החשב הכללי
Accountant General

2025

The Annual Report

Government Debt Management Unit
Accountant General's Office

Ministry Of Finance

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Remarks of the Accountant General

I am honored to present the 2025 Annual Report of the Government Debt Management Unit (GDMU) within the Accountant General's Office. This annual report constitutes a central pillar in enhancing transparency, accountability, and professionalism in the management of Israel's government debt. It provides a comprehensive analysis of the domestic and external debt portfolio, key risk and interest indicators, the government's debt issuance strategy, and the macroeconomic and fiscal developments that shaped debt management throughout the year. 2025 continued to be characterized by a complex economic and security environment, against the backdrop of the ongoing "Iron Swords" war and operation "Rising Lion" and its implications for economic activity and public finances. Government financing needs remained relatively elevated, reflecting both security-related and civilian expenditures. Nevertheless, compared to 2024, a moderation in total borrowing volumes was recorded, reflecting a gradual adjustment of fiscal policy to evolving conditions. Israel's government debt profile remained stable throughout 2025. At year-end, the Average Time to Maturity (ATM) of government debt stood at approximately 8.3 years, and the annual Rollover Ratio reached about 8.4%, remaining within the defined long-term target range. These indicators reflect prudent risk management and the preservation of financing flexibility, even under conditions of heightened uncertainty. The government debt-to-GDP ratio increased by approximately 0.8 percentage points in 2025, reaching about 67.1%. This increase was driven by continued growth in government expenditures alongside moderate economic growth. Despite this rise, Israel's debt-to-GDP ratio remains low relative to the average of advanced economies, and the State's position vis-à-vis its peer group remains solid. A gradual return to a declining debt-to-GDP trajectory remains a central objective of fiscal policy, in order to safeguard fiscal resilience and ensure the capacity to address future challenges.

In 2025, the government raised total debt of approximately NIS 207 billion, representing a significant decline compared to 2024. The majority of borrowing was conducted in the domestic tradable market, which continued to serve as the primary financing channel, alongside external market issuances and limited non-tradable domestic borrowing. The composition of issuance, diversification of funding sources, and strong demand observed in auctions reflect investor confidence in Israel's ability to manage its debt, even amid challenging conditions. In January 2026, the State of Israel successfully raised $6 billion in a (landmark) international public offering of U.S. dollar-denominated bonds with maturities of 5, 10, and 30 years. This followed the issuance in February 2025, where the State of Israel successfully completed a public issuance of U.S. dollar-denominated bonds in the international capital markets, issuing benchmark bonds with maturities of 5 and 10 years. The issuance was met with strong demand and further broadened Israel's global investor base, reinforcing access to diversified funding sources and global liquidity. This activity, together with continued fundraising through the Israel Bonds Organization, contributed to easing pressure on the domestic market and to maintaining balanced financing conditions.

Interest expenditures increased in 2025 and totaled approximately NIS 57.8 billion, reflecting, inter alia, the refinancing of maturing debt at higher interest rates. At the same time, over the longer term, the ratio of interest expenses to the total debt portfolio remained stable and on a declining trend, supported by a consistent policy of managing interest rate, maturity, indexation, and currency risks.

Throughout 2025, the Government Debt Management Unit continued to operate in accordance with a long-term risk management strategy, employing advanced analytical models, diversified maturity structures, and active management of market, liquidity, and credit risks. The hedging policy remained focused on reducing exposure to exchange rate volatility and enhancing stability in the interest expenditure framework. In conclusion, notwithstanding significant security and economic challenges, Israel's government debt was managed in 2025 in a responsible, professional, and measured manner. A combination of a flexible issuance strategy, rigorous risk management, and a high level of transparency continues to support the State's financial resilience and its preparedness for future developments.

Sincerely,
Michal Abadi-Boiangiu
Accountant General, Israel Ministry of Finance

Executive Summary

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The Government Debt Management Unit (GDMU) is pleased to submit the 2025 Annual Report on behalf of the Office of the Accountant General.

Government Debt Management Objectives

The mission of the GDMU is to finance government activities while supporting the State of Israel's government debt management policy. This policy addresses the State's considerations as an issuer by balancing the cost of issuing debt with exposure to risk. It also addresses the State's considerations as a sovereign by supporting and developing the Israeli capital market, especially the government bond market.

Planned issuance amounts are based on financing needs derived from the expected deficit and in line with the cash flow requirements for refinancing existing debt. Funding channels, maturities, and the composition of issuances are determined according to an annual and multi-year strategic plan, with necessary adjustments made in response to ongoing financial market developments and the financing needs of the State.

Debt Issuance Strategy

The strategy for raising debt is determined based on a wide range of models, indicators, and simulations aimed at minimizing financing costs within a defined risk threshold. Furthermore, the issuance strategy is based on qualitative considerations, considerations arising from the structure of government bond curves, the need to increase liquidity, the development and deepening of bond markets, broadening the investor base, and more. This issuance strategy is implemented through three main channels of debt issuance:

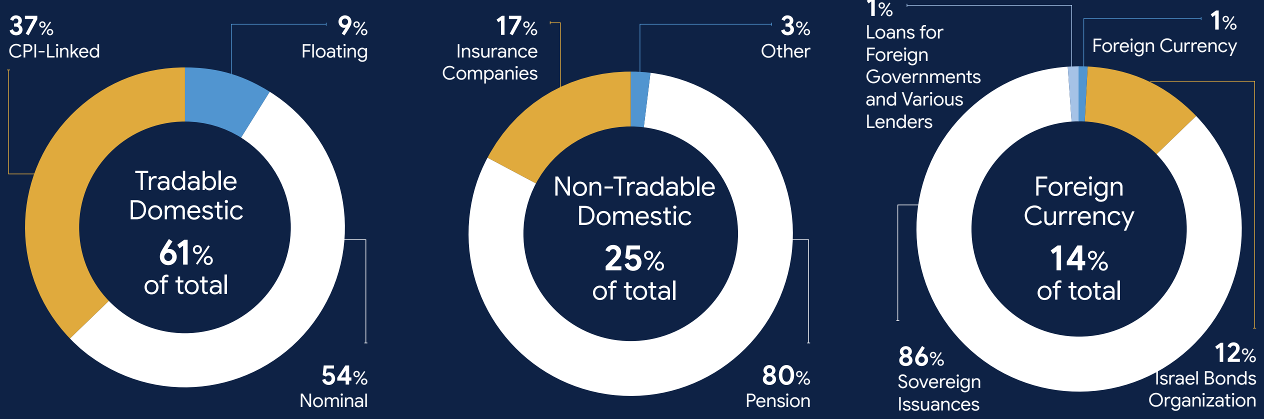
1. Issuance of Tradable Domestic Debt
2. Issuance of Non-Tradable Domestic Debt
3. Issuance of Foreign Debt

Debt-to-GDP Ratio

Due to the funding needs and deficit, the public debt-to-GDP ratio in 2025 increased by roughly 0.7% compared with 2024, reaching 68.4%. The government debt-to-GDP ratio in 2025 similarly increased by about 0.8% compared to 2024, reaching roughly 67.1%.

Government Debt Portfolio

In 2025, government debt increased by approximately 6.5%, reaching NIS 1,416 billion compared with roughly NIS 1,329 billion in 2024.



Government Debt Interest Expenditures

The rate of interest expenditure to GDP in 2025 was 2.7%, compared to 2.5% in 2024. Total nominal interest expenses increased over the years due to the nominal increase in total debt, the increase in the consumer price index (which impacts CPI-linked bonds), and the general rise in interest rates on bonds in Israel and abroad. Due to the nominal increase in interest expenses, the proportion of interest expenses to total government expenditures increased to 8.9% in 2025, compared to 8.1% in 2024.

Israel's Credit Rating

In October 2023, with the outbreak of the "Iron Swords" war, the credit rating agencies updated their views on the challenges facing Israel's economy. They noted that the significant increase in geopolitical and security risks could weigh on the government's public expenditures. The rating agencies noted that there has been an adverse impact on Israel's economic performance in light of the ongoing conflict. In addition, they expressed concern about a broader regional escalation that could economically impact the entire Middle East. However, they also noted that Israel's economic structure, which is primarily driven by high-tech services exports, is expected to mitigate the impact on the economy. Additionally, the agencies noted favorably the large foreign exchange reserves and the strong current account surplus as key strengths of the Israeli economy.

The duration and scale of the war across multiple fronts led all three rating agencies to downgrade Israel's credit rating several times in 2024. As of the writing of this report, Israel's credit rating stands at 'Baa1' with a "Stable" outlook according to Moody Ratings, 'A' with a "Stable" outlook according to S&P Global Ratings, and 'A' with a "Negative" outlook according to Fitch Ratings. In November 2025, and January 2026, S&P and Moody's, respectively, revised their outlooks from "Negative" to "Stable". Following the ceasefire agreement with Hamas, which included a partial Israel Defense Forces withdrawal from the Gaza Strip, release of all Israeli hostages, and a marked improvement in Israel's regional geopolitical position. However, in light of recent military confrontations with Iran and Hezbollah, in March 2026 Fitch has maintained its "Negative" outlook.

Government Debt Average Time to Maturity

In 2025, the average time to maturity ("ATM") of government debt (tradable domestic, non-tradable domestic, and foreign) decreased to 8.3 years, compared to 8.7 years in 2024. The decline in ATM occurred against the backdrop of the "Iron Swords" war and the sharp increase in financing needs, in which net debt raised had an average maturity of under 9 years.

Tradable Domestic Debt

As of the end of 2025, the shekel-denominated tradable debt amounted to roughly 61% of the total debt portfolio. Furthermore, debt raised in 2025 in the tradable domestic channel reached 85%, compared with 79% in 2024, due in part to the reform in designated bonds for pension funds and the transition to the yield guarantee mechanism, which commenced in October 2022. Debt raised in 2025 in the tradable domestic market amounted to roughly NIS 175 billion.

Non-Tradable Domestic Debt

In 2025, non-tradable domestic debt constituted about 25% of the total debt portfolio. Debt raised through the non-tradable domestic channel in 2025 amounted to roughly NIS 5.7 billion, compared with roughly NIS 4 billion in 2024, comprising about 3% of total debt issuance.

External Debt

In 2025, the share of foreign currency-denominated debt accounted for approximately 14% of the total debt portfolio.

In February 2025, the State of Israel completed a public issuance of U.S. dollar-denominated government bonds in international markets, raising USD 5 billion through two USD 2.5 billion tranches maturities of 5 and 10 years. The issuance attracted robust demand, totaling approximately USD 23 billion - 4.6 times the amount issued. The spreads for the 5- and 10-year bonds were set at 120 and 135 basis points, respectively, above U.S. Treasury yields for comparable maturities.

