

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	<u>Israel Securities Authority</u>	To	<u>Tel Aviv Stock Exchange Ltd</u>	T125 (Public)	Date of transmission: December 12 2023
	www.isa.gov.il		www.tase.co.il		Ref: 2023-01-135207

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

On December 12 2023, *Midroog* published:

A rating report/notice *initial*

A notice regarding rating cessation

1. Rating report or notice

Corporation's rating:

Comments/Notice summary:

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

Date	Rating subject	Rating	Comments/Notice summary

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 bonds:

Name and type of security	Security number on the stock exchange	Rating company	Current rating	Comments/Notice summary
<i>Bonds (Series 68)</i>	0	Midroog	Midroog <i>Stable Aaa.il</i>	Initial rating
<i>Contingent convertible bonds (Series 69)</i>	0	Midroog	Midroog <i>Stable Aa3.il</i>	Initial rating

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

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

Attached rating report [midroog_12122023_isa.pdf](#)

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

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

	Signatory's Name	Position
1	<i>Hanan Kikozashvili</i>	<i>Other Bank Secretary & Head of the Bank's Headquarters</i>

Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed under these regulations shall be signed by those authorized to

sign on behalf of the corporation. The position of the senior staff on the matter (in Hebrew) can be found on the ISA's website: [Click here](#)

Midroog's rating is given in connection with the issuance of bonds (Series 68) and contingent convertible bonds (Series 69), which is being examined by Mizrahi Tefahot Issuing Company Ltd, a subsidiary fully owned by the bank. It is hereby clarified that as of this report's date, there is no certainty regarding the execution of the issuance, its timing, its size and its terms.

No change was made to the bank's rating

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

Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange
Form structure revision date: December 5 2023
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:
Kikozashvili Hanan	Bank Secretary	Mizrahi Tefahot Bank Ltd
Address: 7 Jabotinsky Street, Ramat Gan, 52520	Tel: 03-7559219	Fax: 03-7559923
		E-mail: management@umtb.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 Ltd¹

Rating Action | December 2023

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¹ Mizrahi Tefahot Ltd holds approx. 4.9% of Midroog Ltd's share capital via Mizrahi Tefahot Invest Ltd. The company's share 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 determines an Aaa.il rating with a stable outlook for the issuance of a new bond series (Series 68) at a total of up to ILS 800 million N.V; and an Aa3.il (hyb) rating with a stable outlook for a fundraising of contingent convertible bonds with a contractual loss absorption mechanism (CoCo) (Series 69) at a total of up to ILS 200 million N.V. The issuances will be made by Mizrahi Tefahot Issuance Company Ltd, a subsidiary fully owned by Mizrahi Tefahot Bank Ltd (the “Bank”), which is the Bank’s issuance arm.

The principle conditions of the rated contingent convertible bonds (Series 69): 1. They are to be paid off by a single installment after approx. 10.5 years, with an early payment option available to the Bank after approx. 5.5 years; 2. They constitute an instrument which is recognized by the Supervision of Banks as tier 2 capital, for the purpose of their inclusion in the Bank’s regulatory capital; 3. They are subordinated to all other liabilities not of their type, excluding tier 1 instruments and equity of the Bank; 4. They are up for complete or partial write-off in the event that the Bank’s tier 1 equity ratio falls below 5%, and a full write-off if the Supervisor of Banks decides that a formative nonviability² event is occurring. In the event of a principal write-off, there is the possibility of cancelling the principal's write-off, in a complete or partial manner, at the Bank’s discretion, for a period of up to 7 years after the write-off, whether the final payment date of the deferred bond has passed or not.

² Formative nonviability event: 1. Notices from Supervisor of Banks that a conversion of securities is necessary to avoid the point of nonviability. 2. The grant of external support, without which the bank would reach the point of nonviability. We note that the Supervisor of Banks has yet to define the term “nonviability point”.

Per Midroog’s methodology, the CoCo rating is based on the Bank’s baseline credit assessment (BCA), which is the anchor for rating the Bank’s liabilities and reflects the risk for failure and its ability to serve its liabilities independently, without the assumption of external support. On this basis, the rating is then adjusted according 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 per the instrument’s conditions and the uncertainty regarding their point of activation (at the contractual trigger or at the discretion of the Supervisor of Banks). For the rating of the CoCo to be issued by the Bank, we are removing one rating level (notch) off the Bank’s BCA, which embodies the legal-contractual deferral and the contractual loss absorption mechanism. Considering the Bank’s BCA, the current and anticipated capital adequacy levels, in our assessment, and the adequate liquidity profile, the uncertainty regarding the likelihood of reaching the ‘nonviability point’ is low; therefore, it was not embodied by the reduction of another notch. Furthermore, the rating of the CoCo contains no assumption of external support.

For information regarding the rating considerations, you are hereby referred to the follow-up report from August 2023³.

At the same time, the war that erupted in Israel on October 7, 2023, led to a series of consequences and restrictions that include, *inter alia*, partial or complete business closures, restrictions on workplace and school attendances and a decline in the labor force brought about by a largescale military reserve recruitment and a reduction in the number of non-Israeli workers. These measures cause a reduction in activity in the Israeli economy and economic activity. Moreover, in consequence of the war, Israel’s financial markets experienced sharp declines, while the shekel’s exchange rate depreciated. In Midroog’s assessment, this period is characterized by a high degree of uncertainty regarding the development of the war and its economic consequences. As such, Midroog may update the base scenario in accordance with developments. For more information on the subject, you are referred to the special report on the “Consequences of the Iron Swords War on the Credit Repayment Capacity of Issuers Rated by Midroog” (October 2023)⁴.

³ The rating report (in Hebrew) appears on Midroog’s website.

⁴ The report (in Hebrew) appears on Midroog’s website.

Related reports

Mizrahi Tefahot Bank Ltd – Related reports

Bank Rating – Methodology Report, September 2019

Consequences of the Iron Swords War on the Credit Repayment Capacity of Issuers Rated by

Midroog – Special Report, October 2023

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

Connections 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:	December 12 2023
Last date on which rating was updated:	August 1 2023
Date on which rating was first published:	September 10, 2017
Name of the rating initiator:	Mizrahi Tefahot Bank Ltd
Name of the party paying for the report:	Mizrahi Tefahot Bank Ltd

Information from the issuer

In its ratings, Midroog relies, inter alia, on information received from authorized parties at the issuer.

Baseline Credit Assessment (BCA) 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 debenture 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 debenture ranks in the lower end of that category, denoted by letters.

Midroog does not publish the BCA forecast, unlike the publications that have been made so far, in order to separate the BCA from credit ratings.

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 debenture 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 debenture 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 Connection between the Long-Term and Short-Term Rating Scales

The following table shows the long-term ratings consistent with short-term ratings, when such long-term ratings exist³.

Long-term rating	Short-term rating
Aaa.il	Prime-1.il
Aa1.il	
Aa2.il	
Aa3.il	
A1.il	
A2.il	
A3.il	Prime-2.il
Baa1.il	
Baa2.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

³ Structured finance short-term ratings are usually based on the short-term rating of a liquidity provider for the transaction or an assessment of cash flows available to repay the rated obligation.

[Midroog disclaimer]