Economic Solvency Ratio Report

As of December 31, 2025

MIGDAL INSURANCE COMPANY LTD.

MIGDAL
Insurance and finance

An accessible document

Economic Solvency Ratio Report of Migdal Insurance Company Ltd.

As of December 31, 2025

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To:
The Board of Directors of
Migdal Insurance Company Ltd.

Dear Sir/Madam,

Re: **Examination of the Application of Certain Guidance of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of Migdal Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2025**

We examined the capital required to maintain the solvency capital requirement (hereinafter - "**SCR**") and the economic capital of Migdal Insurance Company Ltd. as of December 31, 2025 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereto (hereinafter - the "**Report**").

The Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR of an insurance company as included in the Commissioner's Circular No. 2020-1-15 of October 14, 2020, and in accordance with the Commissioner's Directives regarding calculation of the Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime, under IFRS 17 as from April 10, 2025 (hereinafter - the "**Directives**").

The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management.

We conducted our examination in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's Directives, as included in the Consolidated Circular, Chapter 7, Article 5, Part 1, Independent Auditor, which provides guidance as to audit of Economic Solvency Ratio Report.

We did not examine the appropriateness of the Deduction during the Transitional Period as of December 31, 2025, as presented in Section 6 to the Report, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the transitional period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as detailed in the provisions on calculation of risk margin.

Except for the abovementioned in connection with the appropriateness of the Deduction Amount during the Transitional Period, based on the examination of the evidence supporting the calculations, the forecasts and the assumptions, as referred to below, which were used by the Company's Board of Directors and management in the preparation of the information nothing came to our attention which caused us to believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information in accordance with the Directives. Furthermore, in our opinion, the information, including the method employed to determine the assumptions and forecasts, was prepared and presented in all material respects in accordance with the Directives.

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It should be emphasized that the projections and assumptions are based mainly on past experience, as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The information is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the information. Furthermore, actual results may materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

We draw attention to Section D. - comments and clarifications regarding the solvency ratio, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv
May 19, 2026

Respectfully,

Somekh Chaikin	Kost Forer Gabbay & Kasierer
Certified Public Accountants	Certified Public Accountants

Joint Independent Auditors

A. **Background and disclosure requirements**

1. **Solvency II-based Economic Solvency Regime**

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - Amendment to the Consolidated Circular, Application Provisions for Solvency II-Based Provisions of the Economic Solvency Regime for Insurance Companies (hereinafter - the "**Solvency Circular**"), was prepared and presented in accordance with Chapter 1, Part 4, Section 5 of the Consolidated Circular as revised in Circular 2025-1-3 (hereinafter - the "**Disclosure Provisions**").

The Solvency Circular sets a standard model for calculating available own funds and the solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is calculated as the ratio between the eligible own funds and the solvency capital requirement.

The eligible own funds for economic solvency regime purposes was composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes own funds calculated by evaluating an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of own funds for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (during the transitional period, as described below - 50% of the solvency capital requirement during the transitional period).

The existing capital should be compared to the capital requirement when there are two levels of capital requirements:

- The capital required to maintain an insurance company's solvency (hereinafter - "**SCR**"). The SCR is risk-sensitive, and is based on a forward-looking calculation of the effect of the various scenarios' materialization, while taking into account the correlation of the various risk factors, all based on the guidance of the Solvency Circular. This requirement aims to guarantee the precise and timely involvement of the regulatory authorities.
- Minimum capital requirement (hereinafter "**MCR**" or "**Minimum Capital Requirement**"). In accordance with the Solvency Circular, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

The existing capital is calculated using data and models for calculating the economic solvency ratio, which are based, among other things, on forecasts and assumptions that rely mainly on past experience. The calculations performed as part of the economic capital calculation and the economic capital requirement are highly complex.

The Company applies the Transitional Provisions with respect to compliance with capital requirements based on increasing the economic capital by deducting from the insurance reserves an amount calculated as detailed in Section 2A.2. below. The deduction will decrease gradually until 2032 (hereinafter - the "**Deduction during the Transitional Period**").

Forward-looking information
The data included in this Economic Solvency Ratio Report, including the eligible own funds and solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from those reflected in this Economic Solvency Ratio Report, since such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including mortality rates, including mortality tables published by the Commissioner from time to time, morbidity rates, recovery rates, lapses, expenses, annuity takeup, rate of release of the risk margin and underwriting income rate), regulatory directives and guidance regarding economic solvency ratio - including specific guidance given to the Company, assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenues, and damage in catastrophe scenarios.

B. **Definitions**

Best estimate	-	Expected future cash flows from insurance contracts and investment contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
SLT Long-Term Health Insurance	-	Health insurance that is conducted similarly to life insurance.
NSLT Short-Term Health Insurance	-	Health insurance that is conducted similarly to P&C insurance.
Basic solvency capital requirement (BSCR)	-	The capital requirement of an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, loss absorption adjustment due to deferred tax and capital requirement due to management companies.
Solvency capital requirement (SCR)	-	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Solvency capital requirement (SCR)	-	The capital requirement from an insurance company to maintain its solvency under the capital requirement Transitional Provisions to the extent applicable to the Company.
Eligible own funds	-	Total Tier 1 capital and Tier 2 capital of an insurance company, net of deductions and adjustments in accordance with the provisions of Part B of the Solvency Circular.
Basic Tier 1 capital	-	Accounting own funds plus the change in the excess assets over liabilities stemming from discrepancies between the manner of assessing the value of assets and liabilities as part of the transition to economic balance sheet, net of unrealized assets and dividend declared subsequent to report date and has yet to be published for the first time.
Additional Tier 1 capital	-	Perpetual capital note, non-cumulative preferred shares, Restricted Tier 1 capital instrument, additional Tier 1 capital instrument.
Tier 2 capital	-	Tier 2 capital instruments, instruments of Subordinated Tier 2 Capital, Hybrid Tier 2, and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Effect of diversification of risk-weighted components	-	Correlation between the various risks of the model - The greater the portfolio's inter-segment diversification and risk diversification, the greater the correlation effect, which reduces the overall risk.
Solvency ratio	-	The ratio between the eligible own funds and the solvency capital requirement of an insurance company.
Economic balance sheet	-	The Company's balance sheet when the value of the assets and liabilities is adjusted in accordance with the provisions of Part A in the appendix to the Solvency Circular.
Risk margin (RM)	-	Under the solvency ratio regime, this is the amount added to the best estimate which reflects the overall cost of capital, in respect of future capital requirements, which is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities (at the 99.5 percentile).
Risk adjustment (RA) for non-financial risk	-	Under IFRS 17, this amount reflects the compensation which the Company requires for bearing the uncertainty regarding the amount and timing of the cash flows arising from non-financial risks. The Company determines RA using the value at risk (VaR) method, which reflects the expected loss in the insurance portfolios at a defined certainty level (for most products - at the 75th percentile).
Deduction during the Transitional Period	-	Increasing the economic capital by deducting from the insurance reserves an amount that will be calculated as detailed in Section D below. The Deduction will decrease gradually until 2032.
Minimum capital requirement (MCR)	-	Minimum capital requirement from an insurance company.
Expected profits in future premiums (EPIFP)	-	Expected profit in future premiums; the future profit from liabilities for existing life and health insurance contracts.

