

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 4, 2017
www.isa.gov.il	www.tase.co.il		Ref: 2017-01-113499

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

On December 4, 2017, *Midroog* published:

A rating report/notice *updated*

A notice regarding rating cessation

1. Rating report or notice

Corporation's rating: *Midroog Aaa.il stable*

Comments/Notice summary: *Other Reaffirmation.*

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

Date	Rating subject	Rating	Comments/Notice summary
September 10, 2017	Mizrahi Tefahot Bank Ltd.	<i>Midroog Aaa.il stable</i>	<i>Other Reaffirmation</i>

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

Rating of the corporation's bonds:

Name and type of security	Security number on the stock exchange	Rating company	Current rating	Comments/Notice summary

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_041217_isa.pdf

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

On December 4, 2017, Midroog reaffirmed the bank's issuer rating, which is at AAA with a stable outlook

The above report was signed by Ms. Racheli Friedman, Adv. Chief Legal Advisor

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: November 6, 2017
Abbreviated Name: Mizrahi Tefahot	
Address: 7 Jabotinsky Street Ramat Gan, 52520, Israel	Tel: 03-7559207 Fax: 03-7559913 03-7559720
E-mail: mangment@umtb.co.il	

Previous name of the reporting entity: United Mizrahi Bank Ltd.

Name of the person reporting electronically: Friedman Rachel Position: Chief Legal Advisor Name of Employing Company:

Address: 7 Jabotinsky Street, Ramat Gan, 52520, Israel Tel: 03-7559500 Fax: 03-7559655 E-mail: rachelifr@umtb.co.il

Millennium Tower, 17 Ha'Arba'a Street
Tel Aviv 6473917
Tel: 03-6844700, Fax: 03-6855002
www.midroog.co.il

Mizrahi Tefahot Bank Ltd

Rating Action | December 2017

Contacts:

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Mizrahi Tefahot Bank Ltd

Standalone financial strength assessment (BCA) for the bank	aa2.il	Outlook: stable
Long-term deposits/Bonds	Aaa.il	Outlook: stable
Short-term deposits	P-1.il	
New subordinated notes - CoCos (Recognized for Basel III)		
Subordinated debentures with contractual loss absorbency	Aa3.il (hyb)	Rating outlook: stable
Existing subordinated notes - (Not recognized for Basel III)		
Subordinated notes (Lower tier-II capital)	Aa1.il	Outlook: stable
Hybrid capital instruments (Upper tier-II capital)	Aa2.il (hyb)	Outlook: stable

Midroog determines an Aa3.il (hyb) rating with a stable outlook for subordinated debentures (series 47) at up to ILS 600 million N.V., to be issued by way of the Mizrahi Tefahot Issuing Company Ltd (“**Mizrahi Issuing**”), a subsidiary of Mizrahi Tefahot Bank Ltd (“**the Bank**”). The principal conditions of the rated subordinated debentures: 1. To be paid off by a single instalment after 10 years, with an early payment option available to the Bank after 5 years; 2. Constitute an instrument which is recognized by the Supervision of Banks as tier II capital, for the purpose of their inclusion in the Bank’s supervised capital; 3. Subordinated to all other liabilities which are not of their type (senior only relative to the shareholders and instruments in the upper tier-II); 4. Up for complete or partial write-off in the event that the Bank’s tier I equity ratio falls below 5%, and a full write-off if the Supervisor of Banks decides that a formative nonviability event is occurring¹. We note that the instrument also has a principal return capacity, pursuant to the fulfilment of the conditions written in the deed of trust.

Furthermore, Midroog determines an Aaa.il rating for series 45 and 46 issued by Mizrahi Issuing.

¹ Formative nonviability event: 1. Notices from Supervisor of Banks that a write-off of debentures is necessary to avoid the point of nonviability. 2. The grant of external support, without which the bank could reach the point of nonviability. We note that the Supervisor of Banks has yet to define the term "point of nonviability".

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The bonds and subordinated debentures rated by Midroog, issued by the Bank and by Mizrahi Issuing:

Series	Security Number	Rating	Rating Outlook	Final Payment Date
Series A Capital Notes	6950083	Aa2.il(hyb)	Stable	01.01.2106
31	2310076	Aa1.il	Stable	19.09.2019
35	2310118	Aaa.il	Stable	22.01.2019
37	2310134	Aaa.il	Stable	01.06.2020
38	2310142	Aaa.il	Stable	11.09.2021
39	2310159	Aaa.il	Stable	11.09.2021
40	2310167	Aaa.il	Stable	07.06.2025
41	2310175	Aaa.il	Stable	07.06.2022
42	2310183	Aaa.il	Stable	07.06.2030
43	2310191	Aaa.il	Stable	31.07.2021
44	2310209	Aaa.il	Stable	25.09.2022
45	2310217	Aaa.il	Stable	28.09.2024
46	2310225	Aaa.il	Stable	28.09.2027
Subordinated contingent debentures	Nontradable	Aa3.il(hyb)	Stable	31.01.2024

For details on rating considerations, please see the preliminary rating report from September 2017².

² Reports (in Hebrew) are published on Midroog's website: www.midroog.co.il

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Related Reports

Mizrahi Tefahot Bank Ltd – Preliminary Rating, September 2017

Methodology for Rating Banks – Methodology Report, November 2017

Midroog Rating Scales and Definitions

Reports (in Hebrew) are published on Midroog's website: www.midroog.co.il

General Information

Rating report date:	December 4, 2017
Last date on which rating was updated:	September 10, 2017
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.

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	Not Prime
B1.il,B2.il,B3.il	
Caa1.il,Caa2.il,Caa3.il	
Ca.il	
C.il	

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.

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[Midroog disclaimer]