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Phoenix Financial Ltd.[1]

Monitoring Report | February 2025

This credit rating report is a translation of a report that was written in Hebrew for a debt issued in Israel.

The binding version is the one in the original language.

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[1] Formerly The Phoenix Holdings Ltd.

Phoenix Financial Ltd.

Issuer Rating	Aa2.il	Outlook: Stable
Series Rating	Aa2.il	Outlook: Stable

Midroog affirms the Aa2.il issuer rating and rating of bonds issued by Phoenix Financial Ltd. (the "Company"). The outlook is stable.

Outstanding bonds rated by Midroog:

Series	Security ID	Rating	Outlook	Final Maturity
PHOENIX B4	7670250	Aa2.il	Stable	31/07/2028
PHOENIX B5	7670284	Aa2.il	Stable	01/05/2030
PHOENIX B6	7670334	Aa2.il	Stable	31/12/2032

Summary of Rating Rationale

The Company's rating is supported by its control of The Phoenix Insurance Company Ltd. ("**Phoenix Insurance**" or the "**Insurer**") (Aaa.il, stable) and by strong financial flexibility, reflected in good leverage and coverage ratios, and in a liquidity profile characterized by a debt service ratio (DSCR including liquidity reserves) that is favorable for the rating. In recent years, there has been an improvement in the profile of the portfolio of holdings of the Company, which has continued to operate in line with the strategic plan, completing structural changes that helped to unlock value in some of the investees, improving the mix of the portfolio of investees and promoting stable visibility of receipts from the other investees, in addition to the Insurer. The Company has a significant portfolio of holdings in the insurance and finance sector, its main holdings (which are controlled by the Company) being Phoenix Insurance, 88% of The Phoenix Investment House Ltd.[2] ("**Phoenix Investment House**") through The Phoenix Investment and Finances Ltd. [3] ("**Phoenix Investment**"), The Phoenix Pension and Provident Fund Ltd. ("**Phoenix Pension and Provident Fund**"), a 79% stake in The Phoenix Insurance Agencies (1989) Ltd. ("**Phoenix Agencies**"), and Gama Management and Clearing Ltd. ("**Gama Management and Clearing**") (Aa3.il, positive)., which comprise the major part of the investees' book cost.

In Midroog's base case scenario for the years 2025-2026, we assume revenues amounting to an annual NIS 800-1,200 million (excluding proceeds from bond issues). This assumption is based on the continued receipt of dividends from Phoenix Insurance, Phoenix Agencies, Phoenix Investment House and Gama Management and Clearing, the repayment of loans from investees, as well as annual interest payments

[2] Formerly Excellence Investments Ltd.
[3] In November 2024, the Company's board of directors approved, as part of a structural change, a statutory merger between the Company and The Phoenix Investment and Finances Ltd.

of NIS 30 million on an Additional Tier 1 capital instrument issued to the Company by the Insurer. Additionally, we estimate that Phoenix Insurance will be able to continue maintaining a significant margin above the regulatory requirements, enabling the continued distribution of dividends during the forecast period, in line with the set policy. Uses include mainly annual principal and interest payments within a range of NIS 280-460 million[4] during the forecast years, without assuming additional material investments during the forecast period. Under this scenario, the interest coverage ratio (ICR) and liquidity ratio (DSCR+cash) are projected to be in the respective ranges of 4.5-7.5 and 4.9-5.2, which are favorable for the rating. The Company's liquidity profile is favorable for the rating and supported by significant liquidity reserves, our assumption being that the Company will continue to maintain significant liquidity reserves over time, inter alia, in view of the existing debt size. The Company has high financial flexibility supported by a relatively low LTV ratio, which we estimate will be in the range of 9%-10% during the forecast years, under several scenarios regarding the value of the holdings. The debt to FFO coverage ratio in the years 2025-2026 is expected to be 4.3, reflecting a free cash flow that is commensurate both with the amount of debt and with the rating. Additionally, in our estimation, the Company's financial policy is commensurate with the rating and supported by appropriate management of market risks and liquidity. We note that the Company has an annual dividend distribution policy[5] to pay out no less than 40% of the total distributable profit according to the annual consolidated financial statements. Another consideration adversely affecting the rating is the guarantees provided by the Company in favor of the investees. In our assessment, these guarantees expose the Company to tail risks arising from the activity of the investees; however, the effective exposure is relatively low in the short to medium term.

Rating Outlook

The stable outlook reflects our assessment that the Company's business and financial profile will be maintained within the range of Midroog's base case scenario.

