

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: October 27, 2019
	www.isa.gov.il		www.tase.co.il		Ref: 2019-01-091047

Supplemental report to the report submitted on October 10, 2019 with reference number 2019-01-087726

Main details added/supplemented: *Rating report update: update of the issuance sum from ILS 1 billion N.V. to ILS 2.6 billion N.V. for Series 51.*

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

On October 10, 2019, *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>Series 51</i>	0	Midroog	Midroog <i>stable Aaa.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_isa.pdf

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

Midroog's rating is granted in connection with an issuance of bonds (Series 51) being examined by Mizrahi Tefahot Issuing Company Ltd, a subsidiary fully owned by the bank. It is hereby clarified that at the time of this report, there is no certainty regarding the execution of the issuance, its timing, its size and its conditions.

No change has been made to the bank's rating

The above report was signed by Ms. Maya Feller, Bank Secretary

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: August 6, 2019
Abbreviated Name: Mizrahi Tefahot	
Address: 7 Jabotinsky Street Ramat Gan, 52520, Israel	Tel: 03-7559720 Fax: 03-7559923
E-mail: mangment@umtb.co.il	

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

Name of the person reporting electronically: Feller Maya Position: Bank Secretary Name of
Employing Company:
Address: 7 Jabotinsky Street, Ramat Gan, 52520, Israel Tel: 03-7559720 Fax: 03-7559923 E-mail:
mangment@umtb.co.il

21 Ha'Arba'a Street | Platinum Tower
Tel Aviv 6473921
Tel: 03-6844700 | Fax: 03-6855002
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Mizrahi Tefahot Bank Ltd

Rating Action Update | October 2019

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Mizrahi Tefahot Bank Ltd

Baseline credit assessment (BCA) for the bank	aa2.il	
Long-term deposits/Bonds	Aaa.il	Outlook: stable
Contingent convertible bonds (CoCo)	Aa3.il (hyb)	Outlook: stable

Pursuant to the rating action report dated October 10th, 2019, Midroog is determining an Aaa.il rating with a stable outlook for bonds (Series 51) at up to ILS 2600 million (nominal value), in lieu of the ILS 1000 million (nominal value) previously rated. Furthermore, pursuant to the rating action report dated October 22nd, 2019, Midroog is determining an Aa3.il (hyb) rating with a stable outlook for the contingent convertible bonds (hereinafter: “CoCo”) (Series 50) at up to ILS 400 million N.V/, in lieu of the ILS 300 million N.V. previously rated. The bonds and the CoCos will be issued by Mizrahi Tefahot Issuing Company Ltd (“Mizrahi Issuing”), a subsidiary fully owned by Mizrahi Tefahot Bank Ltd (the “Bank”), which is the Bank’s issuing arm.

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 both the risk failure and its ability to serve its liabilities independently, without the assumption of external support. 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 deferral, 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). 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 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, this instrument contains no assumption of external support

For information regarding the rating considerations, see the follow-up report from August 2019.

Related reports

Mizrahi Tefahot Bank Ltd – Related reports

Bank Rating – Methodology Report, September 2019

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:	October 27, 2019
Last date on which rating was updated:	October 22, 2019
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 CoCo 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 CoCo ranks in the lower end of that category, denoted by letters.

Midroog does not publish the BCA outlook, 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 CoCo 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 CoCo ranks in the lower end of that category, denoted by letters.

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