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: March 29, 2022
	www.isa.gov.il		www.tase.co.il		Ref: 2022-01-037585

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

On March 29, 2022 Fitch Rating published *Other*:

⦿A rating report/notice *initial*

○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
January 13 2022	*Mizrahi Tefahot Bank Ltd*	*Other Fitch Rating A/F1+ stable*	*Rating confirmation*
April 22 2021	*Mizrahi Tefahot Bank Ltd*	*Other Fitch Rating A/F1+ stable*	*Rating confirmation*
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	6950836	Other *Fitch Rating*	*Other BBB None/NOO*	Rating confirmation

Capital Notes				

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	*January 13 2022*	*Debenture*	*Other BBB None/NOO*	*Rating confirmation*
Subordinated Tier 2 Capital Notes	6950836	*April 22 2021*	*Debenture*	*Other BBB None/NOO*	*Rating confirmation*
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 UMTB FRR 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):
2022-01-006415

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange

Form structure revision date: February 22, 2022

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: Horwitz Ofer

Position: Bank Secretary

Name of Employing Company: Mizrahi Tefahot Bank Ltd

Address: 7 Jabotinsky Street, Ramat Gan, 52520

Tel: 03-7559207

Fax: 03-7559913

E-mail: management@umtb.co.il

Mizrahi Tefahot Bank Ltd

Key Rating Drivers

Support Drives Ratings: The Issuer Default Ratings (IDRs) of Mizrahi Tefahot Bank Ltd (UMTB) reflect Fitch Ratings' view of a very high probability that Israel (A+/Stable/F1+) would provide support to UMTB, if needed. Fitch believes Israel's ability and propensity to support UMTB is very high, particularly given the bank's systemic importance in the country.

Strong Retail Banking Franchise: UMTB's Viability Rating (VR) reflects a strong franchise in Israel, particularly in mortgages, stable asset quality that we expect to remain resilient despite concentration in domestic property, and adequate capitalisation. The ratings also reflect adequate funding given a large deposit base, conservative liquidity and adequate earnings, which in 2021 benefited from releases from loan loss allowances (LLAs) booked in 2020.

Sound Asset Quality: UMTB's asset quality has been sound since the start of the pandemic, and the bank's gross impaired loan ratio improved to about 0.5% at end-2021. Like its domestic peers, UMTB built up large LLAs during 2020, amounting to 1% of gross loans by end-2020, but they were gradually released during 2021. We expect the impaired loans to remain below 1% of gross loans over the next two years. This is lower than our expectation for domestic peers and reflects UMTB's greater proportion of lower-risk residential mortgage loans.

Low-to-Moderate Risk Appetite: Underwriting standards are conservative, helped by tight regulatory limits and oversight, particularly for mortgage loans and construction-and-real-estate lending. Material exposure to the residential real estate market, through mortgages as well as construction loans, is mitigated by the low indebtedness of Israeli households as well as high population growth that drives high demand for new construction.

Earnings Recovery: Profitability in 2021 benefited from strong new mortgage volumes and releases of LLAs. The bank's performance should benefit from further loan growth, increasingly in loans to small and mid-sized businesses, in line with the bank's diversification strategy, as well as from cost-efficiency programmes, to meet the 50% cost-to-income ratio target by 2025.

Adequate Capital Buffers: The headroom available in our capitalisation assessment is limited, even though capitalisation has remained adequate during the pandemic, with a reported common equity Tier 1 (CET1) ratio of 10.04% at end-2021. We expect the bank to maintain a moderate buffer above the regulatory minimum requirement, which increased to 9.6% on 1 January 2022 when the temporary, pandemic-related 100bp reduction came to an end.

Sound Funding and Liquidity: UMTB's loan-to-deposit ratio is higher than that of domestic peers, reflecting greater use of wholesale funding. However, UMTB's funding benefits from the bank's stable and granular retail and SME deposit base, and liquidity is sound.

Rating Sensitivities

Support Assumptions: UMTB's IDRs are primarily sensitive to a weakening in the sovereign's ability or propensity to support the bank. A downgrade of Israel's Long-Term IDR would likely result in a downgrade of UMTB's IDRs and GSR.

Asset Quality: A gross impaired loan ratio of above 3% for an extended period, in combination with a CET1 ratio decreasing materially with limited prospect to re-build capital organically, would likely trigger a VR downgrade.

Limited Upside to its VR: A VR upgrade is unlikely given UMTB's domestic business model. It would require a material and structural improvement in profitability, allowing the bank to generate operating profit/risk-weighted assets (RWAs) above 2% on a sustained basis, while maintaining a CET1 ratio above its current target with healthy asset quality.

Ratings

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

Outlooks

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

Applicable Criteria

Bank Rating Criteria (November 2021)

Related Research

Global Economic Outlook (March 2022)

Fitch Affirms Israel at 'A+'; Outlook Stable (February 2022)

Fitch Affirms Mizrahi Tefahot Bank at 'A'; Outlook Stable (January 2022)

Analysts

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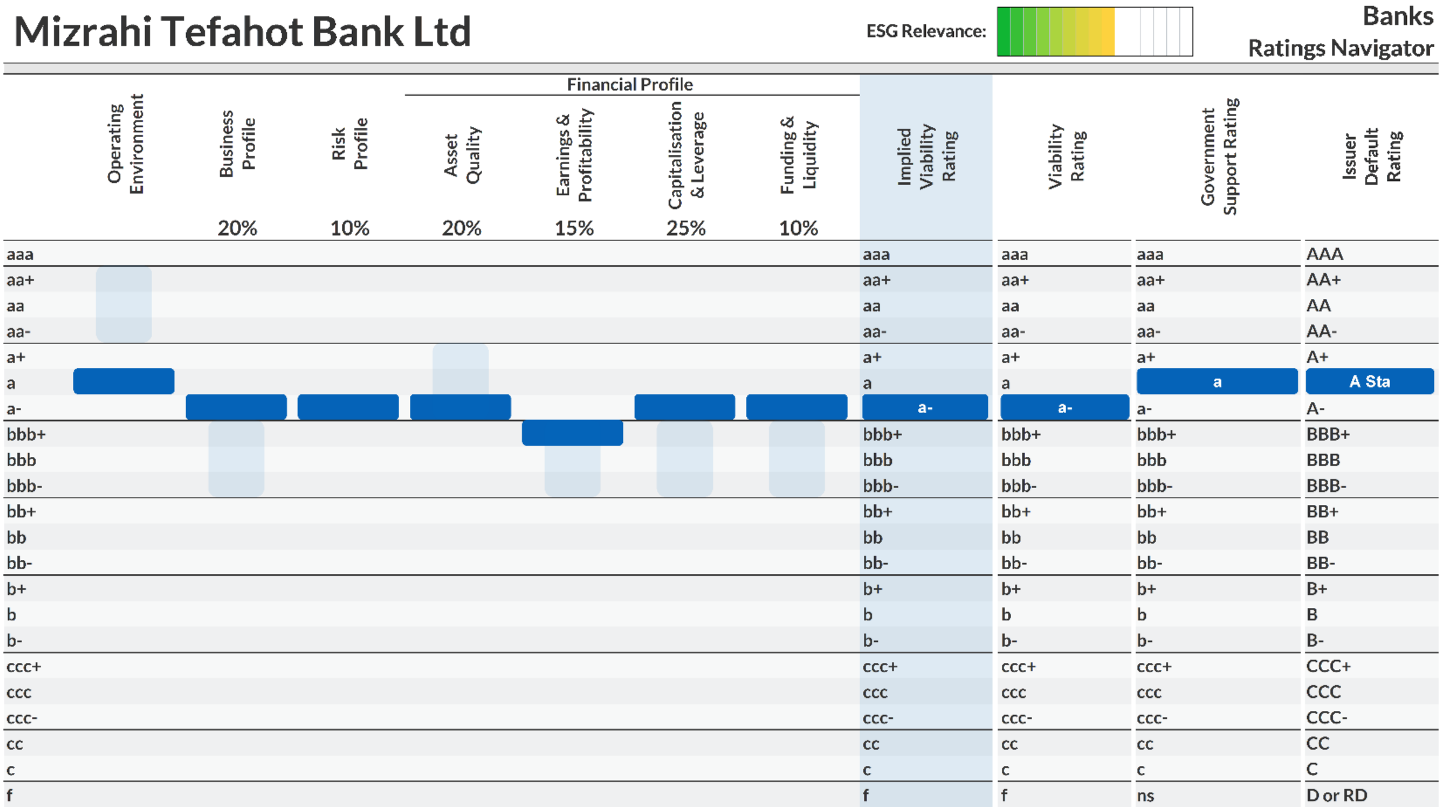
Debt Rating Classes

Rating Level	Rating
Tier 2 Subordinated Debt: Long-Term	BBB

Source: Fitch Ratings

UMTB's USD600 million Tier 2 notes are rated two notches below the 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



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red.

VR Adjustments

The operating environment score of 'a' has been assigned below the 'aa' category implied score because the 'A+' sovereign rating of Israel constrains our assessment.

The Business Profile score of 'a-' has been assigned above the 'bbb' category implied score to reflect UMTB's strong market position in a concentrated banking sector.

The Capitalisation and Leverage score of 'a-' has been assigned above the 'bbb' category implied score to reflect the conservative risk weights applied to the bank's loan exposures.

The Funding and Liquidity score of 'a-' has been assigned above the 'bbb' category implied score to reflect UMTB's stable and granular retail deposit base, which benefits from the bank's strong market share in a concentrated domestic banking sector.

Significant Changes

A new accounting policy for impaired loans – current expected credit losses (CECL) – was adopted by UMTB and other Israeli banks on 1 January 2022. The policy is in line with rules specified under US GAAP and requires the banks to calculate provisions based on expected losses over the term of their loans. The estimated impact of adopting CECL on the bank's net loans to the public is ILS0.5 billion, which is modest compared to the implementation of similar policies in other countries and reflects conservative provisioning under previous impairment policies. The impact on risk-weighted capital ratios (equivalent to minus 23bp of end-2021 RWAs) will be phased in over a three-year transition period.

Company Summary and Key Qualitative Assessment

Strong Domestic Franchise and Stable Business Model

UMTB is Israel's third-largest bank by total assets. It shares are traded on the Tel Aviv Stock Exchange, with two controlling shareholders each owning about 21% of the shares and voting rights. 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. Mortgages are a particular strength, and UMTB's market share of almost 40% makes it Israel's largest mortgage lender.

The bank operated through 225 branches at end-2021 but expects this to decrease to 205 when the Union Bank merger process completes later this year. The network includes 52 branches of Bank Yahav, which mainly serves public sector employees and is a 50% joint venture, and 29 Union Bank branches, most of which will be closed, with the remainder re-branded. International operations are smaller than those of peers and limited to one branch in London and one in Los Angeles and, while we expect growth in the provision of business banking services by these entities, in line with the strategy, we do not expect their overall size to increase significantly.

UMTB does not have a credit card subsidiary and distributes credit cards of all major credit card companies, largely to its current account customers. Therefore, unlike its larger peers, it has not been required by the regulator to alter its credit card distribution model to promote competition. This segment faces increasing competition from non-banks, such as retail stores, but it is not a significant source of earnings (less than 3% of pre-tax profit in 2021). UMTB's business model relies on net interest income, which represented 75% of operating income in 2021. Fee and commission income are mainly derived from retail and SME banking fees and a smaller amount from foreign exchange and primary dealing in Israeli government bonds. We expect UMTB to remain strategically focused on improving cost efficiency and increase its proportion of loans to businesses.

Conservative Underwriting, Adequate Controls and Moderate Market Risk

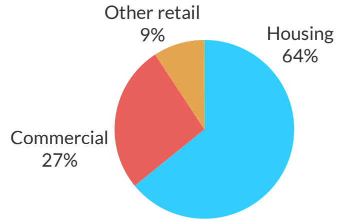
Loan underwriting is conservative by global standards, and this is partly due to regulatory restrictions. Loans backed by real estate are a segment in which the Bank of Israel focuses on ensuring that banks are not exposed to excessive risk and so it imposes portfolio-and-loan-level restrictions. These restrictions include limits on mortgage loan-to-value ratios, which must not exceed 75% for owner-occupied and 50% for buy-to-let loans.

Commercial loans for the construction of residential real estate is also a significant exposure, and the regulator limits exposure to this sector to 24% of gross loans. Historically, UMTB and other Israeli banks have had concentrated exposures to large local conglomerates, exposing the banks to concentration risk, but these concentrations have been significantly reduced in recent years at the behest of the Bank of Israel. At end-2021, no exposures to a group of related companies exceeded 15% of capital. UMTB offers some financing to highly leveraged companies to support buyouts, acquisitions and capital distributions, but total exposure to these types of companies is low and we do not expect the bank to increase its appetite for these lending segments. Risk controls are adequate, in our view, and managed using a comprehensive framework which also consolidates risks in subsidiaries, such as Bank Yahav.

Loan growth in 2021 of 10% was above the long-run average of 6%-7% a year (excluding one-off growth of 20% in 2020 due to the acquisition of Union Bank). It reflects very strong demand for mortgage lending and strong house price growth since the start of the pandemic, a trend observed in many countries. We expect growth to moderate in 2022 and to be more focused on commercial lending, in line with the bank's strategy to grow in lending segments where it is under-represented.

The bank's exposure to market risk is moderate and arises primarily from interest-rate and consumer price index (CPI) risks in the banking book, which is subject to the bank's framework of risk limits. Exposure to CPI risks is higher than that of peers, given the larger relative size of UMTB's mortgage book, as CPI-linked mortgages are popular with mortgage borrowers looking to reduce their monthly payments. In years of low inflation, such as 2020, this acted as a modest drag on net interest income, but the CPI exposure made a positive contribution in 2021. UMTB's exposure to equity investments in non-financial companies is much lower than that of peers.

Mizrahi's Gross Loans
ILS274bn, end-2021



Source: Fitch Ratings, UMTB

Summary Financials and Key Ratios

	31 Dec 21		31 Dec 20	31 Dec 19	31 Dec 18
	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	2,446	7,705	5,835	5,357	4,929
Net fees and commissions	618	1,947	1,671	1,535	1,475
Other operating income	203	640	387	388	486
Total operating income	3,267	10,292	7,893	7,280	6,890
Operating costs	1,768	5,568	4,279	3,988	3,838
Pre-impairment operating profit	1,500	4,724	3,614	3,292	3,052
Loan and other impairment charges	-88	-278	1,050	364	310
Operating profit	1,588	5,002	2,564	2,928	2,742
Other non-operating items (net)	6	18	41	26	-546
Tax	549	1,730	903	1,029	922
Net income	1,044	3,290	1,702	1,925	1,274
Other comprehensive income	-6	-20	57	-1	36
Fitch comprehensive income	1,038	3,270	1,759	1,924	1,310
Summary balance sheet					
Assets					
Gross loans	86,987	274,008	248,571	207,057	196,586
- Of which impaired	429	1,351	1,700	1,274	1,101
Loan loss allowances	668	2,103	2,433	1,693	1,575
Net loans	86,319	271,905	246,138	205,364	195,011
Derivatives	1,159	3,652	4,543	2,578	3,240
Other securities and earning assets	5,217	16,434	17,521	10,265	11,139
Total earning assets	92,696	291,991	268,202	218,207	209,390
Cash and due from banks	30,243	95,267	86,570	51,672	45,162
Other assets	1,591	5,013	5,368	3,365	3,321
Total assets	124,530	392,271	360,140	273,244	257,873
Liabilities					
Customer deposits	97,779	308,005	284,294	211,013	199,534
Interbank and other short-term funding	2,220	6,992	3,779	714	625
Other long-term funding	12,078	38,046	33,446	33,460	30,616
Trading liabilities and derivatives	1,191	3,753	5,506	2,686	3,661
Total funding and derivatives	113,269	356,796	327,025	247,873	234,436
Other liabilities	4,364	13,746	13,446	8,566	8,047
Total equity	6,898	21,729	19,669	16,805	15,390
Total liabilities and equity	124,530	392,271	360,140	273,244	257,873
Exchange rate		USD1 = ILS3.15	USD1 = ILS3.222	USD1 = ILS3.463	USD1 = ILS3.771

