MIDROOG LTD
No. with the Registrar of Companies: 513377424

To	**Israel Securities Authority**	**To**	**Tel-Aviv Stock Exchange Ltd**	D125 (Public)	Date of transmission: August 9, 2026
	www.isa.gov.il		**www.tase.co.il**		Ref: 2026-15-074534

Immediate Report on Rating Related Events

Regulations 13(g)(2), 14, 16(a) of the Credit Rating Companies Activity Regulation Regulations, 5774-2014

Type of event:
1
Rating

Midroog maintains Mizrahi Tefahot Bank's BCA – aa2.il. The rating of the bank's long-term deposits and senior debt is maintained at Aaa.il, with a stable outlook, the rating of deferred bonds (CoCo) is maintained at Aa3.il(hyb), with a stable outlook. A rating of P-1.il to short-term deposits and commercial papers.

The publication heading /rating action:

1. Rated corporation details and the corporations to execute the transaction:
   1.1. Rated corporation name: *Mizrahi Tefahot Issuing Company Ltd.*

   Identification number type: *a Companies Registrar registration number*

   Identifiable number: *520032046*

   Must execute a transaction to the corporation's report: *Yes*

   1.2. Additional corporations to execute a transaction to the corporations' reports in addition to section 1.1:

1. Name of the additional corporation:	*Mizrahi Tefahot Bank Ltd.*
Type of identification number:	*Companies Registrar registration number*
Identification number:	*520000522*

Note:
1. *It is emphasized that the details in this section are used to present the report as part of the reports of the corporations the details of which were specified above.*
2. *If the amending report includes only technical detail corrections (e.g. correcting an erroneous detail in a form) you may elect to present the report among the rated corporation's reports. An election not to execute a transaction is intended only for cases*

of reports concerning a correction of technical details, which means that the report will not be presented close to the rated company report.

2. Details concerning a rating report:

⦿ File M 5200032046 1244 2026 08 09.txt

Explanation: A TXT type file, which will include details about the rating in a structure pre-coordinated with the authority. A link to the characterization document

○ Table:

SN	General details	Rating details	Additional details
1	Instrument internal identification number Rating subject Issuance date Stock exchange security number: Rating initiated by Chief rating author Chief rating author internal number Secondary rating author Secondary rating author internal number	Rating Adding a ticker to the rating ☐ Nature of the notice: ☐ Rating discontinued Determined on	First rating publication date: Last rating update date: Rating cessation reason:

3. If a rating cessation notice was issued, please provide details about the reasons that led to the decision:

Explanation: The reasons may be added to the file, under the note "see details in the file".

4. The event date: August 9, 2026 at 15:03
The date on which the rating company first learned of the event: August 9, 2026 at 15:03

5. The immediate report: PFUDA_isa.pdf 090826_mizrahi_tefahot_bank_Ltd-follow up report

Reference numbers of previous documents on the matter (the reference does not constitute inclusion by reference):

Address: 21 Ha'arba'a Street, Tel Aviv, 6473917 Tel: 03-6844700 Fax: 03-6855002

E-mail: sternschuss.a@midroog.co.il Company website: www.midroog.co.il

Previous name of reporting entity:

Name of person reporting electronically: Federman Amit

Their position: Deputy CEO

Name of employing company:

Address: 21 Ha'arba'a Street, Tel Aviv, 6473921 Tel: 03-6847700 Fax:

E-mail: amit.federman@midroog.co.il

21 Ha'Arba'a Street | Platinum Tower
Tel Aviv 6473921
Tel: 03-6844700 | Fax: 03-6855002
www.midroog.co.il

Mizrahi Tefahot Bank Ltd[1]

Follow-up | August 2026

Contacts:

Shoval Porat

Analyst, Primary Rating Evaluator

shoval.p@midroog.co.il

Avior Dagan

Team Leader, Secondary Rating Evaluator

avior.dagan@midroog.co.il

Amit Federman, CPA, Deputy CEO
Head of Financial Institutions
amit.federman@midroog.co.il

[1] Mizrahi Tefahot Bank Ltd. holds approx. 4.9% of Midroog Ltd.'s share capital via Mizrahi Tefahot Invest Ltd. The company's shares lack any means of control.

Mizrahi Tefahot Bank Ltd.

Baseline credit assessment (BCA) for the bank	**aa2.il**	
Long-term deposits & bonds	**Aaa.il**	**Outlook: stable**
Contingent convertible bonds with contractual loss absorption mechanism (CoCo)	**Aa3.il (hyb)**	**Outlook: stable**
Short-term deposits/CP	**P-1.il**	**-**

Midroog is maintaining the baseline credit assessment (BCA) of Mizrahi Tefahot Bank Ltd. (hereinafter: the "Bank") at aa2.il**.**
The rating of the Bank's long-term deposits and senior debt remains Aaa.il **with a stable outlook, and they continue to reflect the assumption of a high level of external support from the state, at two rating levels (notches) relative to the Bank's BCA.**
The rating of the Bank's contingent convertible deferred bonds with a contractual loss absorption mechanism (CoCo) **through a write-off or partial write-off (classified as tier 2 capital) remains at** Aa3.il **(hyb) with a stable outlook. This rating is one notch lower than the BCA and three notches below the Bank's senior debt and reflects the instrument's terms and conditions, including the legal-contractual subordination and loss-absorption mechanisms of this instrument and without an assumption of external support.**
In addition, Midroog is maintaining the P-1.il **rating for short-term deposits and a** P-1.il **rating for commercial papers.**