Transitional period	-	Under the transitional provisions for the implementation of the Economic Solvency Regime, the period through December 31, 2032.
UFR	-	The ultimate forward rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility adjustment (VA)	-	An anti-cyclical component reflecting the margin implicit in a representative debt assets portfolio of insurance companies and added to the adjusted interest rate curve in accordance with Provisions of the Economic Solvency Regime.
The Commissioner	-	The Commissioner of the Capital Market, Insurance and Savings.
Audited	-	The term refers to an audit held by an independent auditor in accordance International Standard on Assurance Engagement (ISAE) 3400 – The Examination of Prospective Financial Information.

C. Calculation methodology

The Economic Solvency Ratio Report as of December 31, 2025 was calculated and prepared in accordance with the Commissioner's Directives regarding Solvency II-Based Provisions of the Economic Solvency Regime for Insurance Companies (hereinafter - the "**Directives**") as set out in the Solvency Circular. Following are the main provisions and changes thereto:

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without margins of conservatism and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's separate financial statements plus investees, whose sole occupation is holding rights in real estate properties. The economic balance sheet does not include the economic value of the provident, pension and insurance agencies activities. The economic balance sheet attributes zero value to the costs of obtaining investment management service contracts, intangible assets and goodwill, except for an investment in Insurtech as defined in the Solvency Circular (after receiving the Commissioner's approval, as required).

Increasing economic capital according to the Transitional Provisions

The Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "**Deduction during the Transitional Period**" or the "**Deduction**"). The Deduction during the Transitional Period through December 31, 2024 was calculated in accordance with the principles set forth in the letter sent to insurance company managers - Principles for Calculating Deduction during the Transitional Period in a Solvency II-Based Economic Solvency Regime (hereinafter - the "**Letter of Principles**"). According to the Letter of Principles, the Deduction during the Transitional Period shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto (without adjusting the fair value of designated bonds) and the insurance reserves (retention) as per the Financial Statements (according to IFRS 4). This difference was calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. This difference was deducted on a linear basis until December 31, 2032.

Following the initial application of IFRS 17 in the insurance companies' financial statements as from January 1, 2025, on April 10, 2025, the Commissioner issued revised guidance regarding the calculation of the Deduction Amount commencing the Solvency Ratio Report as of June 30, 2025. In accordance with the guidance, the ratio between the calculated amount of Deduction Amount as of December 31, 2024 and the amount of BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) should be calculated for each homogeneous risk group (hereinafter - "**Deduction Rates**").

After the application of IFRS 17, the Deduction Amount for each calculation date will be determined by multiplying the Deduction Rates calculated as of December 31, 2024 for each homogeneous risk group, by the amount of the BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) as of the calculation date. The maximum Deduction Amount for each reporting period will be equal to the amount of Deduction of all homogeneous risk groups, amortized, on a straight line basis, between December 31, 2019 and the end of 2032.

The Company should ensure that the deduction balance at each reporting date (hereinafter - the "**Deduction Value During the Transitional Period**") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the transitional period.

Regarding the Deduction Value as of December 31, 2025 - see Section 2A(2) below.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic own funds' exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include risk-weighted sub-components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic own funds to each risk sub-component is carried out based on a defined scenario set out in the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted components and risk-weighted sub-components, as stated above, net of the effect of the Company's risk diversification in accordance with the correlations assigned to them under the Directives. The calculation of the solvency capital requirements also includes calculation of the capital requirement components for operational risk and operational risk-weighted capital requirements in respect of management companies, net of the loss absorption adjustment due to deferred tax, as detailed by the Provisions of the Economic Solvency Regime.
The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The insurance company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.
- Future income will arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) health insurance.

The capital requirement for each of the risks is calculated in accordance with the Company's exposure to that risk, taking into account the parameters set in the Directives. In accordance with the Directives, the capital requirement represents the scope of own funds which will allow the insurance company to absorb unexpected losses in the forthcoming year and meet its obligations to policyholders and beneficiaries on time, with a 99.5% certainty level.

It should be emphasized that the results of the models used in the calculation of the eligible own funds and the solvency capital requirement are highly sensitive to the forecasts and assumptions included therein, as well as to the manner by which the Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

D. Comments and clarifications

1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's annual 2025 report. Any information or studies obtained or completed after the Company's 2025 annual report publication date were not taken into account.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the annual report as of December 31, 2025.

For information regarding the effects of the War, see Section 1 below and Section 2.4.5 to Chapter A (Description of the Corporation's Business) to the Company's Periodic Report for the year ended December 31, 2025 and Section 1.2.2 to the Company's Report of the Board of Directors for the period ended March 31, 2026.

It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess the effect of the reform and the changes. The calculation is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

The model, in its present form, is highly sensitive to changes in market variables and other variables; therefore, the status of capital reflected therefrom may be very volatile.

2. Effects of legislation and regulatory changes known as of the Report's publication date and exposure to contingent liabilities

a) In recent years, the field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory directives. In this regard, see Sections 7.3, 10.3, 13.2, 16 and 22.2 to Part B (Description of the Corporation's Business) to the 2025 Periodic Report, and Section 4 to the Company's Report of the Board of Directors for the period ended March 31, 2026.

Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

The calculation of the solvency ratio does not reflect all potential effects of the aforesaid legislation and regulatory measures and of other developments that are not yet reflected in practice in the data; this is since to date the Company is unable to assess their entire effect on its business results and solvency ratio.

b) In accordance with the Solvency Circular, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described in the Company's financial statements as of December 31, 2025, including the effect of such an exposure on the Company's future profitability and solvency ratio. For an update as to developments in this exposure after reporting date, see Note 13 to the financial statements as of March 31, 2026.

c) It is noted that with regard to the new accounting standard (IFRS 17) applied in Israel since January 2025, the economic solvency ratio was not affected. It is noted that an adjustment was made to the format of the disclosure in the economic balance sheet in accordance with the disclosure provisions. In addition, the Deduction Amount was revised under the new standards, see above.

d) On April 10, 2025, the Commissioner of the Capital Market, Insurance and Savings published Circular (CM 2025-53) - Calculation of Deduction during the Transitional Period in an Economic Solvency Regime under IFRS 17 (hereinafter - the "**Deduction Revision Circular**"), which revised the manner of calculating the Deduction recognized during the transitional period in respect of insurance reserves, following the coming into effect of IFRS 17. The Company has implemented the provisions of the Deduction Revision Circular as from the Economic Solvency Ratio Report as of June 30, 2025, in accordance with the Commissioner's requirements.
In accordance with the Deduction Revision Circular, the maximum deduction for the transitional period will be calculated on the basis of fixed deduction rates, which were set as of December 31, 2024 and approved in advance by the Commissioner for each homogeneous risk group, and will apply throughout the remaining transitional period. The new maximum deduction rate is derived from the product of the fixed deduction rate and the sum of the BE and RM components, net of the incremental value of Hetz bonds (for a guaranteed return portfolio) as of the reporting date, for each homogeneous risk group. The maximum Deduction Amount for each reporting period will be equal to the amount of Deduction of all homogeneous risk groups, amortized, on a straight line basis, between December 31, 2019 and the end of 2032.
In accordance with the Deduction Revision Circular, the Deduction Rates which were set constitute the maximum rates, and the requirements as to the recalculation of the Deduction and the capping of the Deduction Amount by the Commissioner were cancelled. However, it was determined that the Company and the Board of Directors are required to periodically assess the appropriateness of the Deduction Amount, and ensure that its value is calculated in a prudent and conservative manner, while complying with the covenants set forth in the Commissioner's Letter of Principles.

e) On July 2, 2025, the Commissioner published a circular (2025-1-3) entitled Revision to the Provisions of the Consolidated Circular - Report to the Public and Reporting to the Commissioner of the Capital Market - Date of Reporting the Economic Solvency Ratio Report and the Solvency Reporting File. According to this circular, due to the application of IFRS 17, Insurance Contracts, as from the Economic Solvency Ratio Report as of December 31, 2026, the publication date of the Economic Solvency Ratio Report will be synchronized with that of the financial statements. Furthermore, the circular revises the disclosure format of the Economic Solvency Ratio Report, with respect to certain disclosure tables, in order to align them to the revised financial statement in accordance with IFRS 17. The format revision came into effect as from the report as of June 30, 2025.

Section 1 - Economic Solvency Ratio and Minimum Capital Requirement (MCR)

1. Economic solvency ratio

	As of December 31	
	2025	2024
	Audited	
	NIS million	
Own funds for SCR purposes - see Section 3	20,076	17,950
Solvency capital requirement (SCR) - see Section 4	14,562	13,685
Surplus	5,514	4,265
Economic solvency ratio (in %)	138%	131%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the solvency ratio report:		
Raising of capital instruments	531	-
Own funds for SCR purposes	20,607	17,950
Surplus	6,045	4,265
Economic solvency ratio (in %)	142%	131%

For details regarding the economic solvency ratio without applying the provisions for the transitional period and regarding dividend distribution limitations applicable to the Company, see Section 9B below.

Following is a breakdown of the main factors affecting the change in solvency ratio during the Reporting Period:

- A decrease in the real risk-free interest rate curve (hereinafter - the "**interest rate curve**") compared to the Interest Rate Curve as of December 31, 2024, had a material adverse effect on the Company's solvency ratio.
- Positive real returns in policyholders and nostro portfolios during 2025 had a positive effect on the Company's economic capital, but - on the other hand - increased the capital requirements. In total, the returns on investments had a material positive effect on the Company's solvency ratio.
- Revisions to the expected retirement dates and adjustments to annuity takeup rates in executive insurance policies issued through 2004 (participating policies and guaranteed return policies) had an adverse effect on the Company's solvency ratio.
- Lapses in executive insurance policies issued as from 2004, including revisions to lapse assumptions along with revisions to annuity takeup rates, had a negative effect on the Company's solvency ratio.
- The Company improved the stochastic model it uses to estimate the inherent value of future management fees in participating executive insurance policies with variable management fees. These improvements had a material positive effect on the Company's solvency ratio.
- Following an improvement in actual lapse rates, the assumptions regarding future lapse rates in death benefit and critical illnesses policies were revised. This revision had a positive effect on the Company's solvency ratio.
- The Company has revised assumptions regarding the probability of future claims (incidence) and the cost of claims (severity) in health insurance policies. This resulted in an improvement in the loss ratio of surgery and critical illness coverages; on the other hand, this ratio has deteriorated

significantly in medications coverages. In total, these changes had a positive effect on the Company's solvency ratio.

- Following the completion of a study regarding demographic assumptions for long-term care policies, the Company has revised assumptions regarding mortality rates, before and after a claim, morbidity, lapses, and future fees and commissions to agents. The cumulative effect of these revisions had a negative impact on the Company's solvency ratio.
- The release of capital requirements and risk margin (RM) for existing businesses, along with higher-than-expected current underwriting profitability in respect of those businesses, had a positive effect on the Company's solvency ratio.
- Sales of new policies in risk, health and savings products and positive underwriting profitability in the P&C insurance business, had a positive effect on the Company's solvency ratio.
- On September 2, 2025, the Company raised - through Migdal Capital Raising - a total of approx. NIS 555 million, recognized as Tier 2 capital, under a public offering of two new series of bonds (Series 15 and Series 16). This issuance had a positive effect on the Company's solvency ratio.
- During December 2025, the Company raised - through Migdal Capital Raising - a total of approx. NIS 535 million, against early redemption of approx. NIS 503 million, which was carried out on December 31, 2025. These actions had no material effect on the solvency ratio of the Company.
- On April 16, 2026, subsequent to the report date, the Company raised a total of approx. NIS 531 million, recognized as Additional Tier 1 capital, under a public offering of a new series of bonds (Series 19). This issuance had a positive effect on the Company's solvency ratio.

The consequences of the War on the solvency ratio as of December 31, 2025

As of the report publication date, the War did not have a material effect on the Company's economic solvency ratio. Notwithstanding the above, there is substantial uncertainty as to the development of the ceasefire, its scope and duration. Therefore, it is currently impossible to assess the full effect of the War on the Company's economic solvency ratio. For further details, see Section 1.2.2 to the Company's Report of the Board of Directors as of March 31, 2026.