At the same time, the war that broke out in Israel on October 7, 2023 has led to a series of repercussions, coupled with uncertainty as to the extent and duration of the war and its impact on the Israeli economy. Further elaboration on the subject is provided in the special report: "Impact of the Iron Swords War on the Creditworthiness of Issuers Rated by Midroog" (October 2024).[6]

[4] Including payments (principal and interest) on loans taken by Phoenix Investments and Phoenix Agencies from banks.
[5] A policy of dividend distribution twice a year: An interim dividend at the discretion of the board of directors, at the time of approval of the financial statement for the second quarter of each calendar year, and a supplementary dividend in line with the policy, at the time of approval of the annual financial statement for each calendar year.
[6] The report is published on the Midroog website.

Factors that could lead to a rating upgrade:

- Improvement in the concentration attributes of the portfolio of holdings, along with continued maintenance of the Company's financial profile.

Factors that could lead to a rating downgrade:

- Continuing deterioration in the business and financial profile of the principal investees.
- Significant decline in the visibility of dividends from the investees in the medium to long term.
- Significant increase in the financial leverage and repayments burden, affecting the Company's financial flexibility.

Phoenix Financial Ltd. (Separate) – Key Financial Indicators (NIS in millions)

	30/09/2024	30/09/2023	31/12/2023	31/12/2022	31/12/2021	31/12/2020
Investments in investees [1]	12,731	11,052	12,011	11,657	10,997	9,053
Cash and cash equivalents [2]	95	136	404	17	110	40
Financial investments [1][2]	1,356	1,063	1,366	1,001	937	19
Total assets	13,055	11,586	12,490	11,696	11,129	9,132
Equity	11,121	10,018	10,580	10,145	9,654	7,970
Financial debt	1,922	1,558	1,901	1,538	1,450	1,122

Net debt/investment in investees [1][2]	4%	3%	1%	4%	4%	12%
Liquidity/debt [1][2][3]	76%	77%	93%	66%	72%	5%

Net income	1,112	114	777	1,257	1,965	1,169
Total comprehensive income	1,284	515	1,093	1,124	2,316	1,353
Dividend received	280	754	1,091	615	1,063	-
Dividend paid	(535)	(297)	(297)	(581)	(580)	-

[1] Other financial investments + an investment in a hybrid Tier 1 capital instrument of Phoenix Insurance, which is traded on the TASE's Main List.
[2] Excluding liquidity reserves of Phoenix Investment (separate), which are included in the calculation in the liquidity requirements for purposes of the rating, and net of nonmarketable assets.
[3] We note that in examining liquidity ratios, Midroog makes adjustments to the underlying assets held in the securities portfolio, according to the type of underlying asset.

Detailed Rating Considerations

Control of Phoenix Insurance and its high rating are a material consideration in the rating; the Company's activities to diversify the portfolio of holdings is a positive factor for the rating, but the portfolio remains concentrated in the finance sector

The Company has a portfolio of holdings that is concentrated in the insurance and finance sector, its main holdings (which are controlled by the Company) being Phoenix Insurance, Phoenix Investment

House (88%), Gama Management and Clearing, Phoenix Pension and Provident Fund, and 79% of Phoenix Insurance Agencies, which constitute the major part of the investees' book value and a substantial part of the receipts used for debt service (dividends, principal and interest).These underlying assets are expected to continue constituting the main component of the value and cash flows in Midroog's base case scenario for the years 2025-2026. We note that as part of the Insurer's preparations for the implementation of IFRS 17, the Company announced the distribution of a dividend in kind from Phoenix Insurance in the amount of NIS 1.4 billion, which could lessen the Company's dependence on Phoenix Insurance and bolster the rating.

The rating of the financial strength of Phoenix Insurance (Aaa.il, stable) reflects a strong business profile, supported by its being one of Israel's three leading insurance companies over time, characterized by relatively good diversification of business lines and an extensive distribution system that support its revenue generating capacity. Phoenix Insurance also has good profitability relative to the peer group[7], backed by underwriting profitability that facilitates the creation of a capital buffer as well as a loss-absorbing capacity that is adequate for the rating. The Insurer has a reasonable liquidity profile, supported by a relatively long duration of liabilities, along with strong financial flexibility that is backed by a capital adequacy margin significantly above the regulatory minimum.

