

Rating Performance in Corporate Finance and Financial Institutions – Summary of 2025 and Cumulative

Special Report | March 2026

From time to time Midroog publishes special reports related to specific sectors or issuers. The special reports are not rating reports and/or rating methodologies from the aspect of their content or intent and do not intend to change assessment methods described in the methodological reports. In general, special reports are intended to: 1) publish Midroog views on certain issuers specific concerns and developments; 2) to describe macroeconomic or sector trends and to indicate the direction of effect on the ratings (for example: a change in demand in a certain sector, legislative or regulatory changes); 3) to explain a certain rating process in order to help investors understand how the rating was assigned, including how certain trends were taken into account in a rating.

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Preface

The objective of this report is to present Midroog's rating performance in 2025 and cumulatively since it began operations as a rating company. The report includes the rate of rating transitions (transition tables) at the annual level and cumulative on an annual basis, change in the distribution of ratings and in rating outlooks, as well as defaults by issuers rated by Midroog. In addition, a rating accuracy measure is presented, reflecting the average position of the default events along the rating scale¹ (average position - in the range between 0 and 1). This measure reflects the ordinal power of the rating and measures the location of credits that experienced default events in the distribution of ratings relative to unimpaired debt.

Midroog collects and publishes the rating changes and the accuracy measures in order to create transparency with regard to rating performance. In this context, it should be noted that the sample from some of the rating groups, as well as the sample of defaults, is relatively limited and therefore individual observations may skew the results. The data presented below relates to all corporate finance issuers, financial institutions and government companies. Midroog rates structured finance transactions and projects that are not included in the data presented in this report, but are presented in separate reports. In this report, the number of issuers is defined as the number of active issuers that Midroog rates at the end of the calendar year. The rated issuers include public ratings and private ratings. The rating taken for the purpose of calculating the distribution of ratings is the issuer rating (or estimated issuer rating) or the deposits rating of banks or the financial strength rating for issuers that are insurers (hereinbelow: "the issuer rating").

Distribution of ratings

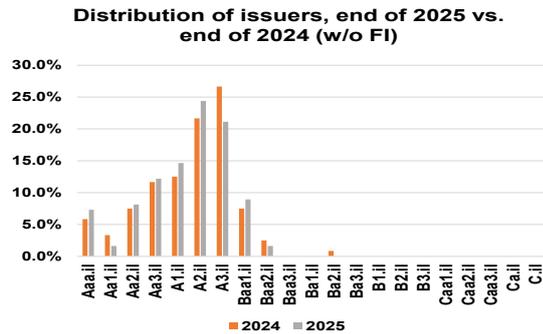
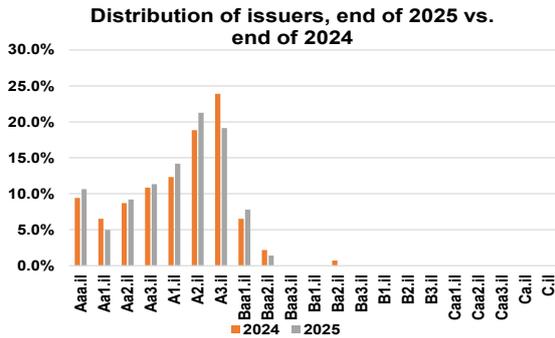
As of year-end 2025, Midroog was rating about 141 corporate finance, financial institution and government company issuers². The median rating of the issuers was A1.il, higher than the median at year-end 2024, which was A2.il. More than 80% of the ratings are in the Aa.il and A.il group.

The following charts show the distribution of issuers according to rating. The left-hand chart shows the distribution of issuer ratings as of the end of 2025 compared with year-end 2024. The distribution of issuer ratings in these years, excluding financial institutions³, is shown in the right-hand chart:

¹ The methodology for calculating the accuracy measure is presented in Appendix 2.