In January 2026, the State of Israel completed a public issuance of U.S. dollar-dominated government bonds, raising USD 6 billion with maturities of 5, 10 and 30 years. The issuance saw exceptionally strong demand, totaling approximately USD 36 billion - 6 times the amount issued. The spreads for the 5, 10, and 30 year bonds were set at 90, 100, and 125 basis points, respectively, above U.S. Treasury yields for comparable maturities, the lowest spread since the 'Iron Swords' war reflecting investors' ongoing strong confidence in Israel's economy.

Trading of Government Bonds on the Secondary Market

Trading in government bonds during 2025 was characterized by lower trading volumes across all channels compared with 2024. This occurred against the backdrop of the continued high interest rate environment, both in Israel and globally.

During 2025, yield curves were characterized by a downward trend in yields across the entire curve. The yield on Israel's 10-year nominal government bond stood at 3.95% at the end of 2025, compared with 4.48% at the end of 2024.

Israel's economic and fiscal landscape in 2025 continued to be marked by the broad implications of the "Iron Swords" war and Operation "Rising Lion". The government's financing needs remained elevated, requiring prudent, flexible, and responsible debt management in order to ensure the State's ability to finance its ongoing and extraordinary activities while maintaining long-term financial stability.

Even amidst the security-related uncertainty and the challenging financial environment, the Government Debt Management Unit worked throughout the year to preserve and further strengthen Israel's access to financial markets, both domestically and internationally. This activity was characterized by continuous adaptation to changing market conditions, alongside consistent implementation of the multi-year government debt management strategy. During 2025, total government debt issuance amounted to approximately NIS 207 billion, balancing three key objectives: efficient cash management, support for the liquidity and stability of the domestic government bond market, and the reduction of financing costs over the long term.

A major milestone in the Government Debt Management Unit's activity was achieved in January 2026, when the State raised $6 billion in a public offering of dollar-denominated bonds with maturities of 5, 10, and 30 years, reflecting a return to pre-war spread levels and generating an unprecedented $36 billion in demand. This built upon the successful milestone of February 2025, with the completion of a U.S. dollar-denominated bond issuance in the international markets totaling USD 5 billion, with maturities of 5 and 10 years. The offering was met with exceptionally strong demand, reflecting investor confidence in the State of Israel and its continued ability to raise funds successfully even under challenging conditions. This issuance, alongside ongoing activity in the domestic market, further reinforced Israel's standing as a reliable sovereign issuer with broad access to capital markets.

The State's ability to maintain wide access to diverse funding sources, while managing the debt portfolio in a professional, responsible, and flexible manner, serves as a testament to the resilience of the Israeli economy and the strong financial foundations built over many years. We would like to express our sincere appreciation to each and every member of the unit for their significant contribution to our activities and the results achieved. These achievements would not have been possible without the professional, dedicated, and intensive efforts of the employees of the Government Debt Management Unit, who work throughout the year with a deep commitment to securing the government's financing needs under optimal conditions. We would like to express our sincere appreciation to each and every member of the unit for their significant contribution to our activities and the results achieved.

Respectfully,

Gil Cohen

Senior Deputy Accountant General
Head of Finance Debt and Credit Division

David Erdfarb

Head of the Government Debt Management Unit

Macro-Economic and Market Review

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Macro and Markets Overview: a Debt Management Perspective

Israel

2025 was characterized as a year of recovery for the Israeli economy, during which the local economy demonstrated considerable resilience and exceptional performance. Following a period in which the Israeli economy faced the impacts of war, geopolitical uncertainty, and an increase in the risk premium, the trend reversed starting in late 2024 against the backdrop of the ceasefire in Lebanon. Throughout most of 2025, the economy showed an impressive recovery, alongside a gradual decline in the risk premium. This trend continued with greater vigor in the fourth quarter of the year, with the signing of the ceasefire agreement in Gaza, the return of the hostages, and the end of the combat phase. Operation “Rising Lion”, in the second quarter of 2025, negatively impacted the economy and GDP growth, but third quarter recovery was sharp, with an annualized quarterly growth rate of 12.3%.

Despite the war’s uncertainty, the Israeli economy grew in 2025 at an annual rate of 2.9%. The average unemployment rate in Israel in 2025 stood at 2.9%, a historic low despite the ongoing war, compared to 3.0% in 2024.

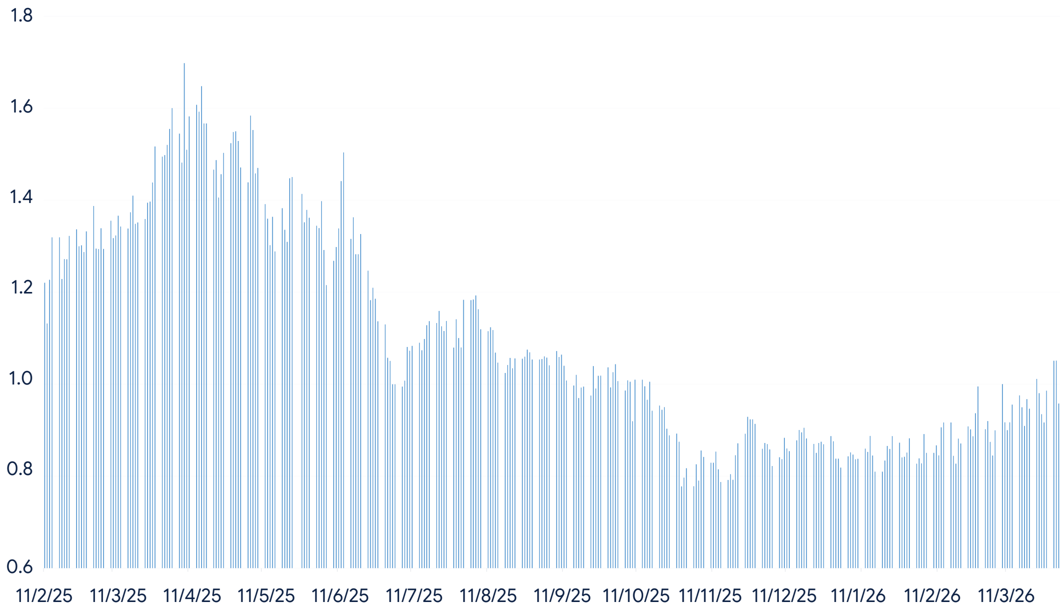
Inflation in Israel slowed significantly, reaching 2.6% in 2025, compared to 3.2% in 2024, thereby falling within the Bank of Israel's target range. In 2025, amid geopolitical uncertainty and concerns that inflation could rise above the target, the Bank of Israel left the interest rate unchanged until November, when it reduced it by 25 basis points (bps). In January 2026, following the ceasefire in Gaza and against the backdrop of declining geopolitical risks, inflation remaining within the target range, and moderating expectations for the year ahead, the Bank of Israel lowered the interest rate by an additional 25 bps to 4.0%.

Against the backdrop of the war, geopolitical uncertainty persisted throughout most of 2025. Starting in September 2024, Israel's risk premium, as measured by credit default swaps (CDS) and spreads on U.S. dollar-denominated government bonds, exhibited a gradual downward trend. This trend strengthened following the "Roaring Lion" operation in June 2025, and even more so after the ceasefire in Gaza in October 2025.

The 5-year CDS of the Israeli government, which stood at about 55 bps prior to the outbreak of the war, reached a peak of about 166 points in September 2024. At the beginning of 2025, the CDS stood at 90 bps and continued to moderate throughout the year. However, it experienced a temporary increase in April, reaching about 120 bps against the backdrop of the U.S. tariffs, which led to a rise in risk premiums worldwide. Similarly, in June 2025, following Operation "Rising Lion," the risk premium rose sharply to a peak of 122 bps; during and after the operation, it gradually resumed its downward trend. The ceasefire, in the fourth quarter of 2025, also supported the continued decline in the risk premium to levels like those observed prior to the war, such that at year-end, the 5-year CDS stood at about 66 bps. In March 2026, following the launch of Operation "Roaring Lion", the CDS spiked to 95.8 bps. However, it quickly retreated and, as of April, currently stands at 68 bps.

The yield spread of the 10-year U.S. dollar-denominated Israeli government bond over the corresponding U.S. Treasury bond exhibited a trend like that of the CDS. Prior to the war, the spread stood at approximately 85 bps and reached a peak of nearly 200 bps in August 2024. Following a moderation in the spread starting in September 2024, it stood at about 125 bps at the beginning of 2025. The yield spread rose sharply in April 2025 to 169 bps against the backdrop of the tariff plan announced by the U.S., returning to a gradual downward trend once the plan was suspended. In June 2025, during Operation "Rising Lion," there was another sharp increase to 150 bps. Following this the spread declined significantly throughout the remainder of the year, such that at the end of 2025, the spread stood at about 80 bps. At the beginning of 2026, due to tensions with Iran and the launch of Operation "Roaring Lion", the spread widened again to approximately 97 bps. As of April, the spread stands at roughly 90 bps.

Yield Spread of 10-Year Israeli USD Government Bond vs. US Treasury Bond



Following the downgrade of the Israeli government's credit rating by all three major rating agencies in 2024, amid the ongoing fighting and concerns over economic impacts, the rating was affirmed by Moody's and Fitch during 2025. It remained at Baa1 with a “negative” outlook at Moody's, and at A with a “negative” outlook at Fitch.

S&P upgraded its rating outlook in November, following the signing of the ceasefire agreement, from “negative” to “stable”. This update reflected the agency's view that the reduction in military escalation following the agreement mitigates immediate security risks to Israel. S&P further noted that the restraint in military activity is expected to support the continued recovery of the Israeli economy, highlighting the economy’s exceptional resilience to security shocks.

In January 2026, Moody's updated Israel's rating outlook from “negative” to “stable”, leaving the credit rating unchanged. The agency highlighted the resilience of the Israeli economy over the past two years and noted that, while the impact on the fiscal situation was significant, it remained under control. It also emphasized the decline in the risk premium as a reflection of investor confidence.

The shekel was primarily characterized by its strengthening against the dollar throughout 2025. It was influenced by security developments, U.S. stock indices, the dollar's global performance, and shifts in Israel's risk profile.

At the beginning of 2025, the exchange rate stood at 3.65 ILS per USD. Following the announcement of the U.S. tariff plan and a rise in global risk that diverted investors to safe-haven assets, the shekel weakened to 3.72 in April 2025, but resumed its strengthening immediately once the tariffs were suspended. With the start of Operation "Rising Lion", it moved to 3.62 ILS per USD, but resumed strengthening during the operation itself.

The shekel's appreciation continued gradually after the operation, supported by the ceasefire and the release of hostages. By the end of 2025, the exchange rate stood at 3.19 ILS per USD, a level not seen since February 2022. In 2026, the Shekel continues to strengthen, following the conclusion of Operation "Roaring Lion" and the ceasefire in April, it reached a new milestone, hitting an exchange value 3.00 ILS per USD, its strongest level since 1996.

On the fiscal front, the budget deficit in 2025 was approximately NIS 98.6 billion, or about 4.7% of GDP. This was lower than the initial 4.9% deficit ceiling, the subsequently adjusted 5.2% ceiling, and market forecasts. State revenues increased significantly and were higher than projected in the budget.

Global Economy

The year 2025 was characterized by a continued moderation of inflation rates worldwide:

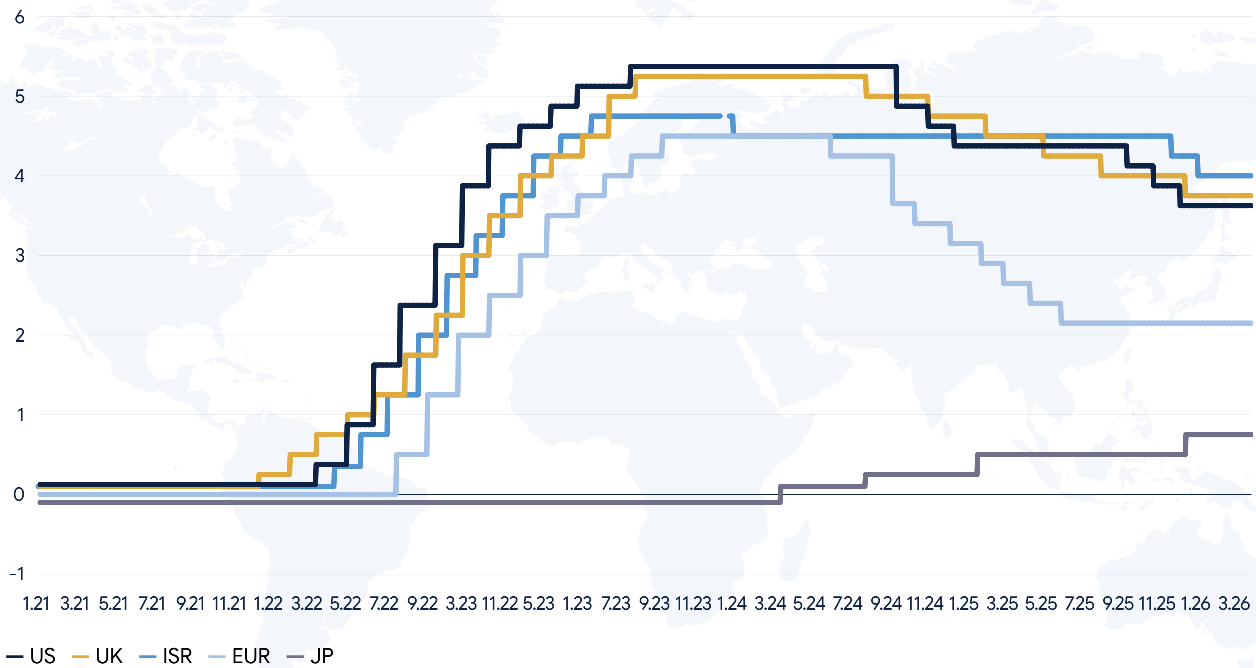
In the United States, the annual inflation rate moderated from 2.9% in 2024 to 2.7% in 2025.

In Europe, Annual inflation moderated sharply from 2.4% at the end of 2024 to 2.0% in December 2025. But in the United Kingdom, the annual inflation rate rose from 2.5% in December 2024 to 3.4% at the end of 2025.

Meanwhile, central banks continued the interest rate reduction cycles that began toward the end of 2024. The U.S. Federal Reserve, which lowered the rates three times in 2024, paused its rate cuts from the beginning of 2025 when the rate stood at 4.25%-4.50% until August. Starting in September 2025, the Fed lowered the rate three times by 25 bps each in September, October, and December. By the end of the year, the interest rate stood at 3.50%-3.75%.

In Europe, the European Central Bank lowered the interest rate four times during 2025, bringing it down from 3.15% in December 2024 to 2.15% at the end of 2025.

Central Bank Interest Rates



Global Markets

The year 2025 was characterized by a positive trend in the U.S. markets, albeit to a lesser extent compared to the previous year. In April, against the backdrop of the U.S.'s announced tariff plan, there were sharp declines of over 10% in the major indices. Following the announcement of the tariff suspension, the stock indices resumed their upward trajectory and recovered all the declines within a few weeks.

In the annual summary, The S&P 500 index rose by approximately 16% in 2025, and the Nasdaq ended the year with gains of about 20.4%.

The Euro Stoxx index rose by about 17%, and the German DAX index rose by 23%.

The major stock indices in Israel were characterized by exceptional outperformance compared to foreign indices. Overall, the major indices in Israel rose by an average of about 53% more than double the returns of the European indices and surpassing those of both the S&P 500 and the Nasdaq.

Yields on government bonds worldwide were characterized by volatility, alongside a sustained downward trend driven by the continued interest rate reduction cycle.

In the United States, The 10-year government bond yield stood at 4.57% at the beginning of the 2025. In April, following the U.S.'s imposition of tariffs and investors moving to risk-free assets, the yield fell to 3.99%, but quickly rebounded to 4.59%. Subsequently, against the backdrop of the ongoing monetary easing cycle and interest rate cuts, it resumed its decline, ending the year at 4.16%.

In Germany, The 10-year government bond traded at 2.36% at the beginning of 2025 and ended the year at 2.85%. It traded with volatility throughout the year due to the country's political situation and the government elections, which were moved forward by several months.

In Israel, The yield on the 10-year shekel government bond, which stood at 4.47% at the beginning of 2025, traded with volatility due to the ongoing war and reached a peak of 4.62% in June following Operation "Rising Lion". Starting in June 2025, against the backdrop of a declining risk premium, growing investor confidence, the return of hostages from Gaza, and the initiation of interest rate cuts by the Bank of Israel, yields began to fall. By the end of December 2025, the 10-year bond yield stood at 3.95%.

10-Year Shekel Bond Yields

Primary Market

16-23

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Issuances

Tradable Domestic Debt

Tradable domestic issuance is the State's primary funding channel. As an issuer, this channel offers the State convenient and continuous access to the capital market, even under conditions of uncertainty and dynamic financing needs. Additionally, this channel is strategic for the State as a sovereign, as it has built a foundation for financial markets, corporate financial instruments, loans, mortgages, derivatives, and more.

The domestic tradable debt strategy relies on three primary channels: shekel-denominated, CPI-linked, and floating-rate. Most issuances in 2025 were shekel-denominated (including short-term bonds with maturities of less than one year). They comprised roughly 62% of capital raised, compared to 30% through CPI-linked debt and 8% through the floating-rate channel.

Capital was raised in line with debt management policy, with the objectives of creating a liquid shekel curve and mitigating the overall exposure of public debt and interest payments to changes in the consumer price index.

The balance of domestic tradable debt in 2025 amounted to roughly NIS 868.1 billion, compared to NIS 779.9 billion in 2024.

62%

30%

8%

Primary Channels for Domestic Tradable Capital Financing:

Focus on Shekel-Denominated Issuances - Issuances of domestically tradable instruments are primarily shekel-denominated due to the debt portfolio's high exposure to the consumer price index (because of tradable debt instruments and include non-tradable bonds in the sums "Arad" bonds). At the end of 2025, CPI-linked tradable debt totaled roughly NIS 321.3 billion, constituting approximately 37% of public tradable debt.

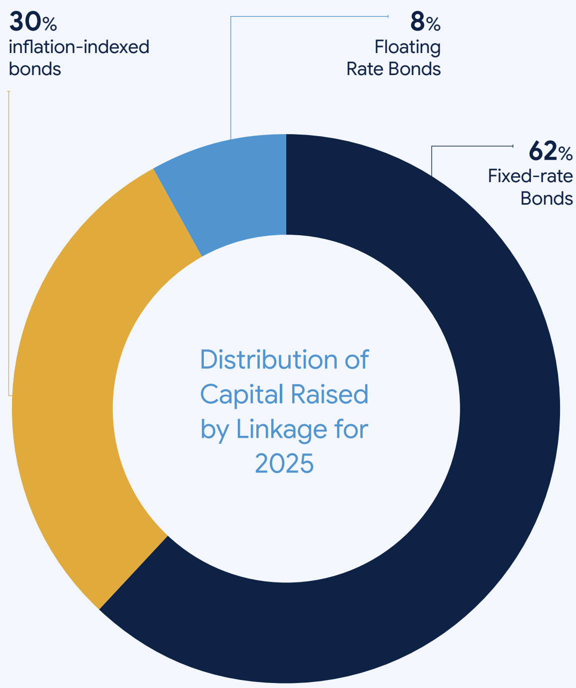
Support for the Inflation-Linked Curve - The GDMU issues tradable CPI-linked bonds in the domestic market as part of its policy to diversify funding sources and meet existing market demand for these instruments. Since October 2022, CPI-linked Arad bonds are no longer offered due to the "Ensuring Yield" reform (further details about this topic can be found in the Non-Tradable Funding chapter of the 2022 Annual Report).

Floating-Rate Bonds - The GDMU issues tradable floating-rate bonds in the domestic market, taking into account financing costs, risk distribution, diversification of funding sources, and increased flexibility in debt management.

Funding Policy

The capital-raising policy for 2025 was based on the strategic plan for public debt management. It utilized different financing channels, with adjustments as needed, aiming to adequately support the market and address the government's changing financing needs. Like previous years, the largest share of capital was raised through the issuance of tradable bonds in the domestic market, amounting to roughly NIS 175.5 billion, compared to NIS 219.8 billion and NIS 116.1 billion for 2024 and 2023, respectively. Net capital raised in the domestic market totaled roughly NIS 69.1 billion, compared to NIS 146.9 billion in 2024.

The timing of issuances and the amounts raised throughout the year are determined based on the monthly deficit and cash position. The average maturity of borrowings stood at 8.5 years, compared to an average maturity of 8.6 years over the ten-year period prior to 2025.



Issuing Tools

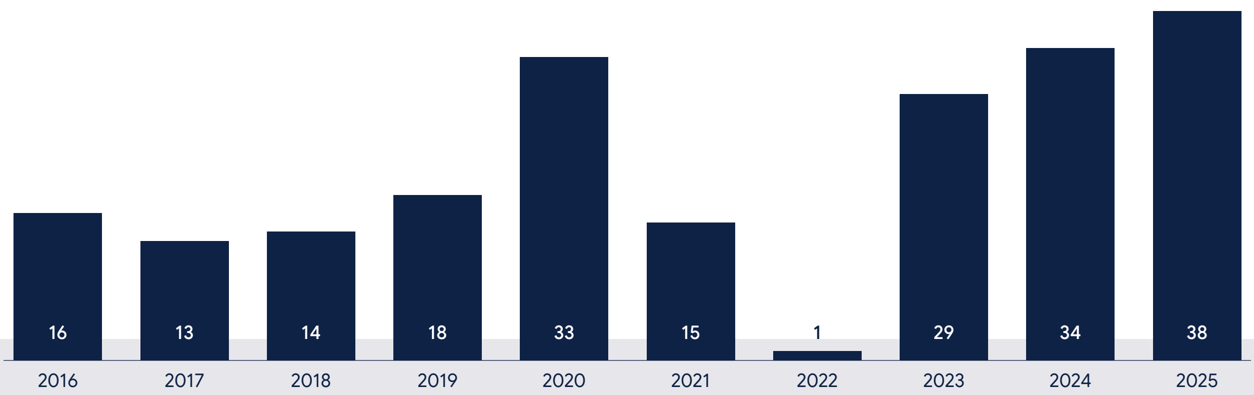
Funding is executed via weekly auctions and other tools to implement the long-term strategy and dynamically manage government liquidity.

Below are the primary tools utilized in addition to weekly tender offerings:

⟶ Switch Auctions

Following a significant rise in financing needs in 2025, more capital was raised through switch auctions, amounting to roughly NIS 38 billion, compared to about NIS 33.7 billion in 2024. Over the past three years, an average of approximately 20% of all domestic tradable securities was issued through this mechanism.

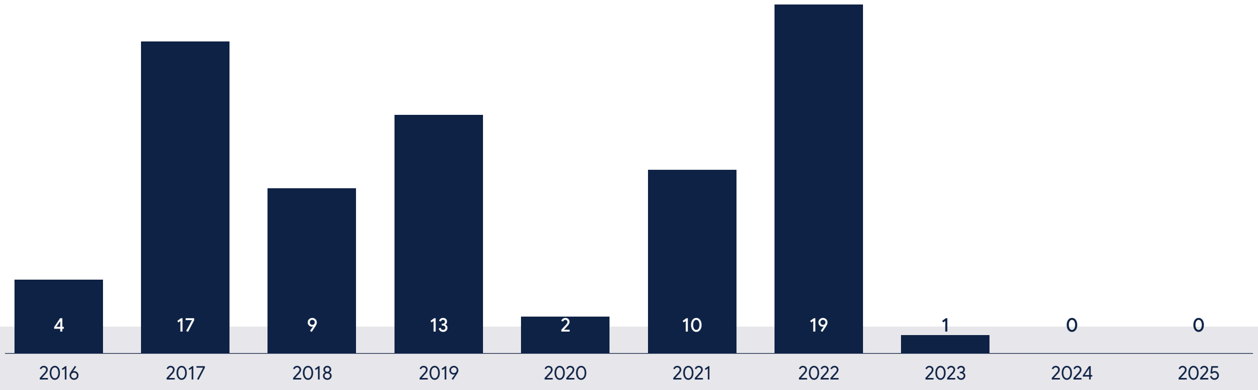
The graph below illustrates switch auctions sizes over the past decade:



→ Buyback Auctions

In 2025, no buybacks were executed due to increased financing needs, as in 2024.

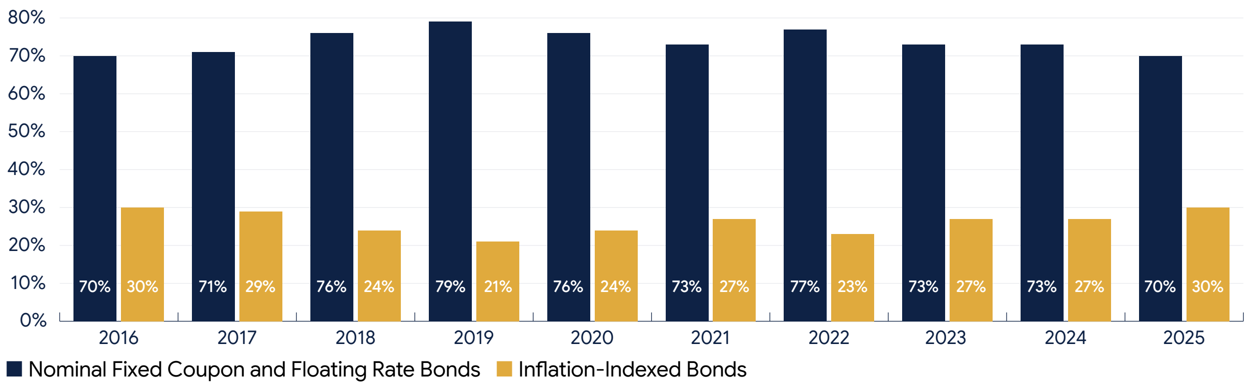
The graph below illustrates buyback auction sizes over the past decade:



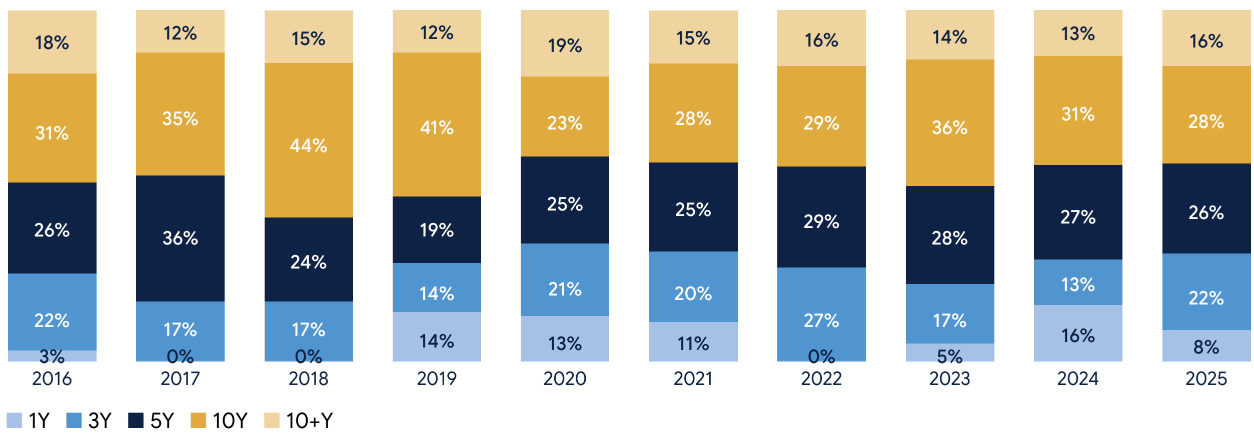
Tradable Securities Issued on the Domestic Market in 2025:

In 2025, capital was raised through ongoing and switch auctions. Most issuances in 2025 served to expand existing series (tapping). In addition to expanding existing series, seven new bonds were issued during the year - two Shekel bonds (3 and 10 year maturities), two CPI-linked bond (5 and 30 year maturities), and three short-term bonds.

The following graph illustrates the distribution of issuances by shekel-denominated and CPI-linked channels. This distribution indicates that the shekel-denominated channel constituted the majority of capital raised over the years, in accordance with the policy of the GDMU.



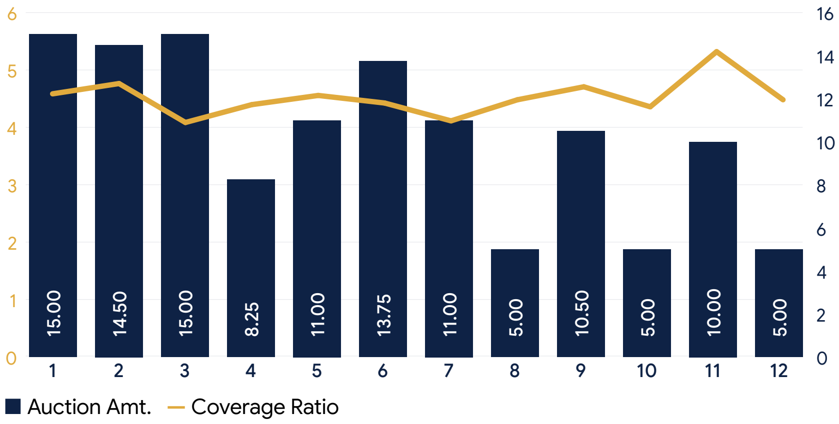
Domestic tradable debt is issued through short-term securities and benchmark maturities of 3, 5, 10, 20, and 30 years. The following graph illustrates the distribution of funding by term to maturity.



Coverage Ratio

The following graph illustrates the weighted average coverage ratio and the monthly amount issued.

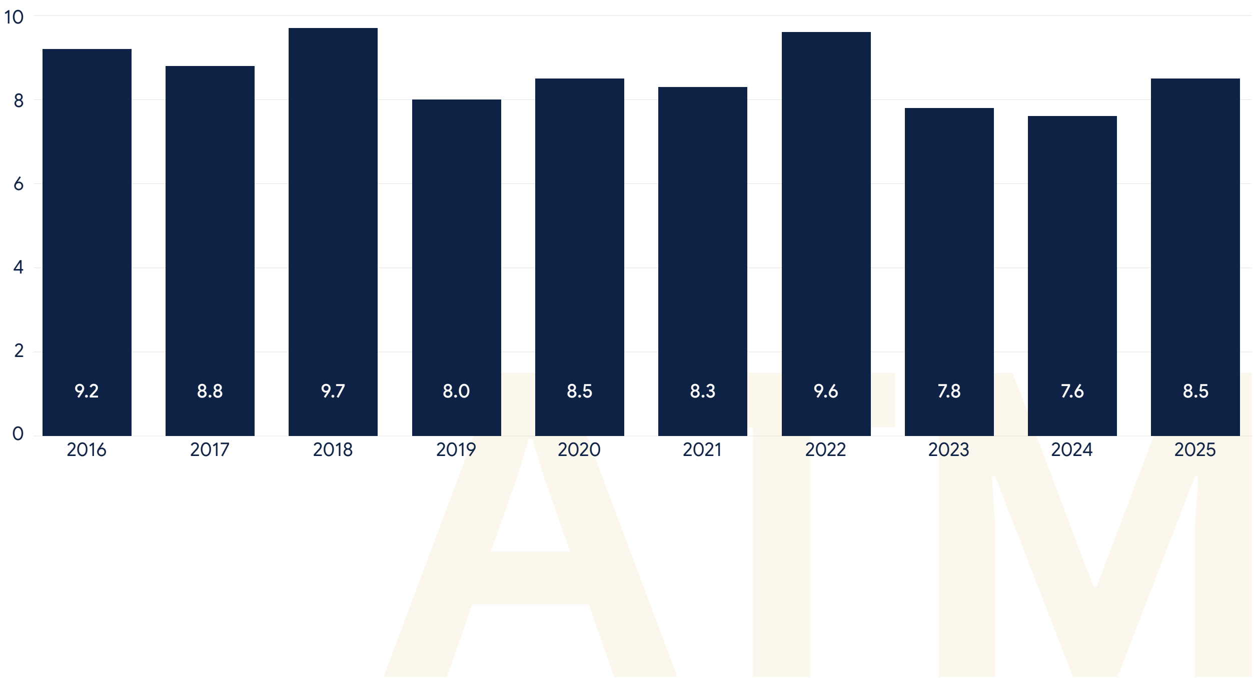
Coverