

Mizrahi Tefahot Bank Ltd.'s Immediate Reports are published in Hebrew on the Israel Securities Authority and the Tel Aviv Stock Exchange websites.

The English version is prepared for convenience purposes only. The only binding version of the Immediate Reports is the Hebrew version.

In the event of any discrepancy or inconsistency between the Hebrew version and the translation to English, the Hebrew version shall prevail and supersede, for all purposes and in all respects

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: May 13, 2021
	www.isa.gov.il		www.tase.co.il		Ref: 2021-01-085173

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

On May 13, 2021, *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
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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>Bonds</i>	0	Midroog	Midroog <i>Aaa.il stable</i>	Initial rating
<i>Contingent convertible bonds (lower tier II capital)</i>	0	Midroog	Midroog <i>Aa1.il stable</i>	Initial rating
<i>Contingent convertible bonds with a contractual loss absorption mechanism</i>	0	Midroog	Midroog <i>Aa3.il stable</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
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Explanation: The ratings history should only detail the rating history of the company rating the subject of the immediate report

Attached rating report [issued rating action report –mizrahi tefahot bank 13052021 isa.pdf](#)

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

Details of the signatories authorized to sign on behalf of the corporation

	Signatory's Name	Position
1	<i>Ofer Horvitz</i>	<i>Other Bank Secretary & Head of the Bank's Headquarters</i>

Explanation: According to Regulation 5 of the Securities (Periodic and Immediate Reports) Regulations, 5730-1970, a report filed under these regulations shall be signed by those authorized to sign on behalf of the corporation. The position of the senior staff on the matter (in Hebrew) can be found on the ISA's website: [Click here](#)

Midroog's rating of the contingent convertible bonds was given under a transfer of Union Issuances Ltd's contingent convertible bonds to Mizrahi Tefahot Issuing Company Ltd, a subsidiary fully owned by the bank, as part of a merger between the companies and subject to the merger's suspensory conditions and its completion.

No change was made to the bank's rating.

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: May 4, 2021

Abbreviated Name: Mizrahi Tefahot

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel:03-7559720 Fax:03-7559923

E-mail: Company website:

mangment@umtb.co.il <https://www.mizrahi-tefahot.co.il>

Previous name of the reporting entity: United Mizrahi Bank Ltd

Name of the person reporting electronically: Position: Name of Employing

Horvitz Ofer Bank Secretary Company: Mizrahi Tefahot Bank Ltd

Address: 7 Jabotinsky Street, Ramat Gan, 52520 Tel: 03-7559207 Fax: 03-7559913 E-mail: management@umtb.co.il

21 Ha'Arba'a Street | Platinum Tower
Tel Aviv 6473921
Tel: 03-6844700 | Fax: 03-6844700
www.midroog.co.il

Mizrahi Tefahot Bank Ltd¹

Rating Action | May 2021

Contacts:

Amit Federman, CPA

Analyst – Primary Rating Evaluator

amit.federman@midroog.co.il

Amir Katznelson

Team Leader – Secondary Rating Evaluator

amir.katznelson@midroog.co.il

Itay Navarra, Deputy CEO

Head of Financial Institutions

itay.navarra@midroog.co.il

¹ Mizrahi Bank is the owner of the full issued and outstanding share capital of Union Bank of Israel Ltd, which (indirectly) holds 4.9% of Midroog Ltd's share capital via Igud Investments and Enterprise (A.S.Y.) Ltd. The company's share lack any means of control.

Mizrahi Tefahot Bank Ltd

Baseline credit assessment (BCA) for the bank	aa2.il	
Long-term deposits & bonds	Aaa.il	Outlook: stable
Contingent convertible bonds (lower tier II capital)	Aa1.il	Outlook: stable
Contingent convertible bonds with a contractual loss absorption mechanism (CoCo)	Aa3.il (hyb)	Outlook: stable

Midroog determines an Aaa.il rating with a stable outlook to Mizrahi Tefahot Bank Ltd (the “Bank”) and/or Mizrahi Tefahot Issuing Company Ltd (“Mizrahi Tefahot Issuing”), which is the Bank’s issuing arm and a subsidiary fully owned by the Bank, for the transfer of bonds at a sum of up to ILS 3,100 million N.V., issued by Union Issuances Ltd, to the Bank and/or to Mizrahi Tefahot Issuing, as part of the completion of the merger between the issuing companies.

Likewise, Midroog determines an Aa1.il rating with a stable outlook to Mizrahi Tefahot Issuing, for the transfer of contingent convertible bonds (lower tier II capital) at a sum of up to ILS 110 million N.V., issued by Union Issuances Ltd, to Mizrahi Tefahot Issuing, as part of the completion of the merger between the issuing companies. This rating embodies the structural subordination of these debts relative to the Bank’s senior debt, the seniority scale among the subordinated debts themselves, and the assumption of state support.

Additionally, Midroog determines an Aa3.il (hyb) rating with a stable outlook Mizrahi Tefahot Issuing, for the transfer of contingent convertible bonds with a contractual loss absorption mechanism (“Coco”) at a sum of up to ILS 520 million N.V., issued by Union Issuances Ltd, to Mizrahi Tefahot Issuing, as part of the completion of the merger between the issuing companies.

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 the risk for failure and its ability to serve its liabilities independently, without the assumption of external support.

On this basis, 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 subordination, 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). For the rating of the CoCo to be issued by the Bank, 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, you are hereby referred to the Bank’s issuer note report from December 2020, the Bank’s follow-up report from September 2020, and Union Bank of Israel Ltd’s follow-up report from December 2020.

Related reports

Mizrahi Tefahot Bank Ltd – Related reports

Union Bank of Israel Ltd – Related reports

Banking System – Consequences of the Crisis – Special Report – Industry Note, April 2020

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:	May 13, 2021
Last date on which rating was updated:	December 22, 2020
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.

Midroog does not publish the BCA forecast, 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 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.

[Midroog disclaimer]