

15 AUG 2024

Fitch Downgrades 4 Israeli Banks to 'A-'/Negative/'F1' after Sovereign Action

Fitch Ratings - London - 15 Aug 2024: Fitch Ratings has downgraded the support-driven Long-Term Issuer Default Ratings (IDRs) of four Israeli banks to 'A-' from 'A' following a recent downgrade of the sovereign rating. The Long-Term IDRs are driven by the banks' Government Support Ratings (GSRs), which have been downgraded to 'a-' from 'a'. The Outlook on the Long-Term IDRs is Negative and reflects that on the sovereign's Long-Term IDR.

The four banks' Short-Term IDRs have been downgraded to 'F1' from 'F1+'. We have also downgraded the banks' long-term senior debt ratings, where applicable. A full list of rating actions is below.

The banks' 'a-' Viability Ratings (VRs), IDRs (xgs) and subordinated debt ratings, where applicable, are not affected.

For additional details on the sovereign rating action see "Fitch Downgrades Israel to 'A'; Outlook Negative" dated 12 August 2024.

Key Rating Drivers

The IDRs, GSRs and, where relevant, senior debt ratings of Bank Leumi Le-Israel B.M., Bank Hapoalim B.M., Mizrahi Tefahot Bank Ltd and Israel Discount Bank Limited reflect our view of a very high probability that Israel (A/Negative/F1+) would support the banks. Fitch assesses Israel's propensity to support these banks as very high, particularly given their systemic importance, as each represents between 15% and 30% of banking-system assets.

Rating Sensitivities

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

A further downgrade of the sovereign ratings would result in a downgrade of the banks' IDRs and senior debt ratings (where relevant) if accompanied by a downgrade of the banks' VRs.

The VR sensitivities are unchanged from those published in the banks' Rating Action Commentaries (RACs) published in December 2023:

- Fitch Maintains Bank Leumi's 'A' IDR on Rating Watch Negative <https://www.fitchratings.com/site/pr/10256420>
- Fitch Maintains Bank Hapoalim's 'A' IDR on Rating Watch Negative <https://www.fitchratings.com/site/pr/10256442>
- Fitch Maintains Mizrahi Tefahot Bank's 'A' IDR on Rating Watch Negative <https://www.fitchratings.com/site/pr/10256423>
- Fitch Maintains Israel Discount Bank's 'A' IDR on Rating Watch Negative <https://www.fitchratings.com/site/pr/10256443>

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

An upgrade of the IDRs is unlikely due to the Negative Outlook on the sovereign's Long-Term IDR. We would revise the Outlook to Stable if the sovereign Outlook is changed to Stable.

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

The banks' IDRs and GSRs are linked to Israel's IDRs.

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>.

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Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Bank Leumi Le-Israel B.M.	LT IDR	A- ●	Downgrade	A ●

ENTITY/DEBT	RATING		RECOVERY	PRIOR
	ST IDR	F1	Downgrade	F1+
	Government Support	a-	Downgrade	a
• senior unsecured LT		A-	Downgrade	A
Bank Hapoalim B.M.	LT IDR	A- 	Downgrade	A 
	ST IDR	F1	Downgrade	F1+
	Government Support	a-	Downgrade	a
Israel Discount Bank Limited	LT IDR	A- 	Downgrade	A 
	ST IDR	F1	Downgrade	F1+
	Government Support	a-	Downgrade	a
• senior unsecured LT		A-	Downgrade	A
Mizrahi Tefahot Bank Ltd	LT IDR	A- 	Downgrade	A 
	ST IDR	F1	Downgrade	F1+

ENTITY/DEBT	RATING		RECOVERY	PRIOR
	Government Support	a-	Downgrade	a
RATINGS KEY	OUTLOOK	WATCH		
POSITIVE	⊕	◊		
NEGATIVE	⊖	◊		
EVOLVING	⦿	◆		
STABLE	⦿			

Applicable Criteria

[Bank Rating Criteria \(pub.15 Mar 2024\) \(including rating assumption sensitivity\)](#)

Additional Disclosures

[Solicitation Status](#)

Endorsement Status

Bank Hapoalim B.M.	UK Issued, EU Endorsed
Bank Leumi Le-Israel B.M.	UK Issued, EU Endorsed
Israel Discount Bank Limited	UK Issued, EU Endorsed
Mizrahi Tefahot Bank Ltd	UK Issued, EU Endorsed

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