2. Minimum capital requirement (MCR)

	As of December 31	
	2025	2024
	Audited	
	NIS million	
Minimum capital requirement (MCR) - see Section 5A	3,640	3,421
Own funds for MCR purposes - see Section 5B	14,348	12,996

Section 2 - Economic Balance Sheet

	Information regarding economic balance sheet	As of December 31, 2025		As of December 31, 2024	
		Balance sheet according to IFRS 17	Economic balance sheet	Balance sheet according to IFRS 17 (*)	Economic balance sheet (**)
		Audited			
		NIS million			
Assets					
Cash and cash equivalents in respect of yield-dependent contracts		25,358	25,358	20,133	20,133
Other cash and cash equivalents		3,222	3,222	2,865	2,865
Financial investments for yield-dependent contracts		131,209	131,209	122,831	122,831
Other financial investments:	3				
Deposits with banks and financial institutions		329	329	364	364
Designated bonds		34,228	35,014	33,679	34,343
Government bonds (excluding designated bonds)		11,549	11,549	10,389	10,389
Illiquid corporate bonds		138	138	156	156
Liquid corporate bonds		6,328	6,328	6,337	6,337
Illiquid shares		302	302	240	240
Liquid shares		135	135	50	50
Loans (including investees)		2,916	2,916	2,165	2,165
Other		8,321	8,321	7,029	7,029
Total other financial investments		64,246	65,032	60,409	61,073
Receivables and debit balances		1,988	1,988	2,215	2,215
Current tax assets		20	20		
Insurance contract assets[1] (***)	1	1,417	4,265	961	3,228
Reinsurance contract assets	1	1,336	960	1,096	1,035
Investments in non-insurer investees					
Management companies	5	1,668	770	1,280	560
Other investees	5	747	631	579	502
Total investments in non-insurer investees		2,415	1,401	1,859	1,062
Investment property in respect of yield-dependent contracts		10,049	10,049	9,351	9,351
Investment property - other		1,484	1,484	1,415	1,415
Property, plant and equipment		953	953	999	999
Intangible assets and goodwill	3	1,114	109	986	154
Deferred tax assets, net	9	157	-	455	-
Other assets[2]	4	84	-	60	-
Total assets		245,052	246,050	225,635	226,361
Of which: Risk adjustment (RA)/risk margin (RM)[3]		(340)	(1,610)	(330)	(2,018)
Total assets for yield-dependent contracts		168,213	168,213	154,150	154,150
Equity					
Basic Tier 1 capital		9,509	13,677	7,792	12,364
Additional Tier 1 capital components		-	-	-	-
Total equity		9,509	13,677	7,792	12,364
Liabilities					
Loans and credit	11	8,414	8,351	7,780	7,488
Liabilities in respect of derivative instruments		301	301	1,021	1,021
Payables and credit balances	10	3,357	3,357	2,201	2,201
Liabilities for current taxes		-	-	24	24
Liabilities for investment contracts - See Section 2B	1	12,875	12,574	8,346	7,983
Liabilities for insurance contracts[4] – see Section 2B (***)	1	210,038	206,980	197,808	195,233
Liabilities for reinsurance contracts - See Section 2B[5]	1	280	1,365	213	967
Deduction during the Transitional Period		-	(3,435)	-	(3,746)
Liabilities in respect of deferred taxes, net	9	-	2,602	179	2,555
Other liabilities[6]		278	278	271	271
Total liabilities		235,543	232,373	217,843	213,997
Of which: Risk adjustment (RA) / risk margin (RM)[2]		2,886	9,162	2,744	8,352
Total equity and liabilities		245,052	246,050	225,635	226,361

* The accounting balance sheet as of December 31, 2024 has been restated to reflect the effect of the application of IFRS 17 and IFRS 9.

(**) The economic balance sheet as of December 31, 2024 was restated to conform to presentation under IFRS. The restatement does not affect the measurement of Basic Tier 1 capital and the solvency ratio.

(***) In a balance sheet according to IFRS 17, the classification of insurance coverage as an asset or liability is made according to the assignment of coverages to portfolios as defined in IFRS 17. Conversely, in an economic balance sheet, the classification is made according to the reporting provisions of an economic solvency regime.

[1] Including risk adjustment (RA) for non-financial risk / risk margin (RM).
[2] Including costs of obtaining investment management service contracts.
[3] Risk adjustment (RA) for non-financial risk, net of reinsurance.
[4] Including risk adjustment (RA) for non-financial risk / risk margin (RM).
[5] Including risk adjustment (RA) for non-financial risk.
[6] Including liabilities for employee benefits.

<u>Main changes in the Reporting Period:</u>

- Positive real returns in planholders and nostro portfolios, along with underwriting gains in life, health and P&C insurance products during 2025 had a positive effect on the Company's economic capital.
- Regarding the change in the Deduction Amount during the Transitional Period, see details in this Section 2 below.
- Regarding additional main changes, see Section 1.1. above.

<u>Section 2A - Information regarding the Economic Balance Sheet</u>

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter with regard to the measurement of assets and liabilities for financial statements purposes in the Consolidated Circular (Code of Regulations), except for items for which other provisions apply as per the Solvency Circular, as follows:

1. <u>Liabilities for insurance contracts, investment contracts and reinsurance assets</u>

   Liabilities for insurance contracts and investment contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereinafter - "**BE**" or "**Best Estimate**") on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. As a rule, with respect to life and Health SLT liabilities, the calculation was made according to the embedded value (EV) calculation methodology in Israel, and with respect to property and casualty insurance - on the basis of the section in the Commissioner Position entitled "Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes".

   The calculation of SLT life and health insurance liabilities contracts was carried out by discounting the Company's expected future cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected lapse rates, net of the expenses that the Company will incur in respect of the coverages, including fees and commissions to agents, expected claims, etc.
   This cash flow is discounted using an interest rate curve determined by the Commissioner, which is based on the yield to maturity of CPI-linked Israeli government bonds (risk-free interest), plus a volatility adjustment (VA) determined by the Commissioner, with a long-term convergence to an ultimate forward rate of 2.6% (UFR).

   The calculation of the liabilities does not include cash flows for future sales; however, it does include an assumption that the Company will continue receiving premiums from existing businesses (excluding for policies without an insurance risk, including investment contracts). Furthermore, the calculation assumes that the Company shall continue as a going concern, i.e., that the Company's structure will not change, and therefore, some of the fixed expenses in the future shall not be allocated to the current portfolio, but rather to a new business which is expected to be sold in the future.

   Actual cash flows are likely to vary to some extent, from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section D.1 above - comments and clarifications.

   As stated above, the measurement of the insurance liabilities in the economic balance sheet for Life and Health Insurance and Long-Term Health is carried out by discounting the projected cash flows, including future profit, by a risk-free interest plus VA and taking the UFR into consideration, on the basis of a best estimate that does not include margins of conservatism, where the risk is reflected in the RM component, which is a separate liability. The insurance liabilities in the accounting balance sheet are measured in accordance with the provisions of IFRS 17 and the Commissioner's directives, as the case may be, as detailed in Note 18.F. to the Financial Statements for 2025.

Limitations and qualifications with regard to calculation of the best estimate

- Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the long-term effect of those events. Accordingly, such events were not taken into account in the determination of the models' underlying assumptions, unless otherwise noted.
- Since the Company did not have sufficient data, when calculating the best estimate it did not check the level of correlation between demographic and operational assumptions (such as the lapse rates) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE. The determination of the BE should be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in life and health SLT, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.
- In many cases, the future cash flows refer to periods of tens of years into the future. The studies on which the underlying cash flow assumptions rely are based on management's best knowledge, mainly recent years' experience. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize.