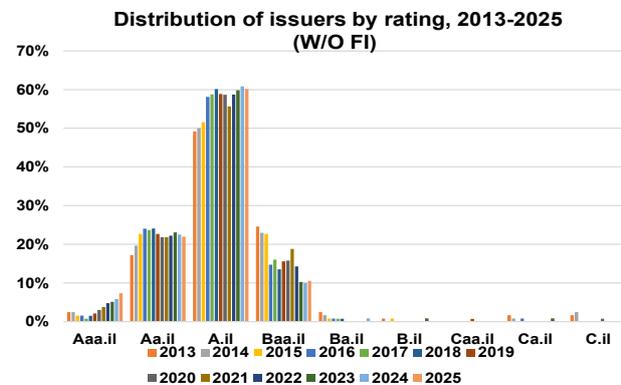
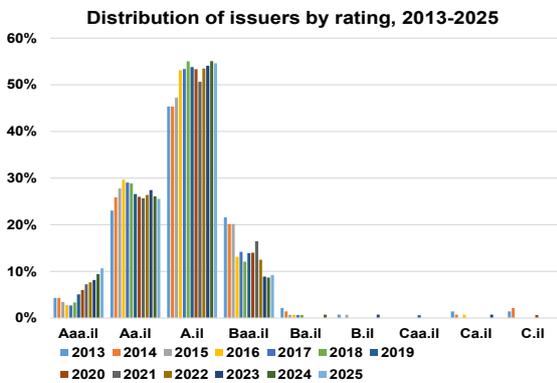
² Without project ratings, structured finance and financial instruments.

³ These charts include issuers in default if they had an active rating before year-end.



The proportion of issuers rated Aaa.il increased versus 2024 to about 10.6% (excluding financial institutions: about 7.5%). The proportion of issuers in the Aa.il group stayed about the same as at the end of 2024, about 26% (excluding financial institutions: about 60%). The proportion of issuers in the Baa.il group also remained similar from 2024 to 2025, at about 9% (excluding financial institutions: about 11%).

The following charts describe the distribution of issuers by rating group: The left-hand chart shows the distribution of issuer ratings between the years 2013-2025. The right-hand chart shows the distribution of issuer ratings in these years, excluding financial institutions:



From the development of the ratings over time, it can be seen that:

- The proportion of issuers rated Aaa.il excluding financial institutions has been rising continually since 2019, from about 5% that year (excluding financial institutions: about 2%); in 2025, the proportion was 10.6% (excluding financial institutions: about 7.3%). This was mainly due to upgrading ratings of issuers operating in state-owned infrastructure.
- The proportion of issuers in the Aa.il group remained without significant change in 2025 compared with year-end 2024. The main changes in this rating group were: four new ratings, two of which were initial ratings and two joining another group and being raised from the A.il

rating group. Conversely, one rating was withdrawn, two were upgraded to Aaa.il and one was downgraded to the A.il group.

- The proportion of ratings in the A.il group in 2025 also remained without significant change compared with year-end 2024. The group gained 11 new ratings and one dropped from the Aa.il group alongside 8 rating withdrawals. One rating downgraded from this group to the Baa.il group while two ratings upgraded from the A.il group to the Aa.il group.
- The proportion of ratings in the Baa.il group at year-end 2025 remained unchanged from 2024. In this group there were two rating withdrawals, alongside two new ratings that the group gained. Also, one issuer rating downgraded from the A.il group.
- As of year-end 2025, there were no corporates or financial institutions with ratings in the Ba.il group or lower.

It bears noting that some rating transitions culminated in one notch and therefore, some of the rating transitions are to a rating level within the rating group. Details of the rating transitions between the categories are presented in Midroog's transition table below in this report.

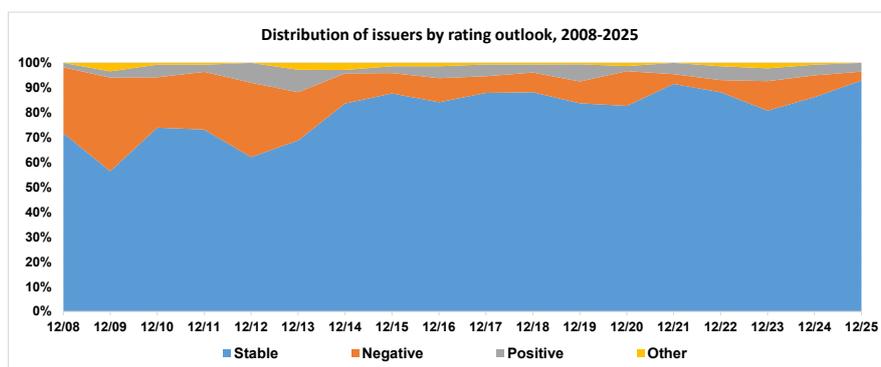
Distribution of rating outlooks and credit reviews

A rating outlook is Midroog's assessment of the likely rating direction over the medium term. Rating outlooks fall into four categories: positive, stable, negative or developing. Rating outlooks can be set at the level of the issuer or the obligation. A stable outlook reflects low expectations of a rating change over the medium term. A positive, negative or developing outlook reflects a higher likelihood of change over the medium term.

When a rating is placed under credit review, its rating may change in the near term. A rating review may be carried out to upgrade a rating – credit review with positive implications, downgrade it – credit review with negative implications and in certain cases, with uncertain direction – credit review with direction uncertain. The review may end with an upgrade, downgrade or unchanged rating.

The following chart shows the distribution of the issuer rating outlooks between the years 2008-2025. The negative/positive outlook category includes both negative/positive outlook and CR with negative/positive implications, respectively and the category of "other" includes developing outlooks and CR with uncertain direction.

Breakdown of issuers by direction of rating outlook, 2008-2025



The proportion of issuers with negative rating outlook fell from about 8.7% at year-end 2024 to about 3.5% at year-end 2025. The proportion of issuers with positive outlook on their ratings dropped from about 4.3% at year-end 2024 to about 3.5% at year-end 2025. Also, the proportion of issuers with a stable outlook on their rating increased from about 86% at the end of 2024 to about 93% at year-end 2025. As of year-end 2025, there were no issuers under CR with direction uncertain and a developing outlook, compared with 0.7% of issuers in corporate finance and financial institutions at the end of 2024.

Below is a breakdown of changes in issuer ratings by outlook direction over a period of one year:

Rating changes – December 2024 to December 2025

Direction of outlook or CR, December 2024	Upgrade	Downgrade	Unchanged	Withdrawn
Stable	6%	1%	85%	8%
Negative	0%	27%	64%	9%
Positive	100%	0%	0%	0%
CR, uncertain direction	0%	0%	100%	0%
CR, negative implications	0%	0%	0%	100%

*The percentages shown in the tables are rounded to a whole percent, without adjustment to sum up the table rows to 100%.

** As of year-end 2024, one rating was under CR with negative implications. As of year-end 2025, the rating had been withdrawn. As of year-end 2024, one rating was under CR with uncertain direction. As of year-end 2025, the rating remained unchanged and the rating outlook had been changed to negative.

***As of year-end 2024, there were no ratings under CR with positive implications or a developing outlook.

The table shows that the ratings of about 85% of the issuers with stable outlook as of December 2024 were unchanged as of December 2025. Also, the ratings of about 6% upgraded, about 1% downgraded and about 8% were withdrawn and/or fully paid.

Among the issuers with negative outlook as of December 2024, the ratings of about 64% remained unchanged, and the ratings of about 27% downgraded. About 9% of all these ratings had been withdrawn as of December 2025.

All the issuers that were under CR with positive implications as of December 2024 had been upgraded as of December 2025.

Transition Tables

Midroog collates information on rating changes between the years 2004-2025 based on a database gradually accumulated during its years of operation. Each issuer is included in the database based on the number of years it was rated. For example, an issuer rated from 2004 to 2025 is counted in the database 21 times. For each calendar year, what appears in the database is the issuer's last rating. If the rating changed several times over a single year, only the last observation will be listed in the database, representing a cross-section at the end of the calendar year. The total number of observations serving to calculate the cumulative transition table for the years 2004-2025 is about 2,568, calculated as the number of issuers in each rating group from year-end 2004 until the end of 2024. The total number of observations serving to calculate the transitions table for 2025 is about 138, calculated as the number of issuers in each rating group at the end of 2024 (not including ratings in default that hadn't been returned to the sample yet or which were withdrawn).

Each issuer in the database was assigned an issuer rating. In cases where no issuer rating exists, an issuer rating was estimated based on the existing ratings of the issuer's rated debt instruments. For banking corporations, the data in the transition tables includes the rating of the senior debt, that is, deposits and bonds, and does not include ratings of other debt instruments. The insurance companies in the transition tables include the inclusive financial strength rating (IFS).

