

MIZRAHI TEFAHOT BANK LTD

No. with the Registrar of Companies: 520000522
 Securities of a Corporation Listed for Trading on the Tel Aviv Stock Exchange
 Abbreviated Name: Mizrahi Tefahot
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To
Israel Securities Authority
 www.isa.gov.il

To
Tel Aviv Stock Exchange Ltd
 www.tase.co.il

**Immediate Report on the Rating of Bonds / The Rating Of A Corporation
 or The Cessation Of Rating**

On June 30, 2015, *other* Moody's published:

- A rating report/announcement *updated*
- A notice of rating cessation

- 1. Rating report or announcement
 - Rating of the corporation: *other* Moody's _____ *stable*
 - Comments/Nature of the announcement: *Outlook/Forecast raising*

Ratings history for the three years prior to the rating/announcement date:

Date	Rating subject	Rating	Comments/Nature of the announcement
December 12, 2013	<i>Mizrahi Tefahot Bank Ltd.</i>	<i>Other A2 Moody's negative</i> _____	<i>Rating affirmation</i> _____

Explanation: the ratings history should only detail the rating history of the company rating that is 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/Nature of the announcement
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Ratings history for the three years prior to the rating/announcement date:

Name and type of security	Security number on the stock exchange	Date	Type of rated security	Rating	Comments/Nature of the announcement
_____	_____	_____	_____	_____	_____

Explanation: the ratings history should only detail the rating history of the company rating that is the subject of the immediate report.

The rating report is attached: Israeli_Banks_PR_isa.pdf

2. On _____ announced the cessation of rating for:

On June 30, 2015, Moody's affirmed the bank's deposit rating (at A2) and raised the rating outlook from negative to stable. In addition, for the first time, Moody's assigned the bank a Counterparties Risk Assessments rating of A1.

Reference number of the previous documents regarding this matter (the reference does not constitute incorporation by reference):

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

Date of form update: June 3, 2015

Name of the person reporting electronically: Maya Feller; Position held: Company Secretary Name of Employing Company: .
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MOODY'S

INVESTORS SERVICE

Rating Action: Moody's affirms deposit ratings of five Israeli banks; changes outlooks to stable

Global Credit Research - 30 Jun 2015

Limassol, June 30, 2015 -- Moody's Investors Service has today affirmed the deposit ratings of Bank Hapoalim B.M., Bank Hapoalim BM New York Branch (uninsured), Bank Leumi and Mizrahi Tefahot Bank (at A2/Prime-1), First International Bank of Israel (at A3/Prime-2) and Israel Discount Bank (at Baa1/Prime-2), and changed the outlook to stable from negative. Moody's has also assigned Counterparty Risk Assessments (CR Assessments) to the five Israeli banks, in line with its revised bank rating methodology published on 16 March 2015. Please refer to the end of this press release for a full list of affected ratings.

The outlook change has been primarily triggered by Moody's assessment that revisions to the bank resolution framework being contemplated by the Israeli regulatory authorities are unlikely to affect the systemic support assumptions currently imputed in the Israeli banks' ratings, as the revised framework will likely not contain "bail in" provisions requiring regulators to impose losses on creditors when dealing with an ailing bank.

RATINGS RATIONALE

--- STABLE OUTLOOK

Today's action to change the rating outlooks back to stable reflects the balance between our expectation that Israel's new bank resolution framework will likely not contain compulsory bail-in provisions (other than for the Basel III-compliant capital instruments), and an acknowledgement that in the context of our new methodology the liability structure of Israeli banks is such that there would be limited downside pressure on deposit ratings, given a significant portion of debt subordinated to deposits.

The negative outlook on Israeli banks' deposit ratings was initially triggered by (1) authorities intention to develop a new bank resolution framework, which could facilitate the resolution of financial institutions with the option of burden sharing with bank creditors; and (2) insights gained from the 2008-09 global financial crisis and regulatory trends, which illustrate how authorities are increasingly employing market solutions in the provision of support to troubled banks in order to protect public finances.

While the new bank resolution framework is currently in draft form and not publicly available, Moody's consultations and assessment of the policy proposal have led the rating agency to conclude that the new framework will instead enhance the options available to the regulators to resolve any ailing bank while supporting creditors. These enhanced powers could include, for instance, the ability to impose mergers, create good/bad banks, override shareholder rights, replace management, and appoint administrators. In light of these developments, Moody's continues to assess the probability of systemic support as "very high" for any troubled, systemically important banks.

