitch) credit ratings are subject to certain limitations and disclaimers.

Please read these limitations and disclaimers by following this link:

<https://www.fitchratings.com/understandingcreditratings>. In addition, the following <https://www.fitchratings.com/rating-definitions-document> details Fitch's rating definitions for each rating scale and rating categories, including definitions relating to default. ESMA and the FCA are required to publish historical default rates in a central repository in accordance with Articles 11(2) of Regulation (EC) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 and The Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019 respectively.

Published ratings, criteria, and methodologies are available from this site at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance, and other relevant policies and procedures are also available from the Code of Conduct section of this site. Directors and shareholders' relevant interests are available at <https://www.fitchratings.com/site/regulatory>. Fitch may have provided another permissible or ancillary service to the rated entity or its related third parties. Details of permissible or ancillary service(s) for which the lead analyst is based in an ESMA- or FCA-registered Fitch Ratings company (or branch of such a company) can be found on the entity summary page for this issuer on the Fitch Ratings website.

In issuing and maintaining its ratings and in making other reports (including forecast information), Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The manner of Fitch's factual investigation and the scope of the third-party verification it obtains will vary depending on the nature of the rated security and its issuer, the requirements and practices in the jurisdiction in which the rated security is offered and sold and/or the issuer is located, the availability and nature of relevant public information, access to the management of the issuer and its advisers, the availability of pre-existing third-party verifications such as audit reports, agreed-upon procedures letters, appraisals, actuarial reports, engineering reports, legal opinions and other reports provided by third parties, the availability of independent and competent third-party verification sources with respect to the particular security or in the particular jurisdiction of the issuer, and a variety of other factors. Users of Fitch's ratings and reports should understand that neither an enhanced factual investigation nor any third-party verification can ensure that all of the information Fitch relies on in connection with a rating or a report will be accurate and complete. Ultimately, the issuer and its advisers are responsible for the accuracy of the information they provide to Fitch and to the market in offering documents and other reports. In issuing its ratings and its reports, Fitch must rely on the work of experts, including independent auditors with respect to financial statements and attorneys with respect to legal and tax matters.

Further, ratings and forecasts of financial and other information are inherently forward-looking and embody assumptions and predictions about future events that by their nature cannot be verified as facts. As a result, despite any verification of current facts, ratings and forecasts can be affected by future events or conditions that were not anticipated at the time a rating or forecast was issued or affirmed. Fitch Ratings makes routine, commonly-accepted adjustments to reported financial data in accordance with the relevant criteria and/or industry standards to provide financial metric consistency for entities in the same sector or asset class.

The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

The information in this report is provided "as is" without any representation or warranty of any kind, and Fitch does not represent or warrant that the report or any of its contents will meet any of the requirements of a recipient of the report. A Fitch rating is an opinion as to the creditworthiness of a security. This opinion and reports made by Fitch are based on established criteria and methodologies that Fitch is continuously evaluating and updating. Therefore, ratings and reports are the collective work product of Fitch and no individual, or group of individuals, is solely responsible for a rating or a report. The rating does not address the risk of loss due to risks other than credit risk, unless such risk is specifically mentioned. Fitch is not engaged in the offer or sale of any security. All Fitch reports have shared authorship. Individuals identified in a Fitch report were involved in, but are not solely responsible for, the opinions stated therein. The individuals are named for contact purposes only. A report providing a Fitch rating is neither a prospectus nor a substitute for the information assembled, verified and presented to investors by the issuer and its agents in connection with the sale of the securities. Ratings may be changed or withdrawn at any time for any reason in the sole discretion of Fitch. Fitch does not provide investment advice of any sort. Ratings are not a recommendation to buy, sell, or hold any security. Ratings do not comment on the adequacy of market price, the suitability of any security for a particular investor, or the tax-exempt nature or taxability of payments made in respect to any security. Fitch receives fees from issuers, insurers, guarantors, other obligors, and underwriters for rating securities. Such fees generally vary from US\$1,000 to US\$750,000 (or the applicable currency equivalent) per issue. In certain cases, Fitch will rate all or a number



of issues issued by a particular issuer, or insured or guaranteed by a particular insurer or guarantor, for a single annual fee. Such fees are expected to vary from US\$10,000 to US\$1,500,000 (or the applicable currency equivalent). The assignment, publication, or dissemination of a rating by Fitch shall not constitute a consent by Fitch to use its name as an expert in connection with any registration statement filed under the United States securities laws, the Financial Services and Markets Act of 2000 of the United Kingdom, or the securities laws of any particular jurisdiction. Due to the relative efficiency of electronic publishing and distribution, Fitch research may be available to electronic subscribers up to three days earlier than to print subscribers.

For Australia, New Zealand, Taiwan and South Korea only: Fitch Australia Pty Ltd holds an Australian financial services license (AFS license no. 337123) which authorizes it to provide credit ratings to wholesale clients only. Credit ratings information published by Fitch is not intended to be used by persons who are retail clients within the meaning of the Corporations Act 2001. Fitch Ratings, Inc. is registered with the U.S. Securities and Exchange Commission as a Nationally Recognized Statistical Rating Organization (the "NRSRO"). While certain of the NRSRO's credit rating subsidiaries are listed on Item 3 of Form NRSRO and as such are authorized to issue credit ratings on behalf of the NRSRO (see <https://www.fitchratings.com/site/regulatory>), other credit rating subsidiaries are not listed on Form NRSRO (the "non-NRSROs") and therefore credit ratings issued by those subsidiaries are not issued on behalf of the NRSRO. However, non-NRSRO personnel may participate in determining credit ratings issued by or on behalf of the NRSRO.

dv01, a Fitch Solutions company, and an affiliate of Fitch Ratings, may from time to time serve as loan data agent on certain structured finance transactions rated by Fitch Ratings.

Copyright © 2025 by Fitch Ratings, Inc., Fitch Ratings Ltd. and its subsidiaries. 33 Whitehall Street, NY, NY 10004. Telephone: 1-800-753-4824, (212) 908-0500. Reproduction or retransmission in whole or in part is prohibited except by permission. All rights reserved.

[READ LESS](#)

## **SOLICITATION STATUS**

The ratings above were solicited and assigned or maintained by Fitch at the request of the rated entity/issuer or a related third party. Any exceptions follow below.

Fitch's solicitation status policy can be found at [www.fitchratings.com/ethics](https://www.fitchratings.com/ethics).

## ENDORSEMENT POLICY

Fitch's international credit ratings produced outside the EU or the UK, as the case may be, are endorsed for use by regulated entities within the EU or the UK, respectively, for regulatory purposes, pursuant to the terms of the EU CRA Regulation or the UK Credit Rating Agencies (Amendment etc.) (EU Exit) Regulations 2019, as the case may be.

Fitch's approach to endorsement in the EU and the UK can be found on Fitch's [Regulatory Affairs](#) page on Fitch's website. The endorsement status of international credit ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.