Key considerations for the baseline credit assessment (BCA) and the Bank's ratings

The Bank's baseline credit assessment (BCA) is supported by its good positioning in the local banking system (hereinafter: the "**System**"), which is based on a strong brand name, a significant market share and a leadership position in the housing credit sector, alongside a broad, dispersed customer base, which support the Bank's good income generation capabilities, despite the concentration of income sources. The Bank is universal and provides its customers with a variety of banking and financial services, along with a comprehensive value proposition catering to a variety of public tastes. The Bank is characterized by a conservative risk management policy, which supports the Bank's risk profile, as reflected also by the credit quality metrics, which stand out positively relative to the BCA. Nevertheless, the Bank is characterized by a high credit concentration in the mortgage and real-estate sectors relative to the capital buffer and relative to the BCA (similarly to the System), which weighs on the Bank's risk profile; however, we note that the credit portfolio is backed by a significant rate of collaterals, which is expected to mitigate the expected loss, if a failure occurs over the course of the economic cycle. The Bank's profitability metrics reflect a positive profitability relative to the BCA in recent years, supported by the implementation of the strategic plan, which included increasing the focus on the business sector, which is characterized by an excess financial margin, as well as a relatively high base interest rate and inflationary environment, which supported the Bank's financial margin, alongside an improvement in operating efficiency. The Bank is characterized by a capital buffer that is reasonable relative to the BCA, which was built over the years through revenue accumulation deducted by dividend distributions, optimization, and management of risk-weighted assets, and the asset mix. As of March 31, 2026, the Bank's tier 1 capital ratio – the main capital buffer against unexpected losses – was approx. 10.2%. Nevertheless, the Bank's leveraging level is high relative to the BCA and the peer group average[2], and casts a shadow on the Bank's risk profile, as reflected in the approx. 6.4% equity-to-balance-sheet ratio as of March 31, 2026, compared to an average of approx. 7.1% for the peer group. The Bank's liquidity profile is appropriate relative to the BCA and it is being supported by a comfortable, wide and dispersed sources structure, based on a stable (retail) deposit rate, despite some degree of erosion in the liquid asset inventory, compared to previous years, which is still significant. At the same time, the liquidity profile might be affected by a relatively high wholesale deposits component, which, in our assessment, may be less stable over the course of the economic cycle. Liquidity management is supported by a liquidity coverage ratio (LCR) of about 147% in Q1 2026, which is significantly higher than the regulatory benchmark (100%), and higher than the peer group average as well (approx. 126% as of the same date), and supports the Bank's business flexibility.

In the baseline scenario for 2026-2027, Midroog is of the opinion that in the short-to-medium term, given the still restrictive macro-economic environment, the quality of the banking system's assets might be impaired following an increase in borrower-related risks in the economy. Accordingly, the rate of problem debts out of the portfolio is expected to increase somewhat, but, nevertheless, will continue to stand out positively relative to the BCA, and move, in our estimation, in a range between approx. 1.4%-1.5% in the forecast years. In addition, the Bank's profitability metrics are expected to moderate, to a certain extent, relative to 2025, but will continue, nevertheless, to support equity building and the financial profile, whereby it is our assessment that the core return on risk-weighted assets[3] is expected to be about 2.5% on average in the forecast years, and the return on average assets is expected to shift within the range of approx. 0.8% and 0.9%. In the basic scenario, Midroog expects

[2] Bank Leumi Le-Israel Ltd, Bank Hapoalim Ltd, Israel Discount Bank Ltd, and the First International Bank of Israel Ltd.

[3] Profit before taxes and credit loss expenses to credit loss to risk-weighted assets average.

further capital buffer building alongside further growth of the credit portfolio, so that the capital adequacy ratio will move within a range of approx. 10.1%-10.2%. It is our assessment that liquidity management will continue to be challenging for both the Bank and the System, given the still high interest rate environment, which may lead to a shift in consumer preferences to alternative investment routes, other than deposits, which would yield an excess return on deposits with a similar tradability level. However, Midroog anticipates that the Bank's sources structure and its good liquidity level will remain so within the forecast range. The ratings of the Bank's long-term deposits and senior debt were set at two rating levels (notches) above the BCA, reflecting our assessment of a high probability of external support by the state, if necessary. The rating of the Bank's deferred contingent convertible bonds with a contractual loss absorption mechanism (CoCo) through a write-off or partial write-off is one notch lower than the BCA and three notches lower than the senior debt, reflecting the instrument's terms and conditions, including the legal-contractual subordination and the loss-absorption mechanisms of that instrument, and without an assumption of external support. The rating of short-term deposits and commercial papers is based on the rating of the Bank's long-term deposits (Aaa.il) and on an analysis of its short-term liquidity, based on the financing and liquidity profile, as set out below.

Rating Outlook

The stable outlook of the Bank's ratings reflects Midroog's assessment that the Bank will maintain an appropriate financial profile throughout the forecast years, while keeping the risk metrics of the credit portfolio and the loss absorption buffers within a rating-appropriate range.

Factors that may lead to a BCA and bank ratings increase:

- Significant improvement in the Bank's activity mix dispersion
- Significant improvement in the Bank's capital adequacy ratios

Factors that might lead to a BCA and bank ratings decrease:

- Significant and prolonged impairment of the Bank's business posture
- Significant and continued deterioration in the quality of the Bank's credit portfolio alongside impairment of the Bank's capital adequacy ratio
- Erosion of the capital buffer and the profitability, alongside impairment of their stability over time.