Transition Tables, Corporate Finance and Financial Institutions, 2004-2025

Annual Aggregated Transition Table, 2004-2025

	Aaa.il	Aa1.il	Aa2.il	Aa3.il	A1.il	A2.il	A3.il	Baa1.il	Baa2.il	Baa3.il	Ba1.il	Ba2.il	Ba3.il	B1.il	B2.il	B3.il	Caa1.il	Caa2.il	Caa3.il	Ca.il	C.il	WR	Default	Obs.
Aaa.il	96%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2%	0%	118
Aa1.il	5%	91%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	1%	0%	172
Aa2.il	0%	3%	87%	4%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	226
Aa3.il	0%	0%	5%	84%	5%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	4%	0%	303
A1.il	0%	0%	0%	6%	76%	7%	3%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%	0%	354
A2.il	0%	0%	0%	0%	6%	76%	7%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	1%	484
A3.il	0%	0%	0%	0%	0%	10%	72%	6%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	1%	486
Baa1.il	0%	0%	0%	0%	0%	0%	11%	67%	7%	3%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9%	1%	256
Baa2.il	0%	0%	0%	0%	0%	0%	1%	18%	57%	6%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	8%	6%	93
Baa3.il	0%	0%	0%	0%	0%	0%	0%	2%	7%	48%	5%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	26%	7%	42
Ba1.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	29%	7%	7%	0%	0%	0%	0%	0%	0%	0%	0%	21%	36%	14
Ba2.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	17%	0%	0%	0%	0%	17%	0%	0%	0%	0%	0%	17%	50%	6
Ba3.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	0%	0%	0%	0%	0%	0%	0%	0%	50%	0%	2
B1.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	1
B2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
B3.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	50%	50%	2
Caa1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Caa2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Caa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Ca.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33%	0%	67%	0%	3
C.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33%	67%	0%	6
																								2,568

Annual Transition Table, 2025

	Aaa.il	Aa1.il	Aa2.il	Aa3.il	A1.il	A2.il	A3.il	Baa1.il	Baa2.il	Baa3.il	Ba1.il	Ba2.il	Ba3.il	B1.il	B2.il	B3.il	Caa1.il	Caa2.il	Caa3.il	Ca.il	C.il	WR	Default	Obs.
Aaa.il	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	13
Aa1.il	22%	78%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9
Aa2.il	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	12
Aa3.il	0%	0%	7%	80%	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	7%	0%	15
A1.il	0%	0%	0%	12%	76%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	6%	0%	17
A2.il	0%	0%	0%	0%	8%	77%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	0%	26
A3.il	0%	0%	0%	0%	0%	15%	73%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9%	0%	33
Baa1.il	0%	0%	0%	0%	0%	0%	0%	78%	11%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	11%	0%	9
Baa2.il	0%	0%	0%	0%	0%	0%	0%	33%	33%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33%	0%	3
Baa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Ba1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Ba2.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	1
Ba3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
B1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
B2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
B3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Caa1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Caa2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Caa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
Ca.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0
C.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0

138

*The percentages shown in the tables are rounded to a whole percent, without adjustment to sum up the table rows to 100%.

**If there were no observations for any given rating level as of the relevant cross section dates, the symbol ‘-’ appears in the table. If during the relevant period, no ratings moved from one level to another, even though there are observations for the relevant cross-section dates, the table shows ‘0%’.

For example, the meaning of the data appearing in the cumulative transition table is that about 84% of the Aa3.il ratings remained unchanged in the range of a year, the rating of about 5% was upgraded to Aa2.il, the rating of about 5% was downgraded to A1.il, and the rating of about 1% was downgraded to A2.il and so on. The calculation formula for the transitions rate is shown in Appendix 1 of this report.

The Withdrawn column (WR)

The WR column represents issuers for which monitoring was withdrawn after the rating. The main circumstances for withdrawal are: repayment in full of all the rated debt, debt arrangement/bankruptcy of the issuer, insufficiency/deficiency of information that does not allow effective evaluation of creditworthiness, or a request from the issuer to withdraw the rating of its obligations. Note that the rating sample at the low end of the rating scale is small and primarily reflects the rating transitions of companies in default that have not yet completed a debt settlement, liquidation, etc., so that high rate of rating withdrawals stems from rating withdrawal due to the consummation of the debt arrangement. When calculating the marginal transitions rate in the transitions table adjusted for rating withdrawals (WR), ratings in which withdrawal occurred are not factored in at all. The cross-section periods for the purposes of calculating the transitions are the end of the calendar year. Therefore, the last rating factored in for an issuer whose rating has terminated will be the rating at the end of the calendar year prior to the rating termination. The formula for calculating the adjustment appears in Appendix 1 of this report. Appendix 3 shows the transition tables adjusted for WR.