The Group's activities in the financial services sector are carried out for the most part through Phoenix Investment House, which, as of September 30, 2024, has NIS 128 billion in assets under management (AUM), mainly through ETFs and mutual funds. The financial services sector posted in the first nine months of 2024 revenues of NIS 698 million and a pretax profit of NIS 243 million. Phoenix Investment House has undertaken a growth strategy, as part of which it has been working on the acquisition of portfolio management activity from Psagot and on a merger with KSM Sal Certificates Holdings Ltd. during 2023, and on the expansion of activity in alternative investments and IRA plans in an amount of NIS 90 million during 2024, through the acquisition of holdings from several partners in various companies.

In the long-term savings sector, the Company operates primarily through Phoenix Pension and Provident Fund, which was transferred to the Company in June 2021 by a distribution of shares from Phoenix Insurance by way of a dividend in kind. The Company has continued to act, in line with the strategic plan, to expand its activities also in the long-term savings sector, thus as of September 30, 2024, Phoenix Pension and Provident Fund had an estimated NIS 231 billion under management, up 13% from NIS 205 billion as of December 31, 2023. It should be noted that the Company does not expect a dividend

[7] Harel Insurance Company, Migdal Insurance Company, Clal Insurance Company, and Menora Mivtachim Insurance.

payment from Phoenix Pension and Provident Fund in the next two years, but as part of the future cash flow, the Company is taking into consideration repayment of the loan it provided to Phoenix Pension and Provident Fund.

In addition, the activities of the Group's agencies are coordinated through Phoenix Agencies, including the activities of pre-approved agencies and those of the other consolidated insurance agencies. In our assessment, Phoenix Agencies will be able to continue supporting service of the Company's debt, inter alia, in light of capital surpluses, a relatively high cash flow generating capacity, and a dividend policy of distributing 80% of profits.

The Company has an investment in Gama Management and Clearing, which operates in the area of nonbank credit, mainly through credit voucher clearing, construction loans, financing against real estate assets, loans to businesses, and discounting of deferred receivables. We note that in the third quarter of 2023, Phoenix Investment completed a full tender offer for shares of Gama Management and Clearing. Following the acquisition of all the shares of the offerees, Gama became a private company (a reporting corporation) wholly owned by Phoenix Investment. At the end of 2023, Phoenix Insurance transferred the construction loan activity to Gama. In 2024, this activity was integrated into the activity of Gama, which resulted in stronger diversification of Gama's credit portfolio. At the end of 2024, the Company announced the merger of The Phoenix Consumer Credit Ltd.[8] and EL AL Frequent Flyer Ltd. (19.9%) into and with Gama Management and Clearing.[9] These transfers are expected to strengthen Gama and to increase the diversification of the Company's investments.

[8] See immediate report of December 5, 2024 on the MAYA website.
[9] See immediate report of January 1, 2025 on the MAYA website.

Additionally, as part of a dividend in kind of Phoenix Insurance, as mentioned earlier, the activity of The Phoenix Mortgages (Gold) Ltd. in the credit segment and Phoenix Insurance's stake in the Vered Tower are set to be transferred to the Company. These changes could improve the Company's liquidity and the diversification of its portfolio of investees.

Size of dividend distribution from the Insurer depends on exogenous factors, but is supported by a significant margin above the regulatory requirement

The Company is significantly dependent on dividends distributed by its principal investee, Phoenix Insurance, to service debt and finance current operations. The structure of obligations and regulatory capital of Phoenix Insurance establishes several tiers that are senior to its financial debt, with the most senior debt being the Insurer's obligation to policyholders, followed by the subordinated debts. Distribution of a dividend to service the Company's financial debt will be possible only when there is a degree of certainty that the Insurer is able to serve its obligations according to the seniority hierarchy.