Mizrahi Tefahot Bank Ltd., key financial data and ratios, in NIS million, and in percentage points:

NIS Million	Mar 31 2026	Mar 31 2025	2025	2024	2023	2022
Credit to the public, gross	417,295	368,463	404,355	362,094	329,415	310,356
Deposits from the public	450,663	399,275	448,397	393,383	358,553	344,514
Total equity attributable to the Bank's shareholders	35,246	32,094	34,765	31,292	27,461	23,780
Total assets	554,365	498,029	551,173	485,643	448,204	428,292
Profit before taxes and credit loss expenses	2,155	2,207	9,349	9,499	9,211	7,495
Net profit attributable to the Bank's shareholders	1,238	1,290	5,630	5,455	4,910	4,472
(%)						
Exposure to the largest industry to tier 1 capital	164%	145%	160%	140%	140%	143%
Problem debts to gross credit to the public	1.3%	1.5%	1.3%	1.6%	1.9%	1.3%
Problem debts to total shareholders' capital and provision for credit losses	13.3%	14.4%	13.0%	15.7%	18.8%	14.4%
Credit loss expense to gross public credit average [1]	0.0%	0.1%	0.1%	0.2%	0.5%	0.2%
Net profit attributable to the bank's shareholders to asset average [1]	0.9%	1.0%	1.1%	1.2%	1.1%	1.1%
Profit before taxes and credit loss expenses to risk-weighted assets average [1]	2.5%	2.8%	2.9%	3.3%	3.5%	3.2%
Efficiency ratio	38.1%	37.8%	35.9%	35.5%	37.7%	45.2%
Tier 1 capital to risk components ratio	10.2%	10.4%	10.2%	10.4%	10.3%	9.9%
Capital attributable to the bank's shareholders to total assets	6.4%	6.4%	6.3%	6.4%	6.1%	5.6%
Less stable funding sources [2] to total assets	24.9%	21.1%	26.7%	20.6%	20.4%	20.2%
Liquidity balances [3] to deposits from the public	26%	35%	28%	34%	36%	31%

[1] Calculated on an annual basis
[2] Financial institutions' deposits (wholesale), commercial papers, bonds and deferred bonds maturing in up to one year and deposits from banks.
[3] Cash and deposits in banks, US and Israel government bonds and assets backed by the US government.

Details of the key considerations in the Bank's baseline credit assessment (BCA)

Appropriate business profile given the significant weight of retail income, but with a bias to the housing loans sector

Mizrahi Tefahot Bank is the leading banking group by size in the housing loans sector over time, with a market share of approx. 36% of total housing loans; and the third largest in the local economy, with a market share of approx. 18% of all the assets in the System, approx. 21% of total credit to the public, and approx. 19% of deposits from the public, as of March 31, 2026. Additionally, the business profile, similarly to the other major banks, is supported by it being a universal bank, which provides a wide range of financial and banking services, with reliance on a broad and dispersed customer base alongside a comprehensive value proposition that appeals to a variety of public tastes. The Bank is characterized by a strong branding in the housing loans sector, which, in our assessment, constitutes a platform for growth in various market segments and the retail customer base, and, consequently, of the income base. These factors act to further solidify the Bank's position as a leader in the retail sector, and its value proposition to its customers, and contribute to the Bank’s growth potential and revenue capabilities, as well as its ability to handle changes in the business environment. We think that given the changes in the banking industry’s activity environment in recent years, the customers’ need for a fast, flexible, and digital response have increased. We anticipate that we will continue to see a trend of expansion in everything related to providing digital services in the banking system in general, and in Mizrahi Tefahot Bank in particular. Furthermore, we assess that banks that fail to adopt technological innovation and adjust their business model over time might experience a significant deterioration of their business positioning in the medium-to-long run.

The stability of the Bank’s revenues, as assessed by Midroog, is appropriate relative to the BCA and is positively affected by its focus on the retail sector, and particularly on mortgage loans. Accordingly, the weight of the Bank’s retail revenues[4] is significant, constituting approx. 74% of the Bank's total revenues on average between 2023 and 2025, which contributes to the revenue generation capacity and moderates the operating volatility. On the other hand, the Bank's revenue from bank fees is relatively low, approx. 17% on average in Q1 2026, and approx. 14% on average between 2023 and 2025, which we characterize as stable over the course of the economic cycle. This figure is low relative to the peer group average (approx. 22% in Q1 2026 and approx. 19% on average between 2023 and 2025), and casts a shadow on the Bank's revenue stability. In addition, the Bank's revenue sources dispersion, we assess, is limited in scope, and relies on two main pillars[5] over time, as reflected in the revenue mix for 2025, which includes approx. 49% of the housing loans sector and approx. 19% of the medium and large businesses and institutional bodies sectors.

The risk management policy supports the Bank’s risk profile; however, the credit concentration relative to the capital buffer is high

The Bank's risk management array is comprehensive and includes a number of anchors and control layers, which support risk management policymaking and determining the Bank's risk

[4] Gross income from interest and non-interest revenues in accordance with regulatory operating segments, which include the household, private banking (including for housing), and small and micro business sectors, excluding financial management revenues.