Limitations and qualifications with regard to calculation of the risk margin (RM)

The risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses. This calculation method was defined by the Commissioner and does not necessarily reflect the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
In that context, it should be emphasized that the stress scenario calculated under the solvency model (capital requirements) are based on a set of scenarios and assumptions prescribed by the Commissioner, and which do not reflect any actual experience of the Company. Furthermore, the set of correlations on which the solvency model is based for the capital requirements and RM was defined by the Commissioner and does not necessarily reflect the Company's actual experience.

Assumptions underlying the insurance liabilities calculation

Demographic and operating assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors, and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and are based on relevant experience and/or the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner.

The operational assumptions (expenses for insurance services and other operating expenses, net, attributable to the insurance segments) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, amount of premiums and assets under management, etc.).

Following are the key assumptions on which the Company relied in the calculations:

a) Economic assumptions

1) Discount rate - risk-free interest rate curve based on the yield to maturity of CPI-linked Israeli government bonds (risk-free interest), plus a volatility adjustment (VA) as determined by the Commissioner, with a long-term convergence to an ultimate forward rate of 2.6% (UFR).

2) The yield on the assets backing the yield-dependent life insurance products is identical to the discount rate.

3) Designated bonds - estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. Allocations of Hetz bonds are based on the amount of the insurance liability recorded in the financial statements in respect of the insurance contracts. In March 2023 the Commissioner published a circular entitled Amendment to the Consolidated Circular - Chapter 3 Part 4 Section 5 - Reporting to the Commissioner of the Capital Market - Hetz Bonds. The circular sets guidance as to the manner of allocating designated government bonds (Hetz bonds). The Company takes this guidance into account when assessing the future entitlement to acquire designated bonds.

4) The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It is noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

5) The Stochastic Model is used to calculate the optimal actuarial estimate of asymmetric insurance liabilities (including future variable management fees). In the Stochastic Model, the return underlying the calculation is the risk-free return. However, the calculation of the cash flows in the Stochastic Model takes into account the fluctuations in the returns on the relevant assets, according to their composition and characteristics, including the investment channels, average duration and exposure to the CPI and to the exchange rates of foreign currencies. In order to create the Stochastic Model, the Company selected economic models that match the asset types. These models were calibrated by using relevant market information.

b) Operational and demographic assumptions (for life and health insurance)

1) Expenses from insurance services and other operating expenses, net, attributable to insurance segments - the Company analyzed the expenses allocated in the financial statements to the relevant insurance segments, and allocated them to various products and coverage types and to various activities such as current operating of the coverages, investment management, handling claims, payment of pensions and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors, such as the number of coverages, premiums, reserves or claims. The determination of the future expenses and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

2) Lapses (discontinuation of premium payment, paid up policies, payment of redemption value) - in accordance with Company's experience with the different products as observed in periodic lapse studies, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.

3) Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities.

4) Active mortality - based on data from reinsurers that prepared a mortality study in Israel, adjusted according to the Company's claims history based on mortality studies for the relevant products that are carried out periodically.

5) Morbidity (claims' rate and period) in relation to long-term care, permanent health insurance, disability, medical expenses, personal accidents and other health insurance products - based on the Company's claims history to the relevant products, in accordance with periodic claims studies, and/or in accordance with reinsurance tariffs applicable to the relevant products.

6) Annuity takeup rates, annuity takeup age, and pension tracks - in accordance with the Company's experience as observed in periodic studies, the different policy types and funds.

c) Cost of claims in property and casualty insurance

The cost of claims in the various subsegments in respect of policies earned is based on the liability in respect of incurred claims (LIC) in the financial statements as of December 31, 2025. The estimate includes unallocated loss adjustment expenses (ULAE) directly attributable to insurance contracts and does not include RM and other non-specific margins which were taken into account for reserve adequacy testing for the said balance sheet.
In respect of the unearned portion, the cost is based on the calculation of the liability for remaining coverage (LRC) in the financial statements as of December 31, 2025. This cost is composed of the best estimate of the claims forecast for the unearned portion, indirect expenses directly attributable to the insurance contracts and other direct expenses and does not include the non-financial risk margin (RM).

d) The net liabilities for insurance contracts and reinsurance contracts in the economic balance sheet include the best estimate (BE), risk margin (RM) and other receivables and payables attributable to the insurance contracts, such as: Collectible premiums, payables in respect of claims and reinsurers' deposits (hereinafter - "**Receivables / Payables for Insurance Contracts**"). The classification is made according to the reporting provisions of an economic solvency regime.

Conversely, the net liabilities for insurance contracts and reinsurance contracts presented under Section 2B below - Composition of Liabilities for Insurance Contracts and Investment Contracts - include only the best estimate (BE) and risk margin (RM), net of Receivables / Payables for Insurance Contracts.

2. Deduction Value during the transitional period as of December 31, 2025

The Deduction during the Transitional Period (hereinafter - the "**Deduction**") was calculated in accordance with the provisions of a letter to insurance companies' managers as included in the Solvency Circular - Principles for Calculating Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime - of October 15, 2020 (hereinafter - the "**Letter of Principles**"), and in accordance with the Circular of April 10, 2025 - Calculation of Deduction during the Transitional Period in an Economic Solvency Regime under IFRS 17 (hereinafter - the "**Deduction Revision Circular**"), which revised the manner of calculating the Deduction recognized during the transitional period in respect of insurance reserves, following the coming into effect of IFRS 17.
The full value (before linear amortization) of the Deduction as of December 31, 2025 stands at approx. NIS 6.4 billion, compared to approx. NIS 6.1 billion as of December 31, 2024. The abovementioned Deduction is amortized on a linear basis over 13 years through December 31, 2032, such that its amortized balance as of December 31, 2025 totaled approx. NIS 3.4 billion (amortized over 7 years), instead of approx. NIS 3.7 billion as of December 31, 2024 (amortized over 8 years).

Other assets and liabilities:

3. Intangible assets and goodwill - in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of intangible assets and goodwill at zero, except for investment in Insurtech as defined in the Solvency Circular, for which it obtained the Commissioner's approval, as required.

4. Costs of obtaining investment management service contracts - In accordance with Part A Chapter 2 Appendix A, an insurance company will estimate the costs for obtaining investment management service contracts at zero. It should be noted that the value of the future profits implicit in the insurance contracts was taken into account in the liabilities for insurance contracts item.

5. Investment in non-insurer investees - in accordance with Part A Chapter 2 Appendix B, the calculation was carried out using the adjusted equity method, in accordance with the circular on non-insurer investees. In accordance with this method, the Company's stake in investees was included based on its relative share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular's provisions. This value is calculated based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount.
   The economic value of the investees does not include the profits implicit in those companies.
   For the management company, 35% of the balance of the original difference relating to this company is added to the economic value.

6. Other financial investments - Regarding the manner of measuring and determining the fair value of the investment assets, see Note 28.A. to the Financial Statements as of December 31, 2025.

7. Designated bonds - Regarding the manner of measurement in the financial statements, see Note 28. A to the Financial Statements as of December 31, 2025. In accordance with Part A Chapter 2 Appendix E, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet, see Section 2A1.a(3) above.

8. Contingent liabilities - as to the value of contingent liabilities in the economic balance sheet, see Section D.2.b) above.

9. Liabilities for deferred taxes, net - in accordance with Part A Chapter 2 Appendix C, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet (including the Deduction Amount) and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company shall meet the criteria included in the Solvency Circular, in addition to the criteria included in the abovementioned accounting standard.

10. Payables and credit balances - in accordance with Part A Chapter 1, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.

11. Loans and credit - in accordance with the general principles set in the Solvency Circular and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may be taken into account only to the extent that they result for changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

Section 2B - Composition of Liabilities in respect to Insurance Contracts and Investment Contracts

	As of December 31, 2025			
	Best estimate (BE) (*)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	Audited			
	NIS million			
Liabilities for insurance contracts and non-yield-dependent investment contracts:				
Life insurance contracts[7]	43,297	(7)	43,304	1,018
Long-term health insurance contracts (SLT)	(4,068)	(1,122)	(2,945)	3,977
P&C insurance contracts	5,289	1,242	4,047	92
Short-term health insurance contracts (NSLT)	17	-	17	-
Total liabilities for insurance contracts and non-yield-dependent investment contracts	44,535	113	44,423	5,087
Liabilities for insurance contracts and yield-dependent investment contracts:				
Liabilities for yield-dependent insurance contracts - Life insurance and long-term health contracts (SLT)	147,590	(182)	147,772	5,675
Investment contracts	12,565	-	12,565	9
Total liabilities for insurance contracts and yield-dependent investment contracts	160,156	(182)	160,337	5,684
Total liabilities for insurance contracts and investment contracts	204,690	(69)	204,760	10,771

	As of December 31, 2024			
	Best estimate (BE) (*)			Risk margin (RM)
	Gross	Reinsurance	Retention	
	Audited			
	NIS million			
Liabilities for insurance contracts and non-yield-dependent investment contracts:				
Life insurance contracts[7]	42,446	82	42,364	1,047
Long-term health insurance contracts (SLT)	(2,106)	(734)	(1,372)	3,495
P&C insurance contracts	5,125	1,035	4,090	100
Short-term health insurance contracts (NSLT)	18	-	18	-
Total liabilities for insurance contracts and non-yield-dependent investment contracts	45,483	383	45,100	4,642
Liabilities for insurance contracts and yield-dependent investment contracts:				
Liabilities for yield-dependent insurance contracts - Life insurance and long-term health contracts (SLT)	136,599	(315)	136,914	5,722
Investment contracts	7,344	-	7,344	7
Total liabilities for insurance contracts and yield-dependent investment contracts	143,943	(315)	144,258	5,729
Total liabilities for insurance contracts and investment contracts	189,426	68	189,358	10,371

(*) Liabilities, net for insurance contracts and reinsurance contracts presented under this section include only the best estimate (BE) and risk margin (RM), net of receivables / payables for insurance contracts, as presented in Section 2 above.

[7] Including non-yield-dependent investment contracts.

Key changes in liabilities compared with December 31, 2024:

- The increase in liabilities for non-yield-dependent life insurance contracts is mainly due to the effect of the change in the risk-free interest rate curve and the effect of inflation during the Reporting Period.
- The decrease in liabilities for long-term health insurance contracts (SLT), arises from an aggregate combination of new sales in health insurance, revision of assumptions regarding the probability of future claims (incidence) and the cost of claims (severity) in health insurance policies and the effects of the shift in the risk-free interest rate curve.
- The increase in liabilities for insurance contracts and yield-dependent investment, is mainly due to the effects of positive real returns which also had a positive effect on the value of assets under management.
- For further details regarding these changes, see Section 1 above.

Section 3 - Own Funds for SCR purposes

	As of December 31, 2025			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Audited			
	NIS million			
Own funds	13,677	-	6,456	20,133
Deductions from Tier 1 capital (a)	(57)	-	-	(57)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Own funds for SCR purposes (d)	13,620	-	6,456	20,076
Of which - expected profits in future premiums (EPIFP) post tax	5,473	-	-	5,473

	As of December 31, 2024			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Audited			
	NIS million			
Own funds	12,364	-	5,638	18,002
Deductions from Tier 1 capital (a)	(52)	-	-	(52)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Own funds for SCR purposes (d)	12,312	-	5,638	17,950
Of which - expected profits in future premiums (EPIFP) post tax	4,602	-	-	4,602

(a) Amounts deducted from Tier 1 capital - in accordance with the definitions of “Basic Tier 1 capital” in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - “Economic Solvency Regime” (hereinafter - the “**Economic Solvency Regime Appendix**”), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the Investment Rules Regulations.

(b) Deductions - in accordance with the provisions of Chapter 6 in Part B - Directives regarding Insurance Companies’ Own Funds to the Economic Solvency Regime Appendix.

(c) Deviation from quantitative limitations - in accordance with the provisions of Chapter 2 in Part B - Directives regarding Insurance Companies’ Own Funds to the Economic Solvency Regime Appendix.

(d) Composition of own funds for SCR purposes

	As of December 31, 2025	As of December 31, 2024
	Audited	Audited
	NIS million	
Tier 1 capital		
Basic Tier 1 capital	13,620	12,312
Additional Tier 1 capital	-	-
Perpetual capital note and non-performing preferred shares	-	-
Additional Tier 1 capital instruments	-	-
Restricted Tier 1 capital instruments	-	-
Less deduction due to deviation from quantitative limit	-	-
Additional Tier 1 capital	-	-
Total Tier 1 capital	13,620	12,312
Tier 2 capital		
Additional Tier 1 capital which was not included in Tier 1		
Tier 2 capital instruments	6,456	5,638
Hybrid Tier 2 capital instruments	-	-
Hybrid Tier 3 capital instruments	-	-
Subordinated Tier 2 capital instruments	-	-
Less deduction due to deviation from quantitative limit	-	-
Total Tier 2 capital	6,456	5,638
Total own funds for SCR purposes	20,076	17,950

Key changes in own funds for SCR purposes requirement compared to December 31, 2024:

- The economic capital was adversely affected by shifts in the risk-free interest rate curve.
- The economic capital was positively affected by real returns both in the nostro portfolio and in the planholders portfolio and by underwriting profitability in life, health and P&C insurance businesses.
- The economic capital was positively affected by the raising of Tier 2 capital which was carried out during September 2025, as detailed in Section 1 above.
- For further details, see Section 1 above.