The Default column

Similarly to the estimation of the annual transitions rate, the default column represents the proportion of issuers for which a default event occurred in the relevant estimation period out of all issuers at that rating level rated at the end of the previous calendar year, and not necessarily in relation to the last rating prior to the default event.

Cases where the rated entity asks Midroog to withdraw the rating due to an inability to meet its obligations were measured as default events and are noted in the Default column.

Also, other rating transitions or rating withdrawals the issuer experienced upon default and afterwards have not been factored into the transition tables, but will apply in the year following the default date, insofar as a rating exists.

Note that the default sample is relatively small and therefore individual observations may skew the results. Further note that the rating sample at the low end of the rating scale is small and mainly reflects the rating transitions of companies in default and that have not yet completed debt settlement, liquidation, etc.

Defaults events⁴

During 2025, no default events were recorded among issuers rated by Midroog, in accordance with Midroog's default definitions. Since Midroog began operating in 2003 and as of December 2025, there were 32 default events among corporate finance issuers. The volume of rated debt of these issuers is estimated at about NIS 32.6 billion in aggregate. The average rating of defaulted issuers 12 months prior to defaulting was Baa1.il. The ratings of about 50% of the issuers in default had a negative outlook or a CR with negative implications 12 months before the default date. The following table provides information about issuers rated by Midroog from its establishment and classified as defaulted, according to the scale of credit risk in Israel:

Issuer	Initial rating year	Year of default according to Midroog's definition	Industry	Initial rating	Rating 12 months before default
Leadcom Integrated Solutions Ltd	2006	2009	Trade and services	A3.il	A3.il
Profit Building Industries Ltd.	2007	2009	Real estate and construction	Baa1.il	Baa1.il
Africa Israel Investments Ltd.	2005	2009	Real estate and construction	Aa2.il	Aa2.il
Malrag Engineering & Construction Ltd.	2008	2010	Real estate and construction	A3.il	Baa2.il
Agrexco Agricultural Export Company Ltd	2007	2011	Trade and services	A2.il	A2.il
Olimpia Real Estate Holdings Ltd.	2008	2011	Real estate and construction	A3.il	Baa2.il
Polar Investments Ltd.	2007	2011	Real estate and construction	A3.il	Ba1.il
Ampal American Israel Corporation	2006	2011	Holdings	A3.il	A3.il
Suny Electronics Ltd.	2010	2012	Holdings	Baa2.il	Baa2.il
Scailx Corporation Ltd.	2009	2012	Holdings	A3.il	A3.il
Central European Estates NV	2007	2012	Real estate and construction	Baa1.il	Ba2.il
A.Levy Investments and Construction Ltd.	2005	2012	Real estate and construction	A3.il	Baa2.il
BSR Europe Ltd.	2005	2012	Real estate and construction	A3.il	Ba2.il
Israel Amlat Investments (1993) Ltd.	2007	2012	Holdings	A2.il	Ba1.il
Elbit Imaging Ltd.	2006	2013	Real estate and construction	A2.il	Baa1.il
Israel Petrochemical Enterprises Ltd.	2005	2013	Holdings	Aa3.il	Baa2.il
Unpublished*	2007	2014	Investment houses	A3.il	Baa3.il
Mirland Development Corporation Plc	2008	2014	Real estate and construction	A3.il	Baa1.il
Alon Blue Square Israel Ltd.	2010	2015	Retail	A1.il	A3.il
Urbancorp Inc	2015	2016	Real estate and construction	A3.il	A3.il
Africa Israel Investments Ltd.	2011**	2016	Real estate and construction	Baa2.il	Baa1.il
Internet Gold Golden Lines	2007	2019	Holdings	A1.il	A3.il
B Communications Ltd.	2008	2019	Holdings	A1.il	A1.il
Unpublished*	2019	2019	Leasing	Baa3.il	---***
Delek Group Ltd.****	2009	2020	Holdings	A1.il	A2.il
All Year Holdings Ltd.	2014	2020	Real estate and construction	A2.il	A3.il
Gibui Ahzakot	2019	2022	Finance Company	Baa2.il	Baa2.il
Unpublished	2022	2022	Finance Company	Baa3.il	Baa3.il
Delshah Capital Limited*	2015	2023	Real estate and construction	A3.il	Baa1.il
Hertz Properties Group Limited	2017	2023	Real estate and construction	A2.il	A3.il
Unpublished	2021	2023	Defense Industry	A3.il	A3.il
Bull Trading And Investment Ltd.	2021	2023	Finance Company	Baa2.il	Baa2.il