The insurance and long-term savings sector operates within a regulatory framework aimed at maintaining the stability and financial strength of the companies in the sector while safeguarding the rights of insured persons. Thus, the operations of Phoenix Insurance are subject to numerous restrictions and control mechanisms, including on dividend distributions from the Insurer and management of capital sources. As a result, the Company's control over the Insurer's capacity to distribute dividends also depends on exogenous factors, and thus is somewhat limited. A key condition for potential dividend distribution is compliance with a solvency ratio of at least 100% as per the Solvency 2 Circular (without considering the phase-in period, and without adjustment for the equities scenario), subject to the solvency ratio targets set by the Insurer's board of directors. The board of directors set a minimum economic solvency ratio target, considering the phase-in provisions, at 135%, while the minimum solvency ratio without considering the transitional period provisions was set at 118% (instead of 115%, as of June 30, 2024), and will reach 135% at the end of the phase-in period. Additionally, the board of directors of Phoenix Insurance approved a target range for the economic solvency ratio, between 150% and 170%, which the company is seeking to maintain during and after the phase-in period, considering the deduction during the phase-in period and its gradual reduction. As of June 30, 2024, the solvency ratios of Phoenix Insurance, based on the Solvency 2 provisions, stood at 165% (without considering the phase-in period, and including the impact of equity transactions after the reporting date), and 195% (considering the phase-in period, and including the impact of equity transactions after the reporting date), with these ratios presenting a significant margin above both the regulatory requirement and the board of directors' targets. It should be noted that these results took into account equity transactions carried out by Phoenix Insurance during 2024, which included, inter alia, dividend distributions totaling NIS 250 million.[10] These distributions were done based on the solvency ratio results, which reflect a wide margin over the regulatory requirement and over the board of directors' targets, as mentioned above. Therefore, we estimate that Phoenix Insurance will be able to continue maintaining an adequate margin above the regulatory requirements, enabling further dividend distributions within the forecast period, in line with the set policy. Our assumption of continued dividend distributions from the Insurer is also based on the dividend distribution policy approved in May 2024 by the Insurer's board of directors, whereby it was decided that the Insurer will distribute a dividend ranging between 40% and 60% of its total distributable profit, to be paid out twice a year: at the time of approval of the financial statement for the second quarter of each calendar year, and a supplementary dividend in line with the policy at the time of approval of the annual report for each calendar year, according to the Insurer's annual consolidated financial statements, subject to the aforementioned capital targets and the restrictions[11] on dividend distribution applying to insurance companies. In addition, it was determined that the board of directors of Phoenix Insurance may review the dividend distribution and decide at any time, taking into account business considerations as well as legal and regulatory provisions applicable to the Company, to make changes in the dividend policy, including the dividend percentage to be paid out, in line with the Insurer's capital plan. We note that in addition to the insurance company, the Company has several assets with relatively good dividend visibility, including Phoenix Investment House and Phoenix Agencies, in view of liquidity reserves, significant surpluses, and the capacity to generate positive current cash flows.

A debt service coverage ratio that is favorable for the rating and supported by diversification of revenue sources

We expect the structure of the amortization schedule for the short and medium term to continue to align with the cash inflow and the liquidity reserves and to support the debt service coverage ratios. In Midroog's base case scenario for the years 2025-2026, we assume revenues amounting to an annual NIS 800-1,200 million (excluding proceeds from bond issues). This assumption is based on the continued receipt of dividends from Phoenix Insurance, Phoenix Agencies, Phoenix Investment House and Gama Management and Clearing, the repayment of loans from investees, as well as annual interest payments of NIS 30 million on an Additional Tier 1 capital instrument issued to the Company by the Insurer. In

[10] In respect of profits of the first half of 2024.

[11] Pursuant to the Commissioner's directives from October 2017, an insurance company may pay out a dividend only if after the payout the company has a solvency ratio as per the Solvency Circular at a rate of least 100%, calculated without considering the transitional provisions, subject to the solvency ratio target set by the company's board of directors. In addition, the letter establishes provisions for reporting to the Commissioner.

2024, Phoenix Insurance paid out a dividend of NIS 250 million, as mentioned earlier, and we believe it will continue to distribute dividends in line with the distribution policy defined as described above, as long as the margin beyond the board of directors' target enables this. Uses include mainly annual principal and interest payments within a range of NIS 280-460 million in the forecast years, without assuming additional material investments during the forecast period. We estimate that the Company will continue to distribute current dividends to the shareholders, taking into account the dividends that will be paid out by the principal investees, in accordance with the Company's dividend policy.[12] We also assume the continued repurchase of shares of the Company during the forecast years.[13] Accordingly, under Midroog's base case scenario, the liquidity ratio (DSCR+cash) is projected to be between 4.9 and 5.2 in the forecast years, which is favorable for the rating.

