

11 OCT 2021

## Fitch Assigns Hapoalim's USD Tier 2 Notes 'BBB(EXP)' Expected Rating

Fitch Ratings - London - 11 Oct 2021: Fitch Ratings has assigned Bank Hapoalim B.M.'s (Hapoalim; A/Stable/a-) US dollar Tier 2 notes an expected rating of 'BBB(EXP)'. Hapoalim's other ratings are unaffected by this rating action.

The notes have been rated under Fitch's "Exposure Draft: Bank Rating Criteria" published on 17 August 2021.

The assignment of a final rating is contingent on the receipt of final documents conforming to the information already received.

### Key Rating Drivers

Hapoalim's Tier 2 notes' rating 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 converted to equity partially or in full if Hapoalim's CET1 ratio falls below 5% or if Hapoalim's regulator, the Bank of Israel, notifies Hapoalim in writing that the conversion of the debt is necessary to avoid becoming non-viable, or if 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 Tier 2 notes' rating would likely be downgraded if the bank's VR is downgraded.

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

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

### 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>

## 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.

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### Rating Actions

ENTITY/DEBT	RATING	RECOVERY	PRIOR
Bank			
Hapoalim			
B.M.			

ENTITY/DEBT	RATING	RECOVERY	PRIOR
• subordinated	BBB(EXP)	Expected Rating	

## RATINGS KEY OUTLOOK WATCH

POSITIVE	⊕	◊
NEGATIVE	⊖	◊
EVOLVING	◊	◆
STABLE	◻	

## Applicable Criteria

[Exposure Draft: Bank Rating Criteria \(pub.17 Aug 2021\) \(including rating assumption sensitivity\)](#)

## Additional Disclosures

[Solicitation Status](#)

## Endorsement Status

Bank Hapoalim B.M. UK Issued, EU Endorsed

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