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

The English version is prepared for convenience purposes only. The only binding version of the Immediate Reports is the Hebrew version.

In the event of any discrepancy or inconsistency between the Hebrew version and the translation to English, the Hebrew version shall prevail and supersede, for all purposes and in all respects.

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

To	Israel Securities Authority	To	Tel Aviv Stock Exchange Ltd	T125 (Public)	Date of transmission: April 22, 2021
	www.isa.gov.il		www.tase.co.il		Ref: 2021-01-069123

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

On April 22, 2021 Fitch Rating published *Other*:

⦿A rating report/notice *updated*

○A notice regarding rating cessation

1. Rating report or notice

☑ Corporation's rating: *Other* Fitch Rating A/F1+ *stable*

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
March 18 2021	*Mizrahi Tefahot Bank Ltd*	*Other Fitch Rating A/F1+ stable*	*Initial rating*

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
Subordinated Tier 2 Capital Notes	6950836	Other *Fitch Rating*	*Other BBB None/NOO*	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
Subordinated Tier 2 Capital Notes	6950836	*April 7 2021*	*Debenture*	*Other BBB None/NOO*	Other *Initial rating – supplementary report*
Subordinated Tier 2 Capital Notes	6950836	*March 18 2021*	*Debenture*	*Other BBB (EXP) None/NOO*	Initial rating

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

Attached rating report FitchMizrahiTefahot Bank Ltd 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	*Menahem Aviv*	*Other* *Chief Accountant*
2	*Adi Shachaf*	*Other* *Head of the Finance Division*

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

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

Abbreviated Name: Mizrahi Tefahot
Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923
E-mail: mangment@umtb.co.il Company website: 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 Company:
Horwitz Ofer	Bank Secretary	Mizrahi Tefahot Bank Ltd

Address:	Tel:	Fax:	E-mail:
7 Jabotinsky Street, Ramat Gan, 52520	03-7559207	03-7559913	management@umtb.co.il

FitchRatings

Banks
Retail & Consumer Banks
Israel

Mizrahi Tefahot Bank Ltd

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1+
Viability Rating	a-
Support Rating	1
Support Rating Floor	A
Sovereign Risk	
Long-Term Local- and Foreign-Currency IDRs	A+
Short-Term Local- and Foreign-Currency IDRs	F1+
Country Ceiling	AA

Outlooks

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local- and Foreign-Currency IDRs	Stable

Applicable Criteria

Bank Rating Criteria (February 2020)

Related Research

Fitch Assigns Mizrahi Tefahot Bank's USD600 million Tier 2 Notes 'BBB' Final Rating (April 2021)

Fitch Assigns Mizrahi Tefahot Bank 'A' Long-Term IDR; Outlook Stable (March 2021)

Fitch Affirms Israel at 'A+'; Outlook Stable (January 2021)

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Key Rating Drivers

Support Drives Ratings: Mizrahi Tefahot Bank Ltd's (UMTB) Issuer Default Ratings (IDRs) reflect Fitch Ratings' view that there is an extremely high probability of state support from Israel, if needed. Our expectation is based on the sovereign's ability to support domestic banks as well as our view that it has a strong willingness to do. The strong willingness is due to UMTB's domestic systemic importance (about 20% sector assets) as well as the absence of a deposit guarantee scheme and recovery and resolution legislation in Israel.

Strong Domestic Franchise: UMTB's Viability Rating (VR) reflects the bank's strong domestic franchise as a universal bank with a leading market share in residential mortgages. The business model is stable and benefits from good cost-efficiency, which supports stable profitability.

Low-to-Moderate Risk Appetite: The bank is more focused on retail lending than peers and has a high proportion of low-risk residential mortgage loans, which are extended at conservative loan/values (LTVs) and affordability ratios. Commercial lending to small, medium and large businesses is well diversified with concentration limits that restrict lending to large conglomerates. UMTB's international and trading exposures are smaller than peers'.

Resilient Asset Quality: Impaired loans were a low 0.68% of gross loans at end-2020 due to a system-wide framework for pandemic-related payment deferrals, fiscal support for borrowers and more flexible guidance on the classification of temporarily impaired or restructured loans. We expected impaired loans to increase in 2021 but to a level still commensurate with our current assessment of asset quality and not materially above 2% of gross loans.

Adequate Capital Buffers: UMTB's common equity Tier 1 (CET1) ratio of 10.0% at end-2020 reasonably exceeded its temporarily reduced regulatory requirement of 8.7%. When capital requirement relief comes to an end (expected in September 2021), the capital buffer will reduce but will still be adequate, in our view, considering the bank's conservative risk-weights across all asset classes, which is reflected in high risk-weighted asset (RWAs) density and a robust leverage ratio of 5.2%.

Sound Funding and Liquidity: Funding benefits from UMTB's stable and granular retail and SME deposit base and a loans/deposits ratio of 87% at end-2020. Liquidity is sound, with a 133% liquidity coverage ratio at end-2020.

Rating Sensitivities

Support Assumptions: UMTB's IDRs are sensitive to a change in Fitch's assumptions about Israel's ability or willingness to provide timely support to the banking sector. A downgrade of Israel's Long-Term IDR is likely to result in a downgrade of UMTB's Long-Term IDR.

VR Downgrade on Deeper Crisis: A downgrade of UMTB's VR would most likely be driven by a deeper and more prolonged economic disruption than our baseline expectation. Fitch is likely to downgrade the VR if UMTB's impaired loan ratio exceeds 3% over a prolonged period or if a deterioration in profitability significantly weakens capitalisation, which we do not expect. A fall in the CET1 ratio towards the bank's minimum requirement without a clear prospect to rebuild it quickly is also likely to result in a downgrade.

Upside Potential: An upgrade of the VR would require the successful integration of Union Bank. It would also require growth in business segments that results in a materially more diversified business model while achieving stronger capitalisation and maintaining healthy asset quality. We do not expect this over the next two years given the time required to complete the integration as well as the time required to diversify the bank's business model in a market with strong bank and non-bank competition.

Debt Rating Classes

Rating level	Rating
Subordinated: Long-Term	BBB

Source: Fitch Ratings

The rating of UMTB's US dollar-denominated Tier 2 notes is two notches below the bank's 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% CET1 ratio gives rise to low incremental non-performance risk relative to the bank's VR.

Ratings Navigator

Navigator Peer Comparison

Peer Group Summary	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity	Viability Rating
Mizrahi Tefahot Bank Ltd	a ▼	a- ■	a- ■	a- ■	a- ■	bbb+ ■	a- ■	bbb+ ■	a-
Bank Hapoalim B.M.	a ▼	a- ■	a- ■	a- ■	a- ▼	bbb+ ▼	a- ■	a ■	a-
Bank Leumi Le-Israel B.M.	a ▼	a- ■	a- ■	a- ■	a- ▼	bbb+ ▼	a- ■	a ■	a-
AIB Group Public Limited Company	bbb+ ▼	bbb ■	bbb+ ▼	bbb ■	bb+ ▼	bbb ▼	bbb ■	bbb+ ■	bbb
Bank of Ireland Group Public Limited Company	a- ▼	bbb+ ■	bbb+ ▼	bbb ■	bb+ ■	bbb ▼	bbb ■	bbb+ ■	bbb
Ceska Sporitelna	a ▼	a ▼	a ■	a ■	a ▼	a ▼	a ■	a ■	a
Komercni Banka	a ▼	a ▼	a ■	a ■	a ▼	a ▼	a ■	a ■	a

Source: Fitch Ratings

Bar Chart Legend

Vertical bars – VR range of Rating Factor

Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

- ⇧ Positive
- ⇩ Negative
- ⇳ Evolving
- ▫ Stable

Sovereign Support Assessment

Support Rating Floor			Value
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)			A or A-
Actual country D-SIB SRF			
Support Rating Floor:			**A**
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy		✓	
Size of potential problem		✓	
Structure of banking system			✓
Liability structure of banking system	✓		
Sovereign financial flexibility (for rating level)	✓		
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in		✓	
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance	✓		
Liability structure of bank	✓		
Ownership		✓	
Specifics of bank failure		✓	

UMTB's IDRs, Support Rating and Support Rating Floor reflect Fitch's view that there is an extremely high probability of state support from Israel, if needed. UMTB accounts for about a fifth of sector assets (including the recently acquired Union Bank) and is a domestic systemically important bank.

In our view, state support for Israel's banks in case of need is extremely probable as the country does not have resolution legislation or a deposit guarantee scheme in place. The introduction of a bank resolution law, which could indicate a reduced willingness to provide support, is under discussion, but we do not expect such a law to come into effect within the next 24 months.

The bank's Short-Term IDR of 'F1+' is the higher of the two possible options that map to a Long-Term IDR of 'A'. This is because we view the sovereign's propensity to support UMTB as more certain in the near term. We also view the risk of a simultaneous deterioration in the liquidity profile of both Israel and UMTB as low, and we have not identified other potential impediments to the prompt flow of funds to the bank.

Latest Developments

Rapid Vaccination and Government Support

Israel has had one of the fastest coronavirus vaccinations rates in the world and pandemic-related restrictions have been significantly relaxed as the majority of the public has now received at least one dose of the vaccine. As restrictions are phased out, the economic recovery will depend on such factors as potential new waves of infection and the effectiveness of the vaccination programme, as its lasting impact on the spread of the virus remains to be seen.

Government support programmes are providing support to borrowers. Beginning on 1 January 2021, Israeli banks began to implement an additional framework for deferring mortgage and consumer payments that is targeted at low-income households. As a result, payment deferrals taken only as a precautionary measure have largely ended.

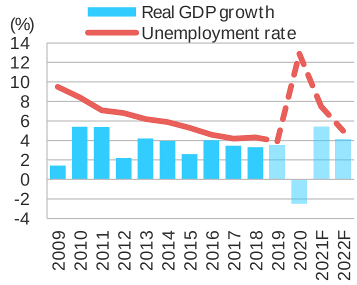
Sharp Recovery Projected, but Downside Risks Are High

Fitch estimates that measures to contain the pandemic resulted in Israel's GDP contracting by 2.5% in 2020 compared to a pre-pandemic growth estimate of 3.2%, and we expect growth of 4.9% in 2021. We consider UMTB to be in a resilient position overall as indicated by the stable trends on our assessment of most of its VR factors. The negative trend on our operating environment assessment reflects the risk of a prolonged pandemic resulting in high unemployment and lower interest rates for longer as well as the risk that GDP growth may not recover as Fitch expects.

Israel's banking system is highly concentrated with the five largest banks accounting for over 95% of system assets. These banks' assets were equivalent to about 130% of the country's GDP at end-1H20. While large corporate borrowers have access to alternative sources of funding, retail and SME customers tend to rely on banks. Household debt is low in Israel and Fitch does not expect households' ability to service their debt to deteriorate.

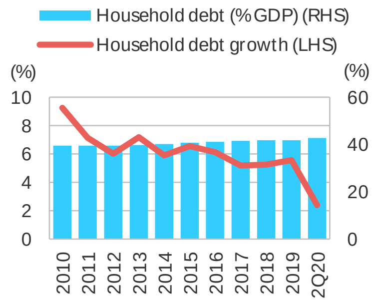
We consider the regulatory environment for Israeli banks to be developed and transparent. In our view, enforcement of legislation is strong, and prudential supervision exceeds international standards in both scope and depth. The strength of the supervisory framework has been demonstrated by the Bank of Israel's introduction of ample support measures during the pandemic. There is also a political consensus in favour of ensuring stability and avoiding bank failures given the absence of deposit insurance or other deposit guarantee mechanisms.

Sharp Recovery Projected



Excluding furloughs, unemployment was 4.8% at end-2020
Source: Fitch Ratings

Low Household Debt



Annualised growth for 2Q20
Source: Fitch Ratings, BIS

Company Summary and Key Qualitative Assessment

Strong Domestic Retail Franchise

UMTB is the third-largest bank in Israel by assets. Like its larger peers, Bank Hapoalim B.M. (A/Stable) and Bank Leumi Le-Israel B.M. (A/Stable), it operates a universal banking model and provides a wide range of retail, commercial and private banking services. However, UMTB's greatest strength is its mortgage lending franchise, which has a market share of about 40% including Union Bank, making it Israel's largest mortgage lender. UMTB was founded in 1923 and has grown through multiple mergers and acquisitions, most recently the purchase of Union Bank, Israel's sixth-largest bank, in 3Q20.

The bank operates 235 branches, including 53 branches of Bank Yahav, a subsidiary specialising in products for public-sector employees, and 37 recently acquired branches of Union Bank. Bank Yahav is a 50% joint venture, with the other 50% of shares and voting rights held jointly by the government employees trade union and the State of Israel.

The bank also operates a small number of private banking branches within Israel. International operations are smaller than peers' and are limited to two branches (UK and US). We do not expect material business growth in this area. UMTB reached an agreement to sell its Swiss subsidiary bank in January 2021.

Unlike its larger peers, UMTB has not been required to alter its credit card distribution model to support the regulator's efforts to increase competition in this lending segment. UMTB's cards are mainly distributed to its current account customers.

Stable, Low-Risk and Low-Cost Business Model

UMTB's business model relies on net interest income, which represented 73% of operating income in 2020 including Union Bank (74% in 2019, excluding Union Bank). About half of non-interest income came from retail and SME banking fees. Other non-interest income includes trading income from foreign exchange as well as Israeli government bonds, of which Mizrahi is a primary dealer. UMTB owns an insurance agency, which sells life and property insurance policies to its mortgage customers, but it is not a significant contributor to group income.

Fitch expects the acquisition of Union Bank to strengthen UMTB's business banking franchise and to increase loans to businesses. Despite this, we expect mortgages to remain UMTB's principal lending segment and to continue to represent more than half of the loan book.

Consistent Strategy and Good Record of Execution

UMTB has a stable management team. Close monitoring and control by the regulator support the continuation of the bank's consistent and proven strategy of manageable acquisitions that result in cost synergies. In our view, the bank has been able to growth without significantly increasing its risk appetite.

We expect UMTB to continue to focus on improving efficiency and to modestly increase its proportion of business lending. Union Bank sold its large diamond lending loan book before the acquisition, reducing sector concentration in the acquired loan book, and we expect any growth in business lending to be diversified by sector. In our view, the bank has executed previous acquisitions well, and it has a good record of achieving its targets, so we expect the Union Bank acquisition to be completed in line with plans.

Conservative Underwriting, Adequate Controls, Modest Market Risk

Underwriting standards are conservative and stringent by global standards. About 60% of the loan book consists of loans backed by residential real estate at low LTV ratios, which are capped at 75% for first-time buyers and 50% for landlords by Bank of Israel regulations. The business loan portfolio is diversified by sector, with a moderate concentration in residential construction, and limits are in place to limit exposure to large borrower groups, such as local conglomerates.

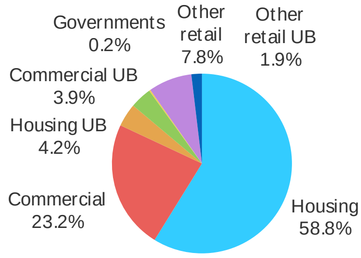
In response to the pandemic, UMTB revised its underwriting models for business lending in order to reflect the new risks facing certain sectors. The bank also participated in industry-wide loan deferral and forbearance schemes, and as of 31 January 2021 it had granted ILS5.2 billion of loans under government-guaranteed lending schemes designed to provide credit to businesses most affected by the pandemic.

UMTB's gross loans have grown at an average annual rate of 7%-8% since 2013, higher than its two larger domestic peers. Commercial loans grew by 14% (excluding Union Bank) in 2020, but this was driven by government-guaranteed pandemic-related loans for SME customers. UMTB's share of government-guaranteed pandemic loans was almost twice its share of SME loans. Growth has not pressured the bank's capitalisation, and it has been funded by deposits which have grown by an average of 8% annually since 2013.

Market risk exposure is low overall and consists mainly of exposure to interest rate risk and the consumer price index (CPI). Interest rate risk arises from exposure to fixed-rate mortgages funded by variable-rate deposits, but the risk is managed to risk appetite thresholds that limit the impact of a change in interest rates on net interest income and on capital. The bank's CPI exposure is the result of CPI-linked mortgages and CPI-linked deposits, and it is managed to similarly calibrated thresholds. The bank has a net long position to CPI and therefore sees a positive impact when inflation increases.

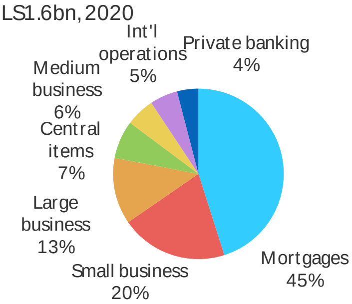
UMTB is also exposed to market risk through its activities as a market maker in local-currency Israeli government bonds as well as through trading in the spot USD/ILS market. However, foreign-exchange risk is low given the bank's domestic focus as well as limits on currency positions for day-to-day foreign-exchange operations.

Mizrahi's Gross Loans
ILS249bn, end-2020



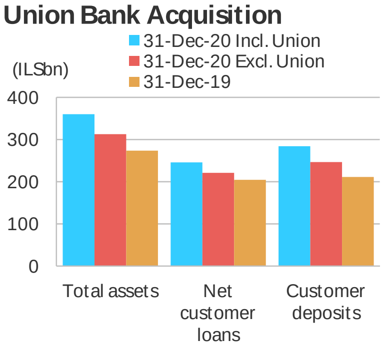
Including Union Bank (UB)
Source: Fitch Ratings, UMTB

Net Profit by Segment
ILS1.6bn, 2020



Source: Fitch Ratings, UMTB

Union Bank Acquisition



Source: Fitch Ratings, UMTB

Summary Financials and Key Ratios

	31 Dec 20		31 Dec 19	31 Dec 18	31 Dec 17
	Year end	Year end	Year end	Year end	Year end
	(USDm)	(ILSm)	(ILSm)	(ILSm)	(ILSm)
	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified	Audited - unqualified
Summary income statement					
Net interest and dividend income	1,811	5,835	5,357	4,929	4,351
Net fees and commissions	519	1,671	1,535	1,475	1,423
Other operating income	120	387	388	486	179
Total operating income	2,450	7,893	7,280	6,890	5,953
Operating costs	1,328	4,279	3,988	3,838	3,611
Pre-impairment operating profit	1,122	3,614	3,292	3,052	2,342
Loan and other impairment charges	326	1,050	364	310	192
Operating profit	796	2,564	2,928	2,742	2,150
Other non-operating items (net)	13	41	26	-546	47
Tax	280	903	1,029	922	806
Net income	528	1,702	1,925	1,274	1,391
Other comprehensive income	18	57	-1	36	-78
Fitch comprehensive income	546	1,759	1,924	1,310	1,313
Summary balance sheet					
Assets					
Gross loans	77,148	248,571	207,057	196,586	183,058
- Of which impaired	528	1,700	1,274	1,101	723
Loan loss allowances	755	2,433	1,693	1,575	1,484
Net loans	76,393	246,138	205,364	195,011	181,574
Derivatives	1,410	4,543	2,578	3,240	3,421
Other securities and earning assets	5,438	17,521	10,265	11,139	10,241
Total earning assets	83,241	268,202	218,207	209,390	195,236
Cash and due from banks	26,868	86,570	51,672	45,162	41,130
Other assets	1,666	5,368	3,365	3,321	3,206
Total assets	111,775	360,140	273,244	257,873	239,572
Liabilities					
Customer deposits	88,235	284,294	211,013	199,534	183,624
Interbank and other short-term funding	1,173	3,779	714	625	1,125
Other long-term funding	10,381	33,446	33,460	30,616	29,923
Trading liabilities and derivatives	1,709	5,506	2,686	3,661	3,082
Total funding	101,498	327,025	247,873	234,436	217,754
Other liabilities	4,173	13,446	8,566	8,047	7,491
Total equity	6,105	19,669	16,805	15,390	14,327
Total liabilities and equity	111,775	360,140	273,244	257,873	239,572
Exchange rate		USD1 = ILS3.222	USD1 = ILS3.463	USD1 = ILS3.771	USD1 = ILS3.467