Source: Fitch Ratings, Fitch Solutions, UMTB

Summary Financials and Key Ratios

	31 Dec 21	31 Dec 20	31 Dec 19	31 Dec 18
Ratios (annualised as appropriate)				
Profitability				
Operating profit/risk-weighted assets	2.3	1.3	1.8	1.8
Net interest income/average earning assets	2.8	2.4	2.5	2.5
Non-interest expense/gross revenue	54.1	54.2	54.8	55.7
Net income/average equity	15.7	9.4	11.9	8.6
Asset quality				
Impaired loans ratio	0.5	0.7	0.6	0.6
Growth in gross loans	10.2	20.1	5.3	7.4
Loan loss allowances/impaired loans	155.7	143.1	132.9	143.1
Loan impairment charges/average gross loans	-0.1	0.5	0.2	0.2
Capitalisation				
Common equity Tier 1 ratio	10.0	10.0	10.1	10.0
Tangible common equity/tangible assets	4.9	4.8	5.6	5.4
Basel leverage ratio	5.2	5.2	5.6	5.4
Net impaired loans/common equity Tier 1	-3.4	-3.6	-2.5	-3.1
Funding and liquidity				
Gross loans/customer deposits	89.0	87.4	98.1	98.5
Liquidity coverage ratio	125.0	133.0	121.0	116.0
Customer deposits / total non-equity funding	87.2	88.4	86.1	86.5
Net stable funding ratio	119.0	n.a.	n.a.	n.a.

Source: Fitch Ratings, Fitch Solutions, UMTB

Key Financial Metrics – Latest Developments

Asset Quality Benefits from Residential Mortgage Loans

UMTB's loan book is almost entirely domestic, with international loans representing less than 2% of gross loans at end-2021. Loans secured on domestic residential real estate represented about two-thirds of UMTB's loan book, which is a much higher proportion than at the bank's large domestic peers. These loans are generally lower-risk given prudent underwriting standards, including regulatory limits on borrower leverage and affordability. As a result, UMTB's impaired loans ratio of 0.5% at end-2021 is lower than that of peers, and we do not expect it to exceed 1% over the next two years.

The commercial loan book is small compared to UMTB's domestic peers but of good quality, with an impaired loan ratio of 1.7% at end-2021. The largest sector exposure is to domestic construction and real estate, which represented 37% of commercial loans and 16% of the bank's gross loans. The sector's main exposure is to housing development in Israel, which has fast-growing population and therefore structurally increasing demand for housing.

Consistent Profitability Through Economic Cycles

A strong mortgage franchise and better cost efficiency than that of peers, have helped UMTB to report consistent profitability through economic cycles. The bank's net interest margin of 2.8% in 2021 is high by international standards and higher than at domestic peers, which partly reflects UMTB's franchise strength in a competitive mortgage market. Net interest income represents a slightly higher proportion of UMTB's earnings than at its peers, which have larger franchises in corporate banking and related services.

Central items, including earnings from trading, asset-liability management and investment activities, represented 31% of net profit in 2021, a significant increase from 2020. A key driver of these earnings was the effect of an increase in the CPI, which had a positive ILS406 million effect on earnings in 2021 compared to a negative ILS105 million effect in 2020. UMTB maintains a long position to the CPI as its CPI-linked assets (mainly CPI-linked mortgages) exceed its CPI-linked liabilities (CPI-linked bonds and deposits). The bank also saw an 17% increase in net fee and commission income, mainly due to increased account management fees from retail and commercial clients.

Adequate Capital Buffers Given Stability of Risk-Weighted Ratios

UMTB's regulatory capital requirements are 100bp lower than its two larger domestic peers due to its smaller size. The bank also operates with lower management buffers above its requirements, but this reflects the lower risk profile of UMTB's assets, which are skewed towards residential mortgage loans. The CET1 ratio is calculated under the standardised approach for credit risk, and this results in higher average risk weights (RWAs/total assets: 56% at end-2021) which we view as conservative given UMTB's higher exposure to lower-risk residential mortgages.

The bank's 5.18% leverage ratio at end-2021 is lower than that of peers, which reflects UMTB's higher proportion of mortgage loans, which carry a lower risk weight than corporate exposures. However, it remains adequately above the minimum leverage ratio requirement, which was lowered to 4.5% due to the pandemic and will not return to the pre-pandemic level of 5% until 1 January 2024.

