

Mizrahi Tefahot Bank Ltd.'s Immediate Reports are published in Hebrew on the Israel Securities Authority and the Tel Aviv Stock Exchange websites.

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MIZRAHI TEFAHOT BANK LTD
No. with the Registrar of Companies: 520000522

| | | | | | |
|----|--|----|--|------------------|-------------------------------------|
| To | <u>Israel Securities Authority</u> | To | <u>Tel Aviv Stock Exchange Ltd</u> | T125 (Public) | Date of transmission: May 5 2024 |
| | www.isa.gov.il | | www.tase.co.il | | Ref: 2024-01-042808 |

Immediate Report on the Rating of Bonds/Rating of a Corporation or Rating Cessation

On May 2 2024 S&P Maalot published:

A rating report/notice *updated*

A notice regarding rating cessation

1. Rating report or notice

Corporation's rating: *S&P Maalot ilAAA negative*

Comments/Notice summary: *Rating confirmation*

Ratings history in the three years prior to the date of the rating/notice:

| Date | Rating subject | Rating | Comments/Notice summary |
|-----------------|---------------------------------|--------------------------------------|---------------------------------------|
| October 31 2023 | <i>Mizrahi Tefahot Bank Ltd</i> | <i>S&P Maalot ilAAA negative</i> | <i>Other Rating/Outlook reduction</i> |
| July 23 2023 | <i>Mizrahi Tefahot Bank Ltd</i> | <i>S&P Maalot ilAAA stable</i> | <i>Other Rating confirmation</i> |
| July 26 2022 | <i>Mizrahi Tefahot Bank Ltd</i> | <i>S&P Maalot ilAAA stable</i> | <i>Other Rating confirmation</i> |
| January 23 2022 | <i>Mizrahi Tefahot Bank Ltd</i> | <i>S&P Maalot ilAAA stable</i> | <i>Other Rating confirmation</i> |
| July 22 2021 | <i>Mizrahi Tefahot Bank Ltd</i> | <i>S&P Maalot ilAAA stable</i> | <i>Other Rating confirmation</i> |

Explanation: The ratings history should only detail the rating history of the company rating the subject of the immediate report

Rating of the corporation's debentures:

| Name and type of security | Security number on the stock exchange | Rating company | Current rating | Comments/Notice summary |
|--------------------------------|---------------------------------------|----------------|--|-------------------------|
| <i>Subordinated debentures</i> | 0 | S&P Maalot | <i>S&P Maalot ilAA- None/NOO</i> | Rating confirmation |

Ratings history for the three years prior to the rating/notice date:

| Name and type of security | Security number on the stock exchange | Date | Type of rated security | Rating | Comments/Notice summary |
|--------------------------------|---------------------------------------|------|---|------------------------------------|-------------------------|
| <i>Subordinated debentures</i> | October 31 2023 | 0 | <i>Subordinated debentures with a loss absorption mechanism</i> | <i>S&P Maalot stable ilAA-</i> | Rating confirmation |
| <i>Subordinated debentures</i> | July 23 2023 | 0 | <i>Subordinated debentures with a loss absorption mechanism</i> | <i>S&P Maalot stable ilAA-</i> | Rating confirmation |
| <i>Subordinated debentures</i> | July 26 2022 | 0 | <i>Subordinated debentures with a loss absorption mechanism</i> | <i>S&P Maalot stable ilAA-</i> | Rating confirmation |
| <i>Subordinated debentures</i> | January 23 2022 | 0 | <i>Subordinated debentures with a loss absorption mechanism</i> | <i>S&P Maalot stable ilAA-</i> | Rating confirmation |
| <i>Subordinated debentures</i> | July 22 2021 | 0 | <i>Subordinated debentures with a loss</i> | <i>S&P Maalot stable ilAA-</i> | Rating confirmation |

| | | | | | |
|--|--|--|---------------------------------|--|--|
| | | | <i>absorption mechanism</i> | | |
|--|--|--|---------------------------------|--|--|

Explanation: The ratings history should only detail the rating history of the company rating the subject of the immediate report

Attached rating report [Maalot SandPGlobalRatings 02052024 isa.pdf](#)

2. On _____, _____ announced that it would cease rating _____

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

| | Signatory's Name | Position |
|----------|-------------------------|---|
| 1 | <i>Menahe Aviv</i> | <i>Other Chief Accountant</i> |
| 2 | <i>Adi Shachaf</i> | <i>Other Head of the Finance Division</i> |

Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed under these regulations shall be signed by those authorized to sign on behalf of the corporation. The position of the senior staff on the matter (in Hebrew) can be found on the ISA's website: [Click here](#)

On April 18, 2024, S&P Global Ratings announced the reduction of the State of Israel's long-term rating from AA- to A+ amid growing geopolitical risks and an erosion of the primary economic parameters, with a negative outlook. Despite that, on May 2, 2024, the bank's issuer rating (ilAAA) and its issuance ratings were reaffirmed. The outlook on the bank's rating remains negative.