Furthermore, even in the event that a compulsory bail in regime were to be implemented, Moody's notes that the liability structure of Israeli banks -- with a significant portion of debt subordinated to deposits -- suggests that there could be limited downside pressure on deposit ratings. This is because a reduction in the probability of systemic support could be compensated by the likely uplift that would arise following the application of Moody's Advanced Loss Given Failure (LGF) analysis contained in its new methodology and applicable where an operational resolution regime exists. The uplift derived from this approach would primarily result from Israeli banks' significant debt holdings, which are subordinated to deposits.

--- RATINGS AFFIRMATION

The rating affirmations reflect Moody's expectations that Israeli banks will benefit from robust economic growth -- real GDP is expected to grow by 3.3% in 2015. The rating agency projects that capital buffers will likely rise and banks' liquidity will remain strong, with stable levels of deposit-based funding. Current ratings also take into account some degree of risk associated with rapid house price increases and the banks' relatively weak, albeit stable, profitability.

--- BANK-SPECIFIC DRIVERS

Bank Hapoalim B.M.

The A2/Prime-1 deposit ratings of Bank Hapoalim incorporate a three-notch uplift from its baa2 baseline credit assessment (BCA), based on the bank's 29% market share of total assets and our assessment of a very high likelihood of government support in the event of need. The ratings are also supported by Bank Hapoalim's (1) resilient asset quality metrics, with problem loans (NPLs, defined as "impaired" loans plus other loans over 90 days overdue) at 2.7% of total loans; and (2) a strong retail deposit base and sufficient liquidity, with liquid assets at 29% of total assets as of March 2015, and a net loans-to-deposits ratio of 88%. However, the ratings also reflect the bank's high - though declining - borrower concentrations, while high systemic risks relating to the residential property market could also adversely affect asset quality indicators and strain the bank's capitalisation buffers (common equity Tier 1 ratio of 9.4% as of March 2015) and moderate profitability metrics (with return on tangible assets of around 0.8%).

Bank Leumi

The A2/Prime-1 deposit ratings of Bank Leumi incorporate a three-notch uplift from the bank's baa2 baseline credit assessment, based on the bank's 28% market share and our assessment of a very high likelihood of government support. The ratings are also supported by Bank Leumi's resilient asset quality metrics, with NPLs at 2.3% of total loans, as well as a strong retail deposit base and sufficient liquidity, with liquid assets at 30% of total assets as of March 2015. However, the ratings also reflect elevated credit risks, as indicated by high systemic risks relating to the residential property market and still high borrower concentrations compared to global peers. High credit risks could also adversely affect asset quality indicators and strain the bank's moderate capitalisation buffers and profitability metrics. The bank's capital ratios -- with a core Tier 1 ratio of 9.4% as of March 2015 -- will also be adversely affected by the adoption of new accounting principles surrounding employee rights (and specifically the actuarial valuation of liabilities of defined benefits pension schemes), although the impact should be more than mitigated by profit retention and the sale of non-core assets.

Mizrahi Tefahot Bank

The A2/Prime-1 deposit ratings of Mizrahi Tefahot Bank incorporate a three-notch uplift from the bank's baa2 baseline credit assessment, based on our assessment of a very high likelihood of government support. The ratings are also supported by Mizrahi's strong franchise in Israel (and primarily its leading position in mortgage lending, with approximately 34% market share of new loans), its resilient asset quality metrics (with problem loans representing 1.2% of total loans as of March 2015), its adequate profitability and efficiency metrics (with a Q1 2015 return on risk-weighted assets of 0.8%), and its stable deposit-based funding position. The ratings are primarily constrained by (1) the elevated credit risks surrounding the bank's significant exposure to mortgage lending (which accounts for 65% of the bank's loan portfolio). The bank's mortgage portfolio is vulnerable to an increase in interest rates, rising unemployment and a potential house price correction, amid an environment of increased house prices combined with reduced consumer affordability; (2) moderate capitalisation buffers, with a Common Equity Tier 1 ratio of 9.2% as of March 2015; and (3) moderate -- though increasing -- liquidity buffers, with liquid assets at around 20% of total assets.