[5] An operating segment that constitutes over 15% of the gross revenue total (external interest and non-interest revenues), excluding financial management revenues and other income.

appetite (in line with its strategy), and risk monitoring and control. Credit risks are managed using statistical rating models (consumer credit) and expert assessments (business credit). In our assessment, the Bank is taking a conservative approach concerning its credit policy in the housing loans segment, including relatively strict restrictions on the business credit portfolio, underwriting processes, and monitoring and management of collaterals. This policy is manifested in good risk indicators relative to the credit portfolio, which support the BCA as well. We note that the total exposure to large borrowers, constituting over 5% of the Bank's tier 1 capital (approx. NIS 1.8 billion as of December 31, 2024) is estimated by Midroog at approx. 16% as of December 31, 2025[6], and it is high relative to the BCA. Additionally, the Bank is characterized by high sectoral credit concentration relative to the BCA, as measured in relation to the capital buffer, which weighs on the Bank's risk profile. Accordingly, the largest exposure of the Bank's tier 1 capital to any sector is the exposure to the real estate and construction industry, which was approx. 164% as of March 31, 2026; however, it is, still, relatively low compared to the peer group average on that date (approx. 213%)
The Bank's market risks are estimated by the VaR model under conservative assumptions, similarly to the entire System, and several stress scenarios (including holistic scenarios) at varying degrees of severity are examined by the Bank as complementary action to the risk assessment. In Midroog's assessment, the Bank's market risk appetite is reasonable relative to the BCA, as reflected in the VaR limit of the Bank's entire activity for a one-month investment prospect, as determined by the Board of Directors, of approx. 9% of the shareholders' capital. That limit is high relative to the peer group.

The quality of the credit portfolio stands out positively relative to the BCA

The Bank is characterized by a high-quality credit portfolio, which supports its future revenue recovery capability, and its capital buffer increase potential, as reflected in good risk indicators relative to the BCA. Accordingly, as of March 31, 2026, the ratio of problem debts to gross credit to the public was approx. 1.3%, which is similar to the peer group average, as of such date (approx. 1.6% on average between 2023 and 2025, and approx. 1.8% on average in the peer group for the same period). Furthermore, the rate of nonaccrual debts and debts in arrears for over 90 days to the total gross credit to the public has remained without significant

[6] The ratio was calculated as follows: according to Note 30C to the annual financial statements, Midroog summed up the balance sheet liability of the upper range only, because the balance sheet liability included in the range between NIS 1,600 million and NIS 2,000 million is lower than 5% of the Bank's equity as of December 31, 2025. To calculate the ratio, the liability sum mentioned above was divided by the tier 1 capital figure as of December 31, 2025. It should be noted that the liability ranges in the note mentioned above also refer to the liability for off-balance-sheet credit; therefore, the ratio obtained by Midroog's estimate has an upward bias.

change, compared to recent years, and was approx. 1.0% as of March 31 2026, which is, nevertheless, high, compared to an average of 0.5% in the peer group as of such date.
We think that the Bank's exposure to the mortgage and real estate industries is relatively high and amounts to approx. 74% of the Bank's total credit to the public as of March 31, 2026, compared to about 50% peer group average, which is characterized by a lower exposure to such sectors. We characterize the exposure to the real estate industry solo (not including mortgages) in Israel as representing a relatively high risk level, given its homogeneous characteristics and high exposure relative to the capital absorption buffer. It constitutes approx. 13% of the debt to the Bank as of March 31, 2026 (approx. 14% including credit to overseas activities) and is substantially low relative to the peer group average, with an exposure of approx. 20% (approx. 23% including credit to overseas activities) on that date.

Nevertheless, the exposure to the mortgage loans portfolio is high, approx. 60% as of such date (approx. 27% in the peer group average). However, it is characterized by the Bank's conservative underwriting processes, as reflected in maintaining a high repayment capacity, which supports a low probability of failure. The average LTV rate in the Bank's housing loans portfolio was approx. 55.5% as of March 31, 2026 (a rate reflecting the financing rate when the credit was granted), whereby the share of the loans given that had a relatively high leverage rate (an LTV of over 75% of the total housing credit) was low, i.e. approx. 1.6% as of March 31, 2026.
In addition, the average repayment rate from disposable income in the housing credit portfolio[7] was approx. 26.7% as of March 31, 2026, without significant change compared to last year, reflecting a relatively low risk level.
Midroog's baseline scenario regarding the quality of the Bank's credit portfolio is based on a number of exogenous macroeconomic influences[8], including: (1) GDP growth of approx. 4.0% in 2026 and approx. 5.5% in 2027; (2) Unemployment rate in the range between 3.0%-4.6%; (3) Interest rate environment in the range between 3.00%-4.25%; (4) Annual inflation rate of approx. 1.8% in 2026-2027; (5) Continued competition on the part of the non-banking debt market in the consumer and business portfolio. In this scenario, Midroog projects that in 2026-2027, the Bank's credit portfolio will grow at an annual rate of approx. 8%-9%. We estimate that such growth will be supported by keeping significant market shares in the retail credit segment, and particularly in housing loans, alongside growth in the credit volumes to the business sector and international activities, in accordance with the Bank's strategic plan. Midroog is tracking the development of the Bank's credit portfolio quality in the short-to-medium term, based also on a number of leading macroeconomic indicators. Given the

[7] Payment-to-income.
[8] The Research Department's Macroeconomic Staff Forecast, Bank of Israel, July 2026

restraining macroeconomic environment, we assess that the risk profile of borrowers in the economy has increased. Accordingly, the rate of problem debts in the credit portfolio is expected to rise, to a certain degree, and shift, in our assessment, within a range of approx. 1.4%-1.5% in the forecast years, whereas the rate of problem debts out of the absorption buffers (shareholders' capital and provision for credit losses) is projected to be shifting in a range of approx.14%-16% in the forecast years. In addition, we are assuming a credit-loss expenditure rate relative to the gross credit to the public in the range of approx. 0.2%-0.3% in the forecast years. This scenario takes into account moderation in the recovery rates and an increase in the write-off rate relative to 2025.