Section 4 - Solvency Capital Requirement (SCR)

	As of December 31, 2025	As of December 31, 2024
	Capital requirement	
	Audited	Audited
	NIS million	
Basic solvency capital requirement (BSCR)		
Capital requirement for market risk-weighted component	9,550	8,689
Capital requirement for counterparty risk-weighted component	256	250
Capital requirement for underwriting risk-weighted component in life insurance	6,551	6,273
Capital requirement for underwriting risk-weighted component in health insurance (SLT + NSLT)	7,249	6,686
Capital requirement for underwriting risk-weighted component in P&C insurance	1,145	1,182
Total	24,751	23,080
Effect of diversification of risk-weighted components	(7,827)	(7,383)
Capital requirement for the intangible assets risk-weighted component	55	77
Total basic solvency capital requirement (BSCR)	16,979	15,774
Capital requirement for operational risk	468	456
Loss absorption adjustment due to deferred tax asset	(3,146)	(2,760)
Capital requirement in respect management companies		
Migdal Makefet Pension and Provident Funds Ltd. (hereinafter - "**Makefet**")	261	215
Total capital requirement in respect management companies	261	215
Total solvency capital requirement (SCR)	14,562	13,685

For details regarding the own funds for SCR purposes requirement without applying the Transitional Provisions, see Section 7B - "Effect of Application of Transitional Provisions" below.

Key changes in solvency capital requirement compared to December 31, 2024

- The capital requirement with respect to the market risk-weighted component increased during this period mainly due to positive returns in the planholders and nostro portfolios, which led to an increase in capital requirements mainly in a stock scenario.
- The capital requirement for underwriting risk-weighted components in life insurance increased mainly due to positive real returns in planholders portfolios and the resulting increase in insurance exposure arising from these products, the effects of shifts in the risk-free interest rate curve, and the effects of changes in estimates and assumptions as detailed in Section 1 above.
- The capital requirement for underwriting risk-weighted components in health insurance increased mainly due to new sales, the effect of shifts in the risk-free interest rate curve, and the effects of changes in estimates and assumptions as detailed in Section 1 above.
- For further details, see Section 1 above.

Section 5 - Minimum Capital Requirement (MCR)

(a) Minimum capital requirement (MCR)

	As of December 31	
	2025	2024
	Audited	
	NIS million	
Minimum capital requirement according to MCR formula	3,022	2,914
Lower band (25% of solvency capital requirement in the transitional period)	3,640	3,421
Upper band (45% of solvency capital requirement in the transitional period)	6,553	6,158
Minimum capital requirement (MCR)	3,640	3,421

(b) Own funds for MCR purposes

	As of December 31, 2025		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS million		
Own funds for SCR purposes according to Section 3	13,620	6,456	20,076
Deviation from quantitative limitations due to minimum capital requirement *)	-	(5,728)	(5,728)
Own funds for MCR purposes	13,620	728	14,348

	As of December 31, 2024		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS million		
Own funds for SCR purposes according to Section 3	12,312	5,638	17,950
Deviation from quantitative limitations due to minimum capital requirement *)	-	(4,954)	(4,954)
Own funds for MCR purposes	12,312	684	12,996

*) In accordance with the provisions of Chapter 3 in Part B to the Economic Solvency Appendix, Tier 2 capital shall not exceed 20% of MCR.

Section 6 - Effect of the Application of the Transitional Provisions

	As of December 31, 2025			
	Including applying the transitional provisions	Effect of including the Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the transitional period	Total excluding applying the Transitional Provisions
	Audited			
	NIS million			
Total insurance liabilities, including risk margin (RM)(*)	211,854	(3,435)	-	215,289
Basic Tier 1 capital	13,620	2,241	-	11,379
Own funds for SCR purposes	20,076	1,764	631	17,681
Solvency capital requirement (SCR)	14,562	(1,194)	-	15,755

	As of December 31, 2024			
	Including applying the transitional provisions	Effect of including the Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the transitional period	Total excluding applying the Transitional Provisions
	Audited			
	NIS million			
Total insurance liabilities, including risk margin (RM)(*)	196,051	(3,746)	-	199,796
Basic Tier 1 capital	12,312	2,444	-	9,868
Own funds for SCR purposes	17,950	2,280	164	15,506
Solvency capital requirement (SCR)	13,685	(1,302)	-	14,986

(*) Including investment contracts.

For further details regarding main changes that occurred under the effect of the application of the provisions during the transitional period as part of the reporting period, see Section 1 above.

Section 7 - Changes in Capital Surplus

	Own funds for SCR purposes	Solvency capital requirement (SCR)	Capital surplus (deficit)
		NIS million	
As of January 1, 2025	17,950	13,685	4,265
Net of the Transitional Provisions	(2,444)	1,302	(3,746)
As of January 1, 2025, without applying the transitional provisions	15,506	14,987	519
Effect of operating activities (a)	(165)	(409)	243
Effect of economic activity (b)	2,348	1,528	820
New business (c)	439	144	296
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)	555	-	555
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital	(1,002)	(493)	(508)
As of December 31, 2025, without applying the transitional provisions	17,681	15,755	1,925
Effect of the Transitional Provisions	2,395	(1,194)	3,589
As of December 31, 2025	20,076	14,562	5,514

(a) This section includes the effect of:
1. The projected cash flow implicit in the opening balance and which was expected to be released in the reporting year;
2. Deviations from demographic and operating assumptions in the reporting year;
3. Changes in regulatory rules;
4. Changes in demographic and operating assumptions compared with those used on the date of the previous report;
5. Model revisions;
6. New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year;
7. Investment in intangible assets;
8. Other changes not included in the other sections, including adjustments for management actions.

(b) This section includes the effect of the current operating activity, including:
1. Changes in the value of investment assets;
2. Changes in capital requirement for market risk-weighted component, including change in the symmetric adjustment component (SA); counterparty risk and operational risk;
3. Effect of inflation;
4. Effect of changes in the risk-free interest rate curve on solvency.

(c) This item includes new insurance contracts (SLT life and health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year, including their effect on market risks.

(d) This item includes equity transactions, including issuance and redemption of Tier 1 capital and Tier 2 capital instruments.

It is noted that the order of calculation of the abovementioned effects impacts the quantitative assessment of the various line items in the statement of changes in capital surplus. The order in which the Company performed the calculation is not necessarily the order presented in the above report. It is also noted that the changes were made to the economic balance sheet.