*This default was fully recovered.

** The initial rating year after the company's first debt settlement.

*** The initial rating was determined in 2019.

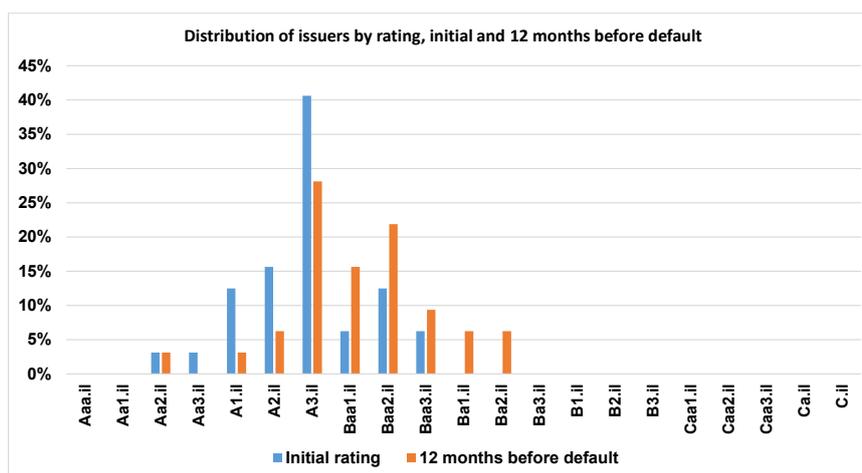
**** The initial rating was determined in 2022.

*****Note that according to the issuer debt restructuring, the rated debt was not written down and the issuer met the repayments of the rated debt. However, according to Midroog's definitions, this event counts as a default event in 2020 for the purposes of the rating performance report due to the demand to call in one of the issuer's loans (which was not rated). According to the issuer's reports, the issuer notified the lender that it challenges the claim behind the call, and there were no grounds to call in the debt immediately and at the issuer's

⁴ Default as defined in the "Midroog Rating Scales and Definitions" document on Midroog's website.

behest, a temporary injunction was issued. The lender exercised an amount of collateral provided to it, equivalent to the outstanding loan at the time. It further bears noting that shortly around the time of this event, and to a bondholders' assembly, the rated debt was rated by Midroog according to the methodology for issuers in defaulted assets, and was defined as a highly likely default event.

The chart below shows the distribution of ratings of issuers in default 12 months before the default date, as well as the initial rating of the issuers:



The Average Position (AP)⁵

The ordinal power of a rating reflects the scale being a relative ordinal scale, along which obligations with higher credit ratings should reflect better creditworthiness than obligations with lower credit ratings. Midroog uses the “Average Position” as the main measure when testing the accuracy of the rating. The measure tests the average location of defaults along the rating scale (AP ranges from 0 to 1), and answers the question: what is the location of issuers that experienced defaults in the distribution of ratings relative to the other issuers?

A perfect rating system would achieve AP approaching 100%, which would mean the issuers that defaulted had all been rated in the lowest percentile of the ratings distribution at least one year before the default date, which would attest to a perfect correlation between the rating and the default probability. A random rating system would produce AP of around 50%, while a rating system with a strong negative correlation to defaults would produce AP approaching 0%. The following table shows the accuracy measure based on the rating 12 months before the default. We also show the accuracy measure adjusted for outlook, adjusted for negative rating outlooks or CRs with negative implications 12 months before default. As said, about 50% of the issuer ratings in default were either in negative outlook or in CR with negative implications 12 months before the default date, therefore, an average accuracy measure that factors that in too will be higher. It can be seen that the ordinal power of the

⁵ Calculation methodology for the average position is shown in Appendix 2.

Midroog ratings is relatively good, as reflected in the accuracy measure in recent years. Note that the small number of defaults events may skew the accuracy measure.

The average default rate in the years 2009-2025 was about 1.4%. In the years 2017, 2018, 2021, 2024 and 2025 there were no default events based on Midroog's definition of default and therefore no accuracy measure was calculated for those years.

The following table shows the accuracy measure, the adjusted accuracy measure, and the default rate between 2009 and 2025, as well as measures such as the average and median positions of the accuracy measure, and the default rate in those years:

Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Average	Median	Min	Max	St.dev
Average Position	60%	94%	81%	91%	82%	85%	68%	77%	"."	"."	73%	69%	"."	99%	87%	"."	"."	80%	81%	60%	99%	12%
Average Position (Outlook)	68%	99%	84%	91%	89%	86%	68%	81%	"."	"."	84%	69%	"."	99%	87%	"."	"."	84%	85%	68%	99%	11%
Default Rate (%)	2.7%	0.9%	2.9%	4.3%	1.4%	1.4%	0.7%	1.4%	0%	0%	2%	1%	0%	1%	3%	0%	0%	1.4%	1.3%	0%	4%	1%

* Default rate is defined as the ratio between the number of issuers who experienced default according to Midroog's definition during the year and the number of issuers rated at the beginning of that period.

** Note that the distribution of all issuers is the distribution at the end of the period prior to default (that is, the beginning of each calendar year).

*** Default by an issuer rated for the first time in the year of the default is factored into the accuracy measure calculation according to that issuer's initial rating.

Related Reports

- For [summaries of rating performance for the years 2009-2024, see the Midroog website.](#)
- [For Midroog's rating scales and definitions, you are invited to view the Midroog website.](#)

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

Report Date: 11.03.26

Appendix 1 – Methodology for calculating transition tables

Midroog groups issuers into rating groups according to last their rating and the relevant time period (T).⁶ The marginal transition rate is the probability that the issuer who "survived" at a certain rating level up to the start of T will move to different rating (upgraded or downgraded) by the end of that period. The cumulative transition rate is the probability of a transition between the rating levels from the group's formation to the end of T. Mathematically, the marginal transition rate of T for a rating group that was created at time y with a rating of z is defined as the proportion between the number of companies x(t) that transitioned from a particular group to another group during the time range T divided by the total of issuers in that rating group at the beginning of the time period n(t).

$$\text{Marginal migration rate from } z \text{ (t)} = \frac{Xy(t)}{ny(t)}$$

In calculating the marginal transition rate in the transitions table adjusted for WR, withdrawn ratings are not factored into the calculation.

Where:

$Z_{i,WR}$ – the rate of transitions from an i rating to WR.

We multiply each rating transition $Z_{i,WR}$ in the transitions table that is not WR adjusted with the coefficient

$$\frac{1}{(1-Z_{i,WR})}$$

When: $Z_{i,WR}$ in the WR adjusted transitions table is defined as equal to zero.

⁶ The relevant time period is a year as published in this report.

Appendix 2 – Calculating the Average Position (AP)

The position of a rating (that defaulted or did not) in a rating group⁷, is as the percentage of the ratings in the rating group with ratings higher than it, plus half the area in the rating category where it is located.

For example – If 5% of the ratings were rated Aaa.il, 6% were rated Aa1.il and 7% were rated Aa2.il, then:

1. The rating Aaa.il has the position of $5\%/2=2.5$.
2. The rating Aa1.il has the position of $5\%+(6\%/2)=8\%$.
3. The rating Aa2.il has the position of $5\%+6\%+(7\%/2)=14.5\%$.

The average position is the calculation of the average position of ratings that have experienced default/impairment for a given point of time before default/impairment (12 months before default/ impairment, as the case may be). This measure reflects the ordinal power of the rating.

A strong rating system will present an AP of close to 100%, which means that the ratings in which a default event was recorded had all been rated at the bottom percentile of the ratings distribution at least 12 months before default date, demonstrating a very strong correlation between the rating and the default. A random rating system will show an AP in the area of 50% and a rating system with a strong negative correlation will show an AP close to 0%. Note that an AP of 100% or of 0% cannot be achieved, due to their share (distribution area) of the default events in the distribution, hence the AP must be standardized for them. For example, suppose that D represents the proportion of ratings that experienced a default event in the distribution.