High financial flexibility, reflected in an interest coverage ratio and leverage ratio that are favorable for the rating

In our assessment, the Company has high financial flexibility, supported by an interest coverage ratio (ICR) that is favorable for the rating. Gross debt as of September 30, 2024 stood at NIS 1.9 billion, similar to December 31, 2023, and at NIS 1.8 billion as of December 31, 2024. It should be noted that the Company did not issue debt during 2024, but only in January 2025, in an amount of NIS 0.6 billion. We expect the adjusted net debt (considering the liquidity reserves) to amount to NIS 0.8 billion at the end of 2024, yielding a low LTV ratio, which we estimate will be in the range of 9%-10% in the forecast years, under a scenario of pressure on the value of the holdings, as derived from the Company's market cap. This ratio is favorable for the rating and supports the Company's financial flexibility and ability to refinance debt in case of need. In addition, the debt to FFO coverage ratio is expected to be 4.3 in the forecast years, reflecting a free cash flow that is commensurate both with the amount of debt and with the rating, while the ICR ratio is projected to be in the range of 4.5-7.5 in the forecast years, which is good for the rating. The Company's financial flexibility is positively affected, inter alia, by high accessibility to financing entities, by ownership and control of the principal investees, by the absence of effective covenants for the bonds, and by a negative lien on its assets.

[12] In May 2024, the Company's board of directors approved a revision to the dividend distribution policy, whereby the Company is to distribute an annual dividend at a minimum rate of 40% of the Company's total distributable income according to its annual consolidated financial statements in the relevant year.

[13] See report of January 29, 2025 on the MAYA website regarding the approval of a share repurchase plan for up to NIS 100 million.

A favorable liquidity profile relative to the rating, backed by significant liquidity reserves, along with a financial policy commensurate with the rating

In examining the Company's liquidity buffer and debt service capacity, we also take into account the existing liquidity reserves in Phoenix Investment (separate), including adjustments to the securities portfolio, as well as our assessment of the liquidity management for both companies together. As of September 30, 2024, the Company together with Phoenix Investment (separate) had liquidity reserves of NIS 1.5 billion. The liquidity buffer as of that date consists of cash and cash equivalents as well as the securities portfolio, which is characterized by a relatively reasonable market risk profile and comprises mainly a Tier 1 capital instrument of Phoenix Insurance (through Phoenix Capital Issues) with a value of NIS 1.2 billion, which is traded on the TASE's Main List since April 2023. We expect the liquidity reserves to remain at NIS 1.5 billion as of December 31, 2024. At the same time, we note that we have made significant adjustments to the securities portfolio, in particular the Tier 1 capital instrument, in calculating the coverage ratios and in the net debt calculation. Midroog believes that the Company will continue to maintain significant liquidity reserves over time, inter alia, in view of the existing debt size. In our estimation, the Company's financial policy is commensurate with the rating and supported by appropriate management of market risks and liquidity. We note that the Company has an annual dividend distribution policy to pay out no less than 40% of the total distributable profit according to the annual consolidated financial statements.

Additional Rating Considerations

ESG Considerations

We consider ESG considerations to have a moderate impact on the Company's rating. In Midroog's assessment, the Company has little exposure to environmental and social risks, and its exposure to corporate risks is low. The Company's risk management is carried out by the Chief Risk Officer, who also acts as supervisor of the Group's investees. In addition, the Company has a defined information security policy and orderly process of evaluation of information security risks in its IT systems and interfaces.

Guarantees provided by the Company in favor of investees

An additional consideration with a negative impact on both the Company's rating and its financial flexibility is the guarantees provided in favor of investees, amounting as of December 31, 2024 to hundreds of millions of shekels. In our assessment, these guarantees expose the Company to tail risks arising from the activity of the investees; however, the effective exposure is relatively low in the short to medium term.