The reference numbers of previous documents on the subject (reference does not constitute incorporation by reference):

2023-01-120786

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange Form structure revision date: February 20 2024

the Tel Aviv Stock Exchange

Abbreviated Name: Mizrahi Tefahot

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923

E-mail: Company website:

management@umtb.co.il <https://www.mizrahi-tefahot.co.il>

Previous name of the reporting entity: United Mizrahi Bank Ltd

| | | |
|--|----------------|-----------------------------------|
| Name of the person reporting electronically: | Position: | Name of Employing |
| Kikozashvili Hanan | Bank Secretary | Company: Mizrahi Tefahot Bank Ltd |

Address: 7 Jabotinsky Street, Ramat Gan, Tel: Fax: E-mail:
52520 03-7559219 03-7559923 management@umtb.co
.il

Mizrahi Tefahot Bank Ltd

Mizrahi Tefahot Issuance Company Ltd

May 2 2024

Rating Confirmation

'ilAAA' Rating Confirmed Despite Growing Geopolitical Risks; Outlook Negative

Primary Credit Analyst:

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Rating Confirmation

'ilAAA' Rating Confirmed Despite Growing Geopolitical Risks; Outlook Negative

Summary

- On April 18, 2024, S&P Global Ratings lowered the long-term rating of the State of Israel from 'AA-' to 'A+' amid growing geopolitical risks and an erosion of the primary economic parameters. The rating outlook is negative.
- Although Mizrahi Tefahot Bank Ltd ("Mizrahi Tefahot" or the "bank") has so far demonstrated a high resilience and its operational performance has remained strong, we are of the opinion that the growing geopolitical risks and the erosion of the macroeconomic conditions could, over time, have a negative impact on the local banking industry in general, and on the bank in particular, with regard, among other things, to the volume of credit demand and the scope of the bank's credit losses and capital ratios.
- We are confirming the ratings of Mizrahi Tefahot Bank Ltd.
- The negative rating outlook reflects the risk of the war's expansion, an additional reduction of the State of Israel's rating and an erosion of the bank's credit profile in the next 12-18 months.

The Rating Action

On May 2, 2024, S&P Maalot confirmed Mizrahi Tefahot Bank Ltd's issuer rating at 'ilAAA' with a negative outlook. At the same time, S&P Maalot confirmed the ratings of the bank's debts and of its issuance company, Mizrahi Tefahot Issuance Company Ltd.

Primary Considerations

The confirmation of the rating with a negative outlook reflects the strength of the bank's performance so far, as well as the risk of an additional reduction of the State of Israel's rating and an erosion of the bank's credit profile in the next 12-18 months, given the growing geopolitical risks and a weakness of the macroeconomic parameters.

The State of Israel's rating was lowered due to an increase of the geopolitical risks. On April 18, 2024, S&P Global Ratings lowered the State of Israel's long-term rating from 'AA-' to 'A+' and determined a negative outlook (see [Israel Long-Term Ratings Lowered to 'A+' from 'AA-', Outlook Negative](#), April 18 2024). The reduction of the state's rating reflects the growing geopolitical risks and the forecast for erosion in primary economic parameters during 2024, such as a growth rate lesser than 1% and the government deficit widening to approx. 8%,

mainly as a result of increased defense spending. The bank's issuer rating is supported by its systemic importance in Israel and the government's supportive policy towards the local banking industry, and thus a further change in the State of Israel's rating may affect the bank's rating.

The bank demonstrates a strong operational performance, but uncertainties remain high. In 2023, the bank presented positive results, including a growth of approx. 13.6% in financing revenues before credit losses, a growth of approx. 17% (excluding capital gains from asset realization in 2022) in net profit, and ROE of approx. 19.1%. The results were supported by the high interest rate environment and operational efficiency. After an accelerated growth of approx. 13.3% in the bank's credit portfolio during 2022, in 2023 the growth rate slowed to approx. 5.7% amid worsening macroeconomic conditions and the negative impact of the war between Israel and Hamas, which began in October. Additionally, the bank's spending on credit losses increased from approx. 0.17% in 2022 to approx. 0.45% of total credit in 2023, a rate slightly below the 0.57% industry average. The increase occurred mostly due to a group provision in Q3 2023, performed due to the potential of an economic slowdown following the high interest and the war's negative effects on the economy. The NPL rate stood at approx. 1.1%, compared to 0.8% in 2022 and an industry average of approx. 1%.

In 2024, we anticipate that the demand for credit will remain relatively low, and thus the growth rate of the bank's credit portfolio will stand between approx. 2% and 4%. We estimate that the tourism and service industries, as well as small and medium businesses are more exposed to the current situation and to a weakening in the macroeconomic parameters. We will also continue to track the exposure to the real estate industry, which constitutes approx. 5% of the GDP and currently suffers from a decline in activity due to a worker shortage, and after the pressure that may be created on the liquidity profiles of entrepreneurs and real estate companies. The bank has maintained its leading status in the mortgage field, with a market share of approx. 36% in 2023. The mortgage field constitutes approx. 60% of the bank's total credit portfolio, and we therefore assess that it will demonstrate a high resilience if the macroeconomic conditions worsen significantly. The bank's tier 1 capital ratio stood at 10.32% in late 2023, approx. 0.72 above the required regulatory threshold, and it supports our current capital assessment.

Rating Outlook

The negative rating outlook reflects the risk of the war's expansion, an additional reduction of the State of Israel's rating and an erosion of the bank's credit profile in the next 12-18 months.

Downside Scenario

We may consider a rating downgrade if the State of Israel's rating is reduced again, or if the macroeconomic conditions weaken so as to negatively affect the bank's performance, such as if there is a significant increase in the volume of credit losses and a weakening of its capital ratios and liquidity profile.

Upside Scenario

We may upgrade the rating outlook to stable if we shall see that no significant deterioration has occurred in the macroeconomic parameters and that the bank's performance has not substantially eroded.

Methodology and Related Articles

- General Criteria: Principles Of Credit Ratings February 16 2011
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings April 7 2017
- Risk-Adjusted Capital Framework Methodology July 20 2017
- Group Rating Methodology July 1 2019
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings October 10 2021
- Financial Institutions Rating Methodology December 9 2021
- Banks: Banking Industry Country Risk Assessment Methodology And Assumptions December 9 2021
- Hybrid Capital: Methodology And Assumptions March 2 2022
- National And Regional Scale Credit Ratings Methodology June 8 2023
- S&P Global Ratings Rating Definitions June 9 2023
- The Connection Between the Global Rating Scale and the Israeli Rating Scale February 1 2024

| Mizrahi Tefahot Bank Ltd | Rating | Date on which rating was first published | Date on which rating was last updated |
|---|-------------------|---|--|
| Issuer Rating(s) | | | |
| Mizrahi Tefahot Bank Ltd | | | |
| Long term | ilAAA/Negative | Oct 9 2003 | Oct 31 2023 |
| Issuance rating(s) | | | |
| Mizrahi Tefahot Bank Ltd | | | |
| Complex subordinated debt | | | |
| Contingent subordinated bonds with loss absorption capacity | ilAA- | Nov 19 2015 | Oct 31 2023 |
| Issuer rating history | | | |
| Long term | | | |
| October 31 2023 | ilAAA/Negative | | |
| December 25 2014 | ilAAA/Stable | | |
| November 15 2010 | ilAA+/Stable | | |
| September 14 2009 | ilAA+/Negative | | |
| May 28 2007 | ilAA+/Stable | | |
| October 9 2003 | ilAA+ | | |
| Mizrahi Tefahot Issuance Company Ltd | Rating | Date on which rating was first published | Date on which rating was last updated |
| Issuance rating(s) | | | |
| Complex subordinated debt | | | |
| Contingent subordinated bonds with loss absorption capacity Series 53 | ilAA- | Dec 9 2020 | Oct 31 2023 |
| Contingent subordinated bonds with loss absorption capacity Series 50 | ilAA- | Jun 6 2019 | Oct 31 2023 |
| Contingent subordinated bonds with loss absorption capacity Series 69 | ilAA- | Dec 12 2023 | Dec 12 2023 |
| Contingent subordinated bonds with loss absorption capacity Series 65 | ilAA- | Dec 5 2022 | Oct 31 2023 |
| Short-Term Debt | | | |
| Series 2 - CP | ilA-1+ | Dec 18 2023 | Dec 18 2023 |
| Senior unsecured debt | | | |
| Series 40, 42 | ilAAA | May 21 2015 | Oct 31 2023 |
| Series 45, 46 | ilAAA | Sep 11 2017 | Oct 31 2023 |
| Series 62 | ilAAA | Oct 6 2021 | Oct 31 2023 |
| Series 63, 64 | ilAAA | Mar 28 2022 | Oct 31 2023 |
| Series 67 | ilAAA | May 29 2023 | Oct 31 2023 |
| Series 68 | ilAAA | Dec 12 2023 | Dec 12 2023 |
| Series 49 | ilAAA | Jun 6 2019 | Oct 31 2023 |
| Series 52 | ilAAA | Jun 17 2020 | Oct 31 2023 |
| Series 66 | ilAAA | Dec 5 2022 | Oct 31 2023 |
| Additional details | | | |
| Time of the event's occurrence | May 2 2024 17:22 | | |
| Time at which the event first became known | May 2 2024 17:22 | | |
| Rating initiator | The rated company | | |

[legal disclaimer]