Source: Fitch Ratings, Fitch Solutions, Mizrazhi Tefahot Bank Ltd

Summary Financials and Key Ratios

	31 Dec 20	31 Dec 19	31 Dec 18	31 Dec 17
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	1.3	1.8	1.8	1.5
Net interest income/average earning assets	2.4	2.5	2.5	2.3
Non-interest expense/gross revenue	54.2	54.8	55.7	60.7
Net income/average equity	9.4	11.9	8.6	10.1
Asset quality				
Impaired loans ratio	0.7	0.6	0.6	0.4
Growth in gross loans	20.1	5.3	7.4	5.8
Loan loss allowances/impaired loans	143.1	132.9	143.1	205.3
Loan impairment charges/average gross loans	0.5	0.2	0.2	0.1
Capitalisation				
Common equity Tier 1 ratio	10.0	10.1	10.0	10.2
Tangible common equity/tangible assets	4.8	5.6	5.4	5.4
Basel leverage ratio	5.2	5.6	5.4	5.5
Net impaired loans/common equity Tier 1	-3.6	-2.5	-3.1	-5.3
Funding and liquidity				
Loans/customer deposits	87.4	98.1	98.5	99.7
Liquidity coverage ratio	133.0	121.0	116.0	118.0
Customer deposits/funding	88.4	86.1	86.5	85.5

Source: Fitch Ratings, Fitch Solutions, Mizrazhi Tefahot Bank Ltd

Key Financial Metrics – Latest Developments

Resilient Asset Quality

Impaired loans remained a low 0.68% of gross loans at end-2020, according to Fitch's calculations, which include loans to governments. As support measures begin to be withdrawn, we expect to see asset quality deterioration in business lending to firms of all sizes as well as in consumer lending, while mortgage loans will likely prove more resilient.

UMTB's loan book is almost entirely domestic (over 98% at end-2020) and mainly comprises good-quality, highly collateralised mortgages. These mortgage loans are very conservatively provisioned, with a 35bp collective provision made for each loan upon origination as per local regulations. The average LTV ratio was 53% at end-2020 on a non-indexed basis and will therefore be lower given continued increases in house prices over recent years. The performance of the mortgage book was healthy in 2020, supported by low interest rates and strong affordability metrics given modest household leverage (43% household debt/GDP) compared with other developed markets.

During the pandemic, mortgage borrowers were eligible for penalty-free payment deferrals which peaked at 28% of mortgages in May 2020. In our view, the high number of requests reflected borrowers cautiously increasing their financial flexibility, and we observed similar behaviour in other countries with penalty-free deferral schemes. Deferrals reduced to 16% of mortgage loans at end-October 2020 and reduced further to 2% at end-January 2021 following renewed guidance from the Bank of Israel to better target the deferrals at the most severely affected customers and encourage others to resume repayment, or partial repayment, where possible. Most resumed full repayments, with only 3% switching to partial repayments.

UMTB's commercial loan book is small compared to its larger peers' and of good quality, with impaired loans of 2.0% at end-2020. The loan book is generally diversified by sector albeit with a moderate concentration in construction and real estate loans, which represented about 40% of commercial loans and 13% of the bank's gross loans. The exposure is mainly to housing construction in Israel.

Consistent Profitability Through Economic Cycles

Steady profitability has been supported by the bank's strong franchise in mortgage lending and better cost-efficiency than peers. Despite an almost 3x increase in impairment charges in 2020, UMTB had a high 1.3% ratio of operating profit to RWAs. We expect the cost/income ratio to increase modestly due to expenditure on the integration of Union Bank but to then improve as the process is completed and cost synergies are achieved.