- The maximum possible AP is $D/2-100\%$, which will be achieved when all ratings that defaulted are rated the same, and all ratings with no recorded default events are rated higher than this rating.
- Similarly, the minimum possible AP is $D/2$, when all the ratings in which a default event has been recorded are the same and is higher than all the ratings that did not experience a default.

In order to standardize the AP, we define adjusted AP* (above and below: "Accuracy Measure" or "Average Position-AP") as follows: $AP^* = (AP-50\%) / (100\%-D) + 50\%$

This adjustment allows AP* to achieve values of 0% or 100%.

In addition, note that the information provided can be incorporated in a positive/negative outlook and CR with positive/negative implications, and we present an adjusted AP measure for them. It is important to note that neither the AP measure nor any other single measure alone can explain the accuracy inherent in different rating systems at a given cutoff point. In addition, the paucity of defaults and/or a low number of observations in a particular rating group may skew the results.

⁷ In accordance with the definition for calculation purposes: issuer, series, etc.

Appendix 3 – The WR adjusted transition tables

Annual Aggregated Transition Table, 2004-2025

	Aaa.il	Aa1.il	Aa2.il	Aa3.il	A1.il	A2.il	A3.il	Baa1.il	Baa2.il	Baa3.il	Ba1.il	Ba2.il	Ba3.il	B1.il	B2.il	B3.il	Caa1.il	Caa2.il	Caa3.il	Ca.il	C.il	Default	Obs.	Obs. w/o WR ratings
Aaa.il	97%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	118	116
Aa1.il	5%	92%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	172	171	
Aa2.il	0%	3%	91%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	226	216	
Aa3.il	0%	0%	6%	88%	5%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	303	290	
A1.il	0%	0%	0%	6%	82%	7%	4%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	354	329	
A2.il	0%	0%	0%	7%	83%	7%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	484	445	
A3.il	0%	0%	0%	0%	11%	79%	7%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	486	447	
Baa1.il	0%	0%	0%	0%	0%	12%	73%	8%	3%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	256	233	
Baa2.il	0%	0%	0%	0%	0%	1%	20%	62%	7%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	93	86	
Baa3.il	0%	0%	0%	0%	0%	0%	3%	10%	65%	6%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	42	31	
Ba1.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	36%	9%	9%	0%	0%	0%	0%	0%	0%	0%	0%	0%	14	11	
Ba2.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	20%	0%	0%	0%	0%	20%	0%	0%	0%	0%	0%	0%	6	5	
Ba3.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2	1	
B1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0	
B2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
B3.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	2	1	
Caa1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Caa2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Caa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Ca.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	0%	3	1	
C.il	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	100%	0%	6	2	
																						2,568	2,385	

Annual Transition Table, 2025

	Aaa.il	Aa1.il	Aa2.il	Aa3.il	A1.il	A2.il	A3.il	Baa1.il	Baa2.il	Baa3.il	Ba1.il	Ba2.il	Ba3.il	B1.il	B2.il	B3.il	Caa1.il	Caa2.il	Caa3.il	Ca.il	C.il	Default	Obs.	Obs. w/o WR ratings
Aaa.il	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	13	13
Aa1.il	22%	78%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9	9	
Aa2.il	0%	0%	100%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	12	12	
Aa3.il	0%	0%	7%	86%	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15	14	
A1.il	0%	0%	0%	13%	81%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	17	16	
A2.il	0%	0%	0%	0%	9%	91%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	26	22	
A3.il	0%	0%	0%	0%	17%	80%	3%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	33	30	
Baa1.il	0%	0%	0%	0%	0%	0%	88%	13%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	9	8	
Baa2.il	0%	0%	0%	0%	0%	0%	50%	50%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	3	2	
Baa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Ba1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Ba2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1	0	
Ba3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
B1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
B2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
B3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Caa1.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Caa2.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Caa3.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
Ca.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
C.il	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0	0	
																						138	126	

* The observations used in calculating the tables are all the observations including withdrawn ratings, where adjustment for the purposes of the calculation is made using the multiple described in Appendix 1. For the number of observations minus the number of withdrawn ratings – see the column “Obs. w/o WR ratings”.

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