The Bank's profitability is good relative to the BCA, however, it is expected to moderate somewhat in the forecast range due to a view to a future interest rate decrease by the Bank of Israel

The Bank's profitability metrics in recent years reflected a profitability rate that stood out positively against the BCA, and was supported by implementing the strategic plan, which includes increased focus on the business sector, which is characterized by excess financial margins and by the relatively high interest and inflation rates, which supported the Bank's financial margins alongside improvement in the operating efficiency. In addition, the profitability metrics were supported over time by the asset quality, which stands out positively, as reflected in the moderate credit-loss expense rate. All these factors were reflected in the Bank's operating efficiency ratio, which was approx. 36% in 2025 and about 38% in Q1 2026. Accordingly, the core return on risk-weighted assets, and the return on average assets, were approx. 2.9% and 1.1%, respectively, in 2025, which stood out positively compared to the BCA, and in Q1 2026 (annualized) approx. 2.5% and 0.9%, respectively. Midroog's baseline scenario for the years 2026-2027 is based on the following main assumptions regarding the Bank's profitability: (1) Credit portfolio growth rate of approx. 8%-9%; (2) Interest rate environment in the range between 3.00%-4.25%; (3) Annual inflation rate of approx. 1.8%; (4) Credit loss expense rate relative to the gross public credit portfolio in the range of approx. 0.2%-0.3%; and (5) A continued "creeping" in payroll expenses, under the Bank's wage agreements, with, however, a counteracting impact of streamlining processes. In this scenario, Midroog expects that over the forecast years, the Bank's profitability ratios will moderate, to some extent, relative to 2025, but will continue to support the ongoing equity-building and the financial profile, whereby the core return on risk-weighted assets is expected to be approx. 2.5% on average in the forecast years, and the return on average assets is expected to shift in the range of approx. 0.8%-0.9%.

The capital buffer is reasonable relative to the BCA but is characterized by a high balance sheet leverage rate and a small margin over the regulatory requirements

The Bank is characterized by a reasonable capital buffer relative to the BCA, which had been building up over the years through the accumulation of profits deducted by dividend distributions (a distribution policy of up to 50% of the quarterly net profit), optimization and management of risk-weighted assets, and the asset mix. As of March 31, 2026, the Bank's tier 1 capital ratio, the main absorption buffer for unexpected losses, was approx. 10.2%, compared to approx. 10.4% as of March 31 2025, and approx. 10.2% as of December 31 2025, whereby the Bank is keeping a narrow margin of about 57 basis points above the regulatory threshold (the tier 1 capital ratio), which is low compared to the peer group (approx. 140 basis points on average).

The Bank's leverage level is high relative to the BCA and the peer group average, and casts a shadow on the Bank's risk profile, as reflected by a capital to balance sheet ratio of approx. 6.4%, as of March 31, 2026, compared to an average of approx. 7.1% in the peer group. We think that given the volatility of the capital market, the total profit of the Bank in particular, and that of the banking system in general, might be affected by adjustments to securities available for sale at their fair market value and changes in the actuary obligations for employee benefits.

Midroog tested an extreme, holistic, one-year horizon stress scenario on the Bank's loss absorption buffers relative to its risk profile, under various PD and LGD rate assumptions in the main operating sectors, losses from the securities portfolio, erosion of the financial margin and the loss of bank fees income, alongside shareholder capital building through current profitability and no distribution of dividends. The Bank's tier 1 capital ratio would be approx. 9.8% at the end of the scenario, a level that reflects the Bank's good ability, in our assessment, to absorb unforeseen losses, which is expected to support its stability in the short-to-medium term.

Midroog's baseline scenario anticipates that the capital buffer will continue to increase, alongside a further increase in credit to the public, as mentioned, so that the tier 1 capital adequacy ratio will be in a range between 10.1% and 10.2%. This ratio will be affected by the following factors: (1) Accrued profits; (2) Dividend distribution of up to approx. 50% of the net quarterly profit; and (3) Increase in risk-weighted assets similar to the growth rate of the credit portfolio.

Appropriate liquidity profile relative to the BCA, supported by a comfortable sources structure and liquid asset inventory

The Bank’s sources structure, similarly to the local banking system, relies mainly on a broad retail deposit base, which demonstrated high stability throughout the economic cycle. The Bank’s sources structure contains a material proportion of widely-dispersed stable (retail) deposits (approx. 37% from households and private banking and approx. 12% from small and micro businesses, as of March 31, 2026), which is appropriate for the Bank’s risk profile, in Midroog’s assessment. The Bank has a reasonable rate, relative to the BCA, of less stable financing sources[9] out of the total assets, as we defined it, which was approx. 24.9% as of that date. In addition, the Bank is characterized by a high ratio of credit to the public to deposits from the public, approx. 93%, as of March 31, 2026, which is similar to last year (about 92%), compared to the peer group average of approx. 79% as of March 31 2026. The Bank's NSFR ratio as of March 31, 2026 was approx. 111%, which is appropriate under the BCA and supports the Bank’s financing profile.