Adequate Capitalisation

UMTB's CET1 ratio of 10.0% at end-2020 had a reasonable 130bp buffer over its temporarily reduced capital requirement of 8.7%, but the buffer will reduce when the requirement increases, which we expect in 4Q21. While the buffer would reduce to about 30bp based on end-2020 RWAs, we would still view this as adequate in light of the bank's conservative risk-weights across asset classes, which limit the risk of RWAs inflation, as well as a robust 5.2% leverage ratio. The RWA density of 56% and the leverage ratio are both high compared with mortgage lenders globally.

Adequate Funding and Sound Liquidity

The bank benefits from a stable and granular retail and SME deposit base, and a low loans/deposits ratio of 87% at end-2020. UMTB recently accessed international wholesale funding markets with the issuance of a Tier 2 US dollar instrument, which we expect will widen the bank's investor base and improve its funding flexibility. The bank is already an active issuer in domestic wholesale markets, which represented about 10% of total funding.

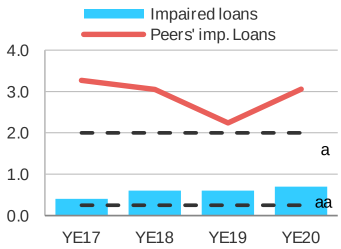
Liquidity is sound, and the acquisition of Union Bank increased the liquidity coverage ratio by about 500bp to 133% at end-2020. High-quality liquid assets consist almost entirely of Level 1 assets including Israeli and US government bonds which could be pledged to the Bank of Israel or the US Federal Reserve if needed.

Notes on charts: Black dashed lines in the charts represent indicative quantitative ranges and corresponding implied scores for Fitch's core financial metrics for banks in 'a' operating environments, which applies to all peers except AIB Group Public Limited Company.

Peer average includes: UMTB (VR: a-), Bank Hapoalim B.M. (a-), Bank Leumi Le-Israel B.M. (a-), AIB Group Public Limited Company (bbb), Bank of Ireland Group Public Limited (bbb), Ceska Sporitelna (a) and Komercni Banka (a).

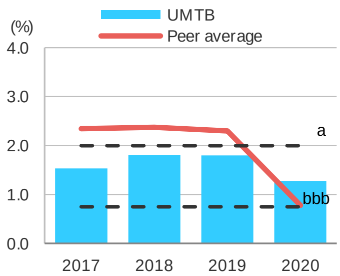
Asset Quality

(% gross loans)



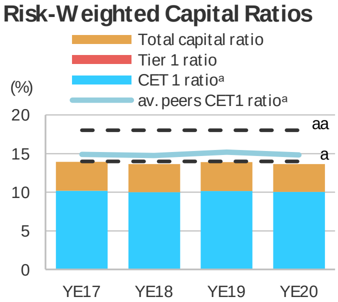
Source: Fitch Ratings, banks

Operating Profit/RWAs



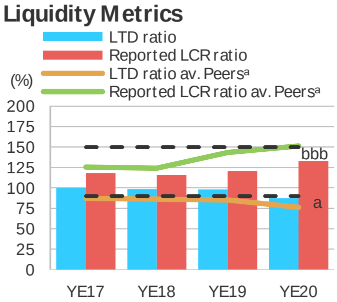
Source: Fitch Ratings, banks

Risk-Weighted Capital Ratios



Source: Fitch Ratings, banks

Liquidity Metrics



Source: Fitch Ratings, banks

Environmental, Social and Governance Considerations

The highest level of ESG credit relevance for UMTB is a score of '3'. This means ESG issues are credit neutral or have only a minimal credit impact on the bank, either due to their nature or to the way in which they are being managed by the bank. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

FitchRatings **Mizrahi Tefahot Bank Ltd** Banks Ratings Navigator

Credit-Relevant ESG Derivation

Mizrahi Tefahot Bank Ltd has 5 ESG potential rating drivers

- Mizrahi Tefahot Bank Ltd has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	5	issues	3
not a rating driver	4	issues	2
	5	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite	5
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

FitchRatings Banks Ratings Navigator

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