Funding Benefits from High Market Share in Domestic Retail Deposits

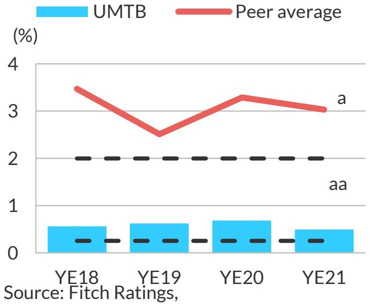
Wholesale funding needs are limited, with customer deposits representing 89% of non-equity funding at end-2021, of which 46% belonged to retail customers and 16% to small and micro businesses. As in many other countries, retail deposits have grown significantly since the start of the pandemic, particularly in current accounts. The bank has demonstrated good access to wholesale funding markets both domestically, where it is a frequent issuer, as well as internationally following the issuance of a USD600 million Tier 2 bond in March 2021, which has increased its potential investor base.

Liquidity is sound, with an average liquidity coverage ratio of 125% in 4Q21. High-quality liquid assets represented 31% of total assets at end-2021 and consisted mostly of deposits with the Bank of Israel.

Black dashed lines represent indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category.

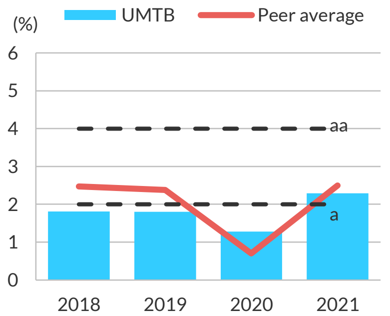
Peer average includes Bank Leumi Le-Israel B.M. (VR:a-), Mizrahi Tefahot Bank Ltd (a-), AIB Group Public Limited Company (bbb), Bank of Ireland Group plc (bbb), Ceska Sporitelna, a.s. (a), Komercni Banka, a.s. (a).

Impaired Loans/Gross



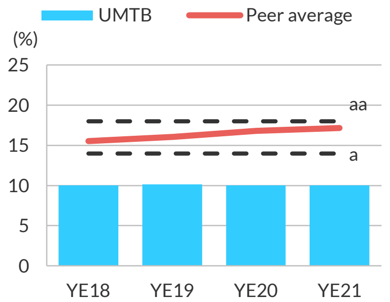
Source: Fitch Ratings,

Operating Profit/RWAs



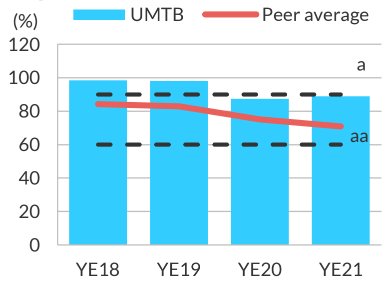
Source: Fitch Ratings, banks

CET1/RWAs



Source: Fitch Ratings, banks

Gross Loans/Customer Deposits



Source: Fitch Ratings, banks

Government Support

UMTB's IDRs are driven by its Government Support Rating (GSR), which is in line with the domestic systemically important bank (D-SIB) GSR for Israel and reflects Fitch's view of a very high probability that Israel (A+/Stable) would provide support to UMTB, if needed. Fitch believes that Israel has a strong ability to support its banking sector, and that the sovereign's propensity to support UMTB is high, particularly given the bank's systemic importance in the country with a market share of about 20% of banking sector assets.

UMTB's 'F1+' Short-Term IDR is the higher of two possible Short-Term IDRs that map to an 'A' Long-Term IDR. This is because we view the sovereign's propensity to support as more certain in the near term.

Commercial Banks: Government Support Rating KRDs	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	A or A-
Actual jurisdiction D-SIB GSR	a
Government Support Rating	**a**
Government ability to support D-SIBs	
Sovereign Rating	A+/ Stable
Size of banking system	Neutral
Structure of banking system	Negative
Sovereign financial flexibility (for rating level)	Positive
Government propensity to support D-SIBs	
Resolution legislation	Neutral
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Positive
Liability structure	Positive
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

Environmental, Social and Governance Considerations

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	Business Profile (incl. Management & governance); Risk Profile; 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	Business Profile (incl. Management & governance); Risk Profile	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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	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.

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.

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.