<u>Key explanations for movement in capital surplus:</u>

- Operating activities, key effects -
  - The release of capital requirements and risk margin (RM) for existing businesses reduced the capital requirements; higher-than-expected current underwriting profitability in the actuarial model for these existing businesses had a positive effect on own funds.
  - Positive underwriting profitability in the P&C insurance business, had a positive effect on the Company's capital surplus.
  - Revisions to the expected retirement dates and adjustments to annuity takeup rates in executive insurance policies issued through 2004 (participating policies and guaranteed return policies) had an adverse effect on the Company's solvency ratio.
  - Lapses in executive insurance policies issued as from 2004, including revisions to lapse assumptions along with revisions to annuity takeup rates, had a negative effect on the Company's capital surplus.
  - Revision of demographic assumptions in health and long-term care insurance policies contributed cumulatively to a decrease in capital surplus.
  - An improvement in the stochastic model contributed to an increase in own funds, an increase in the capital requirement and cumulatively to an increase in capital surplus.
  - The revision to the lapses assumptions in risk policies had a positive effect on the Company's capital surplus.

  In aggregate, the effects of operating activities reduced own funds and the capital requirement and increased capital surplus.

- Economic activity, key effect -
  - The decline in the real risk-free interest rate curve in 2025 contributed to a decrease in own funds and capital surplus.
  - Positive real returns in the planholders and nostro portfolios during 2025 contributed to an increase in own funds, but - on the other hand - increased the capital requirements. In aggregate, the effect of the returns contributed to an increase in the capital surplus.
- The effect of new sales of life insurance (death benefit), critical illness and medical expenses insurance products, had a positive effect on the economic capital; conversely, those effects increased the capital requirements and the RM component in respect thereof.
- On September 2, 2025, the Company raised - through Migdal Capital Raising - a total of approx. NIS 555 million, recognized as Tier 2 capital, under a public offering of two new series of bonds (Series 15 and Series 16). This issuance had a positive effect on the Company’s solvency ratio.
- For more information regarding the main effects on the economic solvency ratio’s components, see Section 1 above.

Section 8 - Sensitivity Tests

Following is a sensitivity analysis of the economic solvency ratio to the change in various risk factors as of the report date. This analysis reflects the effect of the change in various risk factors both on own funds, including the quantitative restrictions applicable to own funds and the solvency capital requirement assuming that all other risk factors remain unchanged and do not reflect secondary effects or derived changes on other risk factors.
It is noted that the sensitivities are not necessarily linear, such that the sensitivities at other rates are not necessarily a simple extrapolation of the sensitivity tests presented.

	As of December 31, 2025 Effect on the economic solvency ratio (in %)
A 50-basis point decrease in risk-free interest	(11%)
A 25% decrease in the value of equity assets	(10%)
A 5% increase in morbidity rate	(10%)
A 5% decrease in mortality rates	(16%)

In general, the sensitivity calculation involved a recalculation of the assets and liabilities sensitive to the above changes. The relevant effects on capital requirements were also taken into account.

It is noted that the sensitivity tests were applied to the economic balance sheet.

In calculating the sensitivity to a decrease in interest rates, a risk-free interest rate curve was created following a decrease of 50 basis points up to a last liquid point (LLP) at 10 years, followed by Smith-Wilson extrapolation, with the ultimate forward rate (UFR) remaining constant at 2.6%.

It is noted that the effect of the sensitivity on the Deduction Amount was not taken into account in any of the above sensitivity tests. In addition, the calculation of the sensitivities did not take into account steps which management may take to reinforce capital, such as raising additional Tier 2 capital, etc.

Section 9 - Restrictions on Dividend Distribution and Capital Policy

Section 9A - Dividend Distribution Restrictions

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Letter**") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the Provisions for the transitional period and subject to the solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies.

Section 9B - Capital Policy

The Company's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve the Company's ability to continue its business activity such that it is able to provide returns to its shareholders. In its capacity as an institutional entity, the Company is subject to the capital requirements set by the Commissioner.

On January 29, 2025, the Company's Board assessed Migdal Insurance's capital policy and set a minimum capital requirement for dividend distribution (hereinafter, jointly - the "**Capital Policy**"), as detailed below:

1. Migdal Insurance will strive to operate under an economic solvency ratio of 150% to 170% (instead of 155% to 175%), and the minimum economic solvency ratio target (taking into account the provisions for the transitional period) will be 115%, which will gradually increase to 135% (instead of 140%) at the end of the transitional period, i.e., the end of 2032.
2. The minimum capital requirement for dividend distribution will be an economic solvency ratio of 115% without taking into account the provisions for the transitional period.

The abovementioned revision to the Capital Policy as stated above, was made against the backdrop of assessing sensitivity tests to the risk factors relevant to Migdal Insurance, including the volatility inherent therein and their effect on the solvency ratio. It is clarified that Migdal Insurance's Board may review the Capital Policy from time to time and decide on a revision thereof, taking into account, among other things, changes to the risk factors and their effect on Migdal Insurance, the development of Migdal Insurance's economic solvency ratio and the legal and regulatory provisions applicable to it.
In accordance with the Economic Solvency Ratio Report as of December 31, 2025, the Company complies with the minimum capital target set by the Board of Directors.

Following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and the solvency ratio target set by the Company's Board of Directors with respect to the solvency ratio calculated without taking into account the Transitional Provisions:

Data excluding the application of the provisions for the transitional period:

	As of December 31	
	2025	2024
	Audited	
	NIS million	
Own funds for SCR purposes - see Section 6 *)	17,681	15,506
Solvency capital requirement (SCR) - see Section 6	15,755	14,987
Surplus (deficit)	1,926	519
Economic solvency ratio (in %)	112%	103%
Effect of material equity transactions made in the period between the calculation date and the publication date of the Solvency Ratio Report:		
Own funds	17,681	15,506
Raising of capital instruments	531	-
Own funds for SCR purposes	18,212	15,506
Surplus (deficit)	2,457	519
Economic solvency ratio (in %)	116%	103%
Capital surplus after capital-related actions with respect to the Board of Directors' target:		
The Board of Directors' economic solvency ratio target (**)	115%	115%
Capital surplus (shortfall) in relation to the target **)	93	(1,729)

This amount does not include a reduction of 35% of the original difference in a management company amounting to approx. NIS 64 million in December 2025.
**) Minimum capital requirement for dividend distribution set by the Board of Directors. For details regarding the capital policy set by the Board of Directors, see above.

For explanations regarding key changes compared with last year see Section 1 above.

May 19, 2026			
Approval date of the report	Yael Greenwald Director[8]	Ronen Agassi CEO	David Gilad Chief Risk Officer

8 In accordance with Section 9.2.1 to Chapter 1 of Part 4 in Section 5 to the Report to the Public Circular, and since on the approval date of the Economic Solvency Ratio Report the Company does not have a permanent Chairman of the Board, on May 19, 2026 the Company's Board authorized Ms. Yael Greenwald, who serves as a Company director, to sign the Economic Solvency Ratio Report.