Company Profile

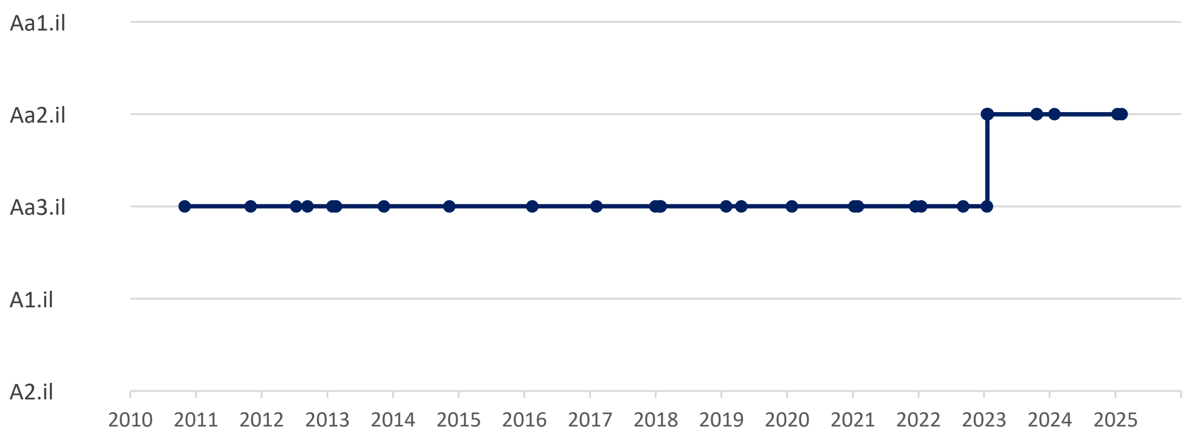
The Phoenix Financial Ltd. ("**Phoenix Financial**") is a public company whose shares are traded on the Tel Aviv Stock Exchange. On November 3, 2019, the Delek Group sold 32.5% of the share capital of Phoenix Financial to a company controlled by Centerbridge Partners LP and Gallatin Point Capital LLC, in consideration of NIS 1.6 billion. From that date until July 2024, the Company's controlling shareholder was Belenus – a company established and registered in Luxembourg. On July 16, 2024, Affinity Partners Parallel Fund I LP ("**AP**") entered into a transaction for the acquisition of ordinary shares of the Company, and on January 15, 2025, the sale was completed, such that as of that date AP holds 9.9% of the issued share capital of the Company, with the remaining shares held by financial institutions (16.6%) and by the public (73.5%). The Company holds the entire share capital of The Phoenix Insurance Company Ltd., the entire share capital of The Phoenix Pension and Provident Fund Ltd., 79% of the share capital of The Phoenix Agencies Ltd., and the entire share capital of The Phoenix Investment and Finances Ltd., which owns a stake in The Phoenix Investment House Ltd. (88.44%), in Gama Management and Clearing Ltd., and in other holdings. The Company's CEO is Mr. Eyal Ben Simon, and the Chairman of the Board is Mr. Benjamin Gabbay.

Rating Scorecard

		As of September 30, 2024		Midroog Forecast[1]	
Category	Parameters	Measurement[1]	Score	Measurement	Score
Holdings portfolio profile	Investees' credit risk profile	-	Aa.il	-	Aa.il
	Visibility of cash flows from investees and restrictions on dividend distributions	-	Aa.il	-	Aa.il
	Portfolio concentration attributes	-	Baa.il	-	Baa.il
Financial profile	Adjusted financial debt/ adjusted asset value	9%	Aaa.il	9%-10%	Aaa.il
	ICR	>6	Aaa.il	4.5-7.5	Aa.il
	Financial debt/FFO	<5	Aaa.il	~4.3	Aa.il
	Financial flexibility	-	Aa.il	-	Aa.il
	DSCR+cash	>3	Aaa.il	4.9-5.2	Aaa.il
	Financial policy	-	Aa.il	-	Aa.il
Implied score					Aa2.il
Final score					Aa2.il

[1] The metrics shown in the table are after adjustments by Midroog and are not necessarily identical to those presented by the Company. The Midroog forecast includes Midroog's assessments with respect to the issuer as presented in its base case scenario and forecast, and not the issuer's assessments.

Rating History



Related Reports

Phoenix Financial Ltd. – Related Reports

The Phoenix Insurance Company Ltd. – Related Reports

Rating of Holding Companies – Methodology Report, January 2021

Rating of Life, Health and P&C Insurance Companies – Methodology Report, May 2022

The Implications of the War on the Credit Repayment Capacity of Issuers Rated by Midroog - Special Report, October 2024

Guidelines for examining Environmental, social and Governance Risks in Credit Ratings – Methodology Report, February 2022

Table of Affinities and Holdings

Midroog Rating Scales and Definitions

The reports are published on the Midroog website at www.midroog.co.il

General Information

Date of rating report:	February 10, 2025
Date of last revision of the rating:	January 14, 2025
Date of first publication of the rating:	November 1, 2010
Rating commissioned by:	Phoenix Financial Ltd.
Rating paid for by:	Phoenix Financial Ltd.

Information from the Issuer

Midroog relies in its ratings inter alia on information received from competent personnel at the issuer.

Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il are those that, in Midroog judgment, have highest creditworthiness relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il are those that, in Midroog judgment, have very strong creditworthiness relative to other local issuers.
A.il	Issuers or issues rated A.il are those that, in Midroog judgment, have relatively high creditworthiness relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il are those that, in Midroog 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 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 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 judgment, have extremely 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 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 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 obligation 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 obligation ranks in the lower end of that category, denoted by letters.

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