First International Bank of Israel

The A3/Prime-2 deposit ratings of First International Bank of Israel (FIBI), Israel's fifth-largest bank by assets, with a market share of approximately 8% -- incorporate a three-notch uplift from the bank's baa3 baseline credit assessment, based on our assessment of a very high likelihood of government support. The ratings are also supported by FIBI's strong asset quality metrics (with NPLs at 1.4% as of March 2015), and a strong retail deposit base and sufficient liquidity (with liquid assets at 36% of total assets, and a net loans-to-deposits ratio of 73% as of March 2015). High systemic risks relating to the residential property market -- although lower than peers -- could, however, adversely affect asset quality indicators and strain the bank's moderate profitability metrics and capitalisation buffers (the bank reported a core Tier 1 ratio of 9.5% as of March 2015).

Israel Discount Bank

The Baa1/Prime-2 deposit ratings of Israel Discount Bank incorporate a three-notch uplift from the bank's ba1 baseline credit assessment, based on the bank's 15% market share of total assets and our assessment of a very high probability of government support in the event of need. The ratings are also supported by Discount Bank's favourable funding and liquidity profile (with a deposit-based funding structure, liquid assets at 33% of total assets, and a loans-to-deposits ratio of 79% as of March 2015). Asset quality metrics are stable, with problem loans at 2.9% of the total loan book. However, the ratings continue to be constrained by the bank's weak profitability and

efficiency metrics, and elevated credit risks relating to geopolitical tensions and rising property prices. Capitalisation buffers also remain moderate, with the Core Tier 1 ratio at 9.4% as of March 2015.

ASSIGNMENT OF COUNTERPARTY RISK ASSESSMENTS

CR Assessments are opinions of how counterparty obligations are likely to be treated if a bank fails, and are distinct from debt and deposit ratings in that they (1) consider only the risk of default rather than expected loss and (2) apply to counterparty obligations and contractual commitments rather than debt or deposit instruments. The CR Assessment is an opinion of the counterparty risk related to a bank's covered bonds, contractual performance obligations (servicing), derivatives (e.g., swaps), letters of credit, guarantees and liquidity facilities.

For Israeli banks, the CR Assessment is positioned, prior to government support, one notch above the Adjusted BCA, reflecting Moody's view that its probability of default is lower than that of senior unsecured debt and deposits. Moody's believe that senior obligations represented by the CR Assessment will be more likely preserved in order to limit contagion, minimize losses and avoid disruption of critical functions.

For the Israeli banks, the CR Assessments also benefit from government support in line with Moody's support assumptions on deposits and senior unsecured debt. This reflects Moody's view that any support provided by governmental authorities to a bank which benefits senior unsecured debt or deposits is very likely to benefit operating activities and obligations reflected by the CR Assessment as well, consistent with Moody's belief that governments are likely to maintain such operations as a going-concern in order to reduce contagion and preserve a bank's critical functions.

LIST OF AFFECTED RATINGS

Assignments:

Bank Hapoalim B.M.

- CR Assessment, Assigned A1(cr)/Prime-1(cr)

Bank Leumi

- CR Assessment, Assigned A1(cr)/Prime-1(cr)

Mizrahi Tefahot Bank

- CR Assessment, Assigned A1(cr)/Prime-1(cr)

First International Bank of Israel

- CR Assessment, Assigned A2(cr)/Prime-1(cr)

Israel Discount Bank

- CR Assessment, Assigned A3(cr)/Prime-2(cr)

Affirmations:

Bank Hapoalim B.M.

- Adjusted Baseline Credit Assessment, Affirmed baa2

- Baseline Credit Assessment, Affirmed baa2

- Deposit ratings (foreign and local currency), Affirmed A2 Stable/Prime-1

Bank Hapoalim BM, New York branch (uninsured)

- Deposit ratings, Affirmed A2 stable /Prime-1

Bank Leumi

- Adjusted Baseline Credit Assessment, Affirmed baa2

- Baseline Credit Assessment, Affirmed baa2
- Deposit ratings (foreign and local currency), Affirmed A2 stable/Prime-1

Mizrahi Tefahot Bank

- Adjusted Baseline Credit Assessment, Affirmed baa2
- Baseline Credit Assessment, Affirmed baa2
- Deposit ratings (foreign and local currency), Affirmed A2 stable/Prime-1

First International Bank of Israel

- Adjusted Baseline Credit Assessment, Affirmed baa3
- Baseline Credit Assessment, Affirmed baa3
- Deposit ratings (foreign and local currency), Affirmed A3 stable/Prime-2

Israel Discount Bank

- Adjusted Baseline Credit Assessment, Affirmed ba1
- Baseline Credit Assessment, Affirmed ba1
- Deposit ratings (foreign and local currency), Affirmed Baa1 stable/Prime-2

The principal methodology used in these ratings was Banks published in March 2015. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

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