The Bank’s liquidity buffer includes an inventory of liquid assets[10] relative to total deposits, which is appropriate relative to the BCA and was approx. 26% as of March 31, 2026. Nevertheless, the liquidity buffer represents an erosion compared to previous years (approx. 33% on average between 2023 and 2025) and is low relative to the peer group (approx. 39% on average in the peer group as of March 31, 2026). The liquid asset inventory mainly includes cash and deposits in banks, and a securities portfolio. That portfolio constitutes approx. 8% of total assets as of that date, and is characterized by a relatively low (credit) risk level, given a material component of Israeli government bonds (approx. 75%) and US government bonds (approx. 16%). The portfolio serves as a tool to absorb excess sources and manage the Bank’s various market exposures, however, it exposes the Bank to an interest rate risk. The liquidity management is also supported by a relatively high regulatory liquidity coverage ratio (LCR) of approx. 147% in Q1 2026, which is significantly higher than the regulatory threshold (100%), and higher than the peer group average (approx. 126% as of such date). Such ratio also supports the liquidity profile and business flexibility of the Bank. In our assessment, the liquidity management will continue to be challenging for both the Bank and the System, given the still high interest rate environment, which may continue to lead to a change in consumer preferences towards investment routes alternative to deposits, which yield excess return on deposits and have a similar tradability level. However, Midroog

[9] Deposits from banks, deposits from financial institutions, commercial papers, bonds and debentures payable within the upcoming 12 months.

[10] Cash and deposits in banks, Israeli government bonds, US government bonds and assets guaranteed by the US government.

anticipates that the Bank's sources structure and its good liquidity level will remain so within the forecast range.

Additional considerations

ESG considerations

Environmental considerations: In our assessment, the banking industry is relatively moderately exposed to environmental risks at this stage.

Social considerations: In our assessment, the banking industry faces moderate social risks. However, we are seeing a development in information security, client privacy and cyber related risks, although these are partially mitigated by substantial investments in technology alongside the banking system's extensive experience in handling sensitive client data. Fines and goodwill impairment are another social risk. In addition, strict labor laws and strong labor unions in the banking system limit HR flexibility and increase payroll costs. However, the banks have implemented job cuts through early retirement programs as well as cost control measures, which has enabled them to mitigate these challenges.

Corporate governance considerations: In our assessment, corporate governance risks have a substantial impact on the banking industry. These risks are a major credit consideration, whereby weakness in corporate governance might lead to a deterioration in the bank's credit repayment capacity, whereas strong corporate governance may positively impact the bank's credit repayment capacity. A mitigating factor for corporate governance risks is the regulatory framework under which banks operate, which outlines a system of internal audits and controls as well as tight audit and control measures implemented by the regulator.

Structural considerations and external support

An examination of the relative projected loss ranking

According to Midroog's methodology, the ranking of the Bank's subordinated debt (the deferred bonds) is based on the Bank's baseline credit assessment (BCA), which is the anchor for ranking the Bank's liabilities, and reflects the risk of failure and the Bank's ability to serve its liabilities independently, without an assumption of external support. Midroog adjusts the rating relative to the BCA to the credit risk of the subordinated debt instrument, according to its specific characteristics – taking into consideration the extent of the instrument's structural subordination, the loss absorption mechanisms under the instrument's terms and conditions and the uncertainty concerning their triggering (a contractual trigger and/or at the discretion of the Supervisor of Banks). Midroog downgraded the rating of the Bank's BCA for the deferred bonds with contractual loss absorption mechanism (CoCo) by one level (notch). The removal of that notch embodies the legal-contractual deferral with respect to the Bank's other liabilities (excluding tier 1 instruments and the shareholders' capital) and the contractual loss absorption mechanism. Considering the Bank's BCA rating (aa2.il) and the current capital adequacy level – the tier 1 capital ratio (approx. 10.2% as of March 31, 2026), and the one anticipated by our baseline scenario (10.1%-10.2%), we assess, as well as the liquidity profile, which is appropriate relative to the BCA, the uncertainty concerning the likelihood of reaching the 'non-viability point[11]' is low; therefore, it was not reflected by a further notch downgrade.

External support

The rating of deposits and senior debt is awarded the benefit of an upgrade by two rating levels (notches), given the high probability of obtaining external support from the state, according to Midroog's JDA model. The assumption of a likelihood of external support is based on the following considerations: the banking system's high significance to the local economy and the payment system, and the need to maintain its stability; the highly concentrated structure of the banking and financial system; the relatively high connectivity among the banking system and institutional bodies; the local financial system is serving as a central credit provider to the government; a degree of uncertainty regarding the behavior and confidence level of the various debtors, in terms of bail-ins (forced loss-taking) close to the point of failure (non-viability), in the absence of past experience. Furthermore, the State of Israel had proved in the past its willingness to support failing banks, and we do not assume that any change in this policy will occur.

Rating short-term deposits and commercial papers

Under Midroog's methodology, the rating of short-term deposits and commercial papers is based on the rating of the Bank's long-term deposits (Aaa.il), and on an analysis of its short-term liquidity, based on the financing and liquidity profile as mentioned above.

[11] Establishing a non-viability event: 1. Notice by the Supervisor of Banks that the write-off/conversion of a security is necessary to avoid the non-viability point. 2. External support, without which the Bank would reach the non-viability point. It should be noted that the Supervisor of Banks has yet to define the term 'non-viability point'.

About the bank

Mizrahi Tefahot Bank is among the first banks to be established in Israel (1923) and is one of the five major banking groups in Israel.
In 2005, two banks – United Mizrahi Ltd. and Tefahot Israel Mortgage Bank Ltd. – were merged to form Mizrahi Tefahot Bank Ltd. On September 30 2020, an exchange purchase offer for the shares of Union Bank was completed. In the framework of the offer, 100% of Union Bank’s issued, outstanding and fully paid-up share capital, and the voting rights in Union Bank, were purchased. In December 2022, Union Bank’s merger with and into the Bank was completed. Upon the merger’s completion, Union Bank ceased to exist as an independent legal entity and all of its assets and liabilities were vested in the Bank. The Bank group operates in Israel and abroad and includes Yahav Bank, which is held at a rate of 50%. The group engages in commercial (business and retail) banking activities, and mortgage activities in Israel, through a chain of 206 branches (as of the end of 2025) and business centers deployed nationwide. The Bank’s international activities are conducted through two banking extensions (in the United States and in Britain). In addition to its banking activities, the Bank Group is engaged in various activities related to the capital market, including consultancy on capital market activities, management of security portfolios for customers, pension consulting services, trust services, distribution of mutual funds, operating provident funds and distribution of mortgage insurance policies. The Bank's controlling shareholders are the Ofer and Wertheim families.

The bonds rated by Midroog*:

Series	Security No.	Rating	Rating Outlook	Final Repayment Date
MZTF Iss Bond 61	2310464	Aaa.il	Stable	Dec 4 2026
MZTF Iss Com 6	1243104	P-1.il	-	Jun 8 2027
MZTF Iss 46	2310225	Aaa.il	Stable	Sep 28 2027
MZTF Iss Bond 62	2310498	Aaa.il	Stable	Oct 21 2028
MZTF Iss 42	2310183	Aaa.il	Stable	Jun 7 2030
MZTF Iss 52	2310381	Aaa.il	Stable	Jul 1 2030
MZTF Iss Bond 63	2310548	Aaa.il	Stable	Apr 12 2031
MZTF Iss Bond 64	2310555	Aaa.il	Stable	Apr 12 2031
MZTF Iss Bond 66	1191667	Aaa.il	Stable	Dec 8 2031
MZTF Iss Bond 72	1243088	Aaa.il	Stable	Jun 8 2033
MZTF Iss 65	1191675	Aa3.il(hyb)	Stable	Jun 8 2033
MZTF Iss Bond 67	1196807	Aaa.il	Stable	Jun 12 2033
MZTF Iss Bond 68	1202142	Aaa.il	Stable	Dec 25 2033
MZTF Iss 69	1202159	Aa3.il(hyb)	Stable	Jun 25 2034
MZTF Iss 71	1213891	Aa3.il(hyb)	Stable	Nov 28 2035
MZTF Iss Bond 70	1213883	Aaa.il	Stable	Nov 28 2036
MZTF Iss Def 73	1243096	Aa3.il(hyb)	Stable	Dec 08 2036

* *Issued by Mizrahi Tefahot Issuing Company Ltd. – a subsidiary fully owned by the Bank*

Baseline Credit Assessment (BCA) Matrix

			As of March 31,2026		Midroog's outlook [1]		
Category	**Parameter**	**Sub-parameter**	**Measurement [1]**	**Score [2]**	**Measurement**	**Score [2]**	**Additional considerations**
Business profile	**Business positioning**		-	aa.il	-	aa.il	*Market share positioning in the housing loan segment*
	Income stability	% retail income	71%	aa.il	71%	aa.il	*Percentage of income from fees*
	Income dispersion	Number of business lines with over 15% of total revenues	2	baa.il	2	baa.il	*Retail sectors*
Risk profile	**Corporate governance**		-	aa.il	-	aa.il	
	Risk management policy		-	aa.il	-	aa.il	
	Credit portfolio concentration	Largest industry to tier 1 capital	164%	a.il	~164%	a.il	*Real estate and construction sector*
	Credit portfolio concentration	Large borrowers to tier 1 capital	16%*	a.il	<5%	aaa.il	
	Market risk appetite	VaR limit to tier 1 capital	9%*	a.il	~9%	a.il	
Financial profile	**Asset quality**	Problem debts to loans to the public	1.3%	aaa.il	1.4%-1.5%	aaa.il	
		Problem debts to total shareholders' capital and provision for credit losses	13.3%	aaa.il	14%-16%	aaa.il-aa.il	
	Profitability	Net profit attributable to the bank's shareholders to asset average	0.9%	aa.il	0.8%-0.9%	aa.il	
		Profit before taxes and credit loss expenses to risk-weighted asset average	2.5%	aa.il	~2.5%	aaa.il	
		Efficiency ratio	38%	aaa.il	36%-38%	aaa.il	
	Capital adequacy	Tier 1 capital to risk-weighted assets	10.2%	aa.il	10.1%-10.2%	aa.il	
		Shareholders' capital to total assets	6.4%	a.il	6.3%-6.4%	a.il	
	Liquidity & financing	Less stable financing to total assets	25%	aa.il	~25%	aa.il	
		Liquid assets to deposits by the public	26%	aa.il	~26%	aa.il	*LCR ratio*
Derivative baseline credit assessment						**aa2.il**	
Actual baseline credit assessment						**aa2.il**	

[1] The metrics presented in the table were adjusted by Midroog. They are not necessarily identical to those presented by the company. Midroog's forecast includes Midroog's assessments regarding the issuer, under Midroog's baseline scenario, rather than the issuer's assessments.
[2] The score presented takes into account other considerations as well, if any.
**Midroog's assessment for the data dated as of December 31, 2025.*

Mizrahi's debt rating

	baseline credit assessment (BCA)	Owner and/or related party support	Adjusted BCA	Subordination and loss absorption mechanism	State support	Final rating
Deposits and bonds	aa2.il	0	aa2.il	0	+2	Aaa.il
Contingency bonds with a contractual loss absorption mechanism (tier 2 capital)	aa2.il	0	aa2.il	-1	0	Aa3.il(hyb)
Short-term deposits and commercial papers	P-1.il					

Related reports

Mizrahi Tefahot Bank Ltd – Related reports

Bank Rating – Methodology Report, September 2019

Short-Term Rating- Methodology Report, November 2025

Promotion of Competition in the Banking System – Special Report, February 2023

Guidelines for Examining Environmental, Social and Corporate Governance Risks in Credit Ratings – Methodology Report, February 2022

Affinities, Affiliations and Holdings Table

Midroog Rating Scales and Definitions

The reports are published on Midroog's website: www.midroog.co.il

General information

Rating report date:	August 9 2026
Last rating update date:	June 3 2026
Initial rating publication date:	September 10, 2017
Rating initiated by:	Mizrahi Tefahot Bank Ltd
Rating paid for by:	Mizrahi Tefahot Bank Ltd

Information by the issuer

In its ratings, Midroog relies, *inter alia*, on information received from authorized issuer agents.

Baseline Credit Assessment (BCA) rating Scale

aaa.il	Issuers and issues assessed at aaa.il are those that, in Midroog's judgment, have the highest internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government.
aa.il	Issuers and issues assessed at aa.il are those that, in Midroog's judgment, have very high internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government.
a.il	Issuers and issues assessed at a.il are those that, in Midroog's judgment, have relatively high internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government.
baa.il	Issuers and issues assessed at baa.il are those that, in Midroog's judgment, have moderate internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and may have certain speculative characteristics.
ba.il	Issuers and issues assessed at ba.il are those that, in Midroog's judgment, have relatively weak internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and have speculative characteristics.
b.il	Issuers and issues assessed at b.il are those that, in Midroog's judgment, have very weak internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and have significant speculative characteristics.
caa.il	Issuers and issues assessed at caa.il are those that, in Midroog's judgment, have excessively weak internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and have very significant speculative characteristics.
ca.il	Issuers and issues assessed at ca.il are those that, in Midroog's judgment, have extremely weak internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and are very near default, with some prospect of recovery of principal and interest.
c.il	Issuers and issues assessed at c.il are those that, in Midroog's judgment, have the weakest internal or independent financial strength, relative to other local issuers, absent any possibility of external support from an affiliate or the government, and are usually in default, with little prospects of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from aa.il to caa.il. The modifier '1' indicates that the bond ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the bond ranks in the lower end of that category, denoted by letters.

Local Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog's judgment, have the highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog's judgment, have very high creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog's judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog's judgment, have relatively moderate credit risk relative to other local issuers, and could involve certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il are those that, in Midroog's judgment, have relatively weak creditworthiness relative to other local issuers, and involve speculative characteristics.
B.il	Issuers or issues rated B.il are those that, in Midroog's judgment, have relatively very weak creditworthiness relative to other local issuers, and involve significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il are those that, in Midroog's judgment, have excessively weak creditworthiness relative to other local issuers, and involve very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il are those that, in Midroog's judgment, have extremely weak creditworthiness and very near default, with some prospect of recovery of principal and interest.
C.il	Issuers or issues rated C are those that, in Midroog's judgment, have the weakest creditworthiness and are usually in a situation of default, with little prospect of recovery of principal and interest.

Note: Midroog appends numeric modifiers 1, 2, and 3 to each rating category from aa.il to caa.il. The modifier '1' indicates that the bond ranks in the higher end of its rating category, which is denoted by letters. The modifier '2' indicates that it ranks in the middle of its rating category and the modifier '3' indicates that the bond ranks in the lower end of that category, denoted by letters.

Local Short-Term Rating Scale

P-1.il	Issuers rated Prime-1.il, in Midroog's judgment, have a very good ability to repay short-term obligations relative to other local issuers.
P-2.il	Issuers rated Prime-2.il, in Midroog's judgment, have a good ability to repay short-term obligations relative to other local issuers.
P-3.il	Issuers rated Prime-3.il, in Midroog's judgment, have a moderate ability to repay short-term obligations relative to other local issuers.
NP.il	Issuers rated Not Prime.il do not belong in any of the Prime categories.

The Correlation between the Long-Term and Short-Term Rating Scales

The following table shows how long-term ratings correlate with short-term ratings, when such long-term ratings exist.

Long-term rating	Short-term rating
Aaa.il Aa1.il Aa2.il Aa3.il A1.il A2.il	Prime-1.il
A3.il Baa1.il Baa2.il	Prime-2.il
Baa3.il	Prime-3.il
Ba1.il,Ba2.il,Ba3.il B1.il,B2.il,B3.il Caa1.il,Caa2.il,Caa3.il Ca.il C.il	Not Prime

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