Fitch Ratings

07 APR 2021

Fitch Assigns Mizrahi Tefahot Bank's USD600 million Tier 2 Notes 'BBB' Final Rating

Fitch Ratings - London - 07 Apr 2021: Fitch Ratings has assigned Mizrahi Tefahot Bank Ltd's (UMTB) USD600 million issue of Tier 2 notes a final rating of 'BBB'. UMTB's other ratings are unaffected by this rating action.

The final rating is in line with the expected rating that Fitch assigned to the notes on 18 March 2021.

Key Rating Drivers

The rating of UMTB's USD600 million Tier 2 notes is two notches below the bank's Viability Rating (VR), reflecting poor recovery prospects in the event of a failure of the bank, in line with Fitch's base-case notching for Tier 2 debt. No additional notching is applied as in our opinion the principal loss absorption feature after a breach of a 5% common equity Tier 1 (CET1) ratio gives rise to low incremental non-performance risk relative to the bank's VR.

The Tier 2 notes rank pari passu with the bank's other Tier 2 debt. The notes will be written down partially or in full if UMTB's CET1 ratio falls below 5% or if UMTB's regulator, the Bank of Israel, notifies UMTB in writing that the write-down of the debt is necessary to avoid becoming non-viable, or if the Bank of Israel determines that a capital injection is needed from the public sector, or equivalent support, to avoid the point of non-viability. There is no coupon flexibility on the notes.

RATING SENSITIVITIES

Factors that could, individually or collectively, lead to negative rating action/downgrade:

The rating of the Tier 2 notes would likely be downgraded if the bank's VR is downgraded.

Factors that could, individually or collectively, lead to positive rating action/upgrade:

The rating of the Tier 2 notes would likely be upgraded if the bank's VR is upgraded.

ESG CONSIDERATIONS

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This 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. For more information on Fitch's

ESG Relevance Scores, visit www.fitchratings.com/esg.

Best/Worst Case Rating Scenario

International scale credit ratings of Financial Institutions and Covered Bond issuers have a best-case rating upgrade scenario (defined as the 99th percentile of rating transitions, measured in a positive direction) of three notches over a three-year rating horizon; and a worst-case rating downgrade scenario (defined as the 99th percentile of rating transitions, measured in a negative direction) of four notches over three years. The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Best- and worst-case scenario credit ratings are based on historical performance. For more information about the methodology used to determine sector-specific best- and worst-case scenario credit ratings, visit https://www.fitchratings.com/site/re/10111579

Date of Relevant Committee

10 March 2021

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.

Fitch Ratings Analysts

Christian Scarafia
Senior Director
Primary Rating Analyst
+44 20 3530 1012
Fitch Ratings Ltd 30 North Colonnade, Canary Wharf London E14 5GN

Maria Shishkina
Associate Director
Secondary Rating Analyst
+44 20 3530 1379

Patrick Rioual
Senior Director
Committee Chairperson
+49 69 768076 123

Media Contacts

Louisa Williams
London

+44 20 3530 2452
louisa.williams@thefitchgroup.com

Rating Actions

ENTITY/DEBT	RATING		RECOVERY	PRIOR
Mizrahi Tefahot Bank Ltd				
• subordinated LT	BBB	New Rating		BBB(EXP)

RATINGS KEY	OUTLOOK	WATCH
POSITIVE		
NEGATIVE		
EVOLVING		
STABLE		

Applicable Criteria

Bank Rating Criteria (pub.28 Feb 2020) (including rating assumption sensitivity)

Additional Disclosures

Solicitation Status

Endorsement Status

Mizrahi Tefahot Bank Ltd	UK Issued, EU Endorsed

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