

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 14, 2017
www.isa.gov.il	www.tase.co.il		Ref: 2017-01-116739

Supplemental report to the report submitted on December 4, 2017 with reference number 2017-01-113499

Main details added/supplemented: *An update to the initial rating report – an update of the issuance amount from ILS 600 million NV to ILS 770 million NV.*

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_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 Abbreviated Name: Mizrahi Tefahot Address: 7 Jabotinsky Street Ramat Gan, 52520, Israel E-mail: mangment@umtb.co.il	Form structure revision date: December 11, 2017 Tel: 03-7559207 Fax: 03-7559913 03-7559720
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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:

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Mizrahi Tefahot Bank Ltd

Rating Action Update | 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

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 2017¹.

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

General Information

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

¹ Reports (in Hebrew) are published on Midroog’s website: 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 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]