

**MIDROOG LTD**

No. with the Registrar of Companies: 513377424

To <b><u>Israel Securities Authority</u></b>	To <b><u>Tel-Aviv Stock Exchange Ltd</u></b>	D125 (Public)	Date of transmission: December 14, 2017
<b>www.isa.gov.il</b>	<b>www.tase.co.il</b>		Ref: 2017-15-111991

**Immediate Report of Events Related to Rating**

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

Type of event:

<b>1</b> Rating
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1. Name of rated corporation: Mizrahi Tefahot Bank Ltd.  
 Type of identification number: Number with the Registrar of Companies in Israel  
 Identification number: 520000522

*Note:**It is to be emphasized that the details in this section are used to present the report under the reports of the corporation whose details were specified above.*

2. Details regarding a rating report:

 File \_\_\_\_\_*Explanation: A TXT type file which will include details regarding the rating in a structure coordinated with the authority.* Table:

SN	General details	Rating details	Additional details
1	Internal identification number  Rating subject <i>Debenture</i> <i>Series 47</i>  Issue date    Stock exchange security number: <i>N/A</i>	Rating <i>Aa3.il</i> <i>stable</i> Addition of symbolization to the rating <i>hyb</i>  <input checked="" type="checkbox"/> Nature of the notice: <i>Other</i>  <i>Update of subordinated debt recruitment at up to NIS 770 million N.V. by a subsidiary in lieu of NIS 600 million N.V.</i>	Date on which the rating was first published: <i>December 4, 2017</i> Last date on which the rating was updated: <i>December 14, 2017</i>  Reason for rating

	Rating initiated by the rated company	<input type="checkbox"/> Rating has ceased Established on December 14, 2017	cessation:
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3. In the event of a rating cessation notice, please detail the reasons which led to the decision:

*Explanation: The reasons can be added to the file, with the specification "see details in file".*

4. Date on which the event occurred: December 14, 2017 at 10:10

Date on which the rating company first learned of the event: December 14, 2017 at 10:10

5. The immediate report: Mizrahi\_Tefahot\_rating\_action\_update\_isa.pdf

Reference numbers of previous documents concerning the issue reported herein (the mention does not constitute inclusion by way of reference):

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Form structure revision date: December 11, 2017

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Previous name of reporting entity:

Name of person reporting electronically:

Benoon Avi

Address: 17 Ha'Arba'a Street, Tel Aviv, 6473917

His position:

Department Head

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# **Mizrahi Tefahot Bank Ltd**

## **Rating Action Update | December 2017**

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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	
<b>New subordinated notes - CoCos (Recognized for Basel III)</b>		
Subordinated debentures with contractual loss absorbency	Aa3.il (hyb)	Rating outlook: stable
<b>Existing subordinated notes - (Not recognized for Basel III)</b>		
Subordinated notes (Lower tier-II capital)	Aa1.il	Outlook: stable
Hybrid capital instruments (Upper tier-II capital)	Aa2.il (hyb)	Outlook: stable

Further to the rating action report from December 4, 2017, Midroog determines an Aa3.il (hyb) rating with a stable outlook for subordinated debentures (series 47) at up to NIS 770 million (nominal value), to be issued by way of the Mizrahi Tefahot Issuing Company Ltd (“**Mizrahi Issuing**”), a subsidiary of Mizrahi Tefahot Bank Ltd (“**the Bank**”), in lieu of the NIS 600 million (nominal value) previously rated.

**For details on rating considerations, please see the preliminary rating report from September 2017<sup>1</sup>.**

### Related Reports

[Mizrahi Tefahot Bank Ltd – Rating Action, December 2017](#)

[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](http://www.midroog.co.il)

### General Information

<b>Rating report date:</b>	December 14, 2017
<b>Last date on which rating was updated:</b>	December 4, 2017
<b>Date on which rating was first published:</b>	December 4, 2017
<b>Name of the rating initiator:</b>	Mizrahi Tefahot Bank Ltd
<b>Name of the party paying for the report:</b>	Mizrahi Tefahot Bank Ltd

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<sup>1</sup> Reports (in Hebrew) are published on Midroog’s website: [www.midroog.co.il](http://www.midroog.co.il)

### **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 exist<sup>3</sup>.

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		

<sup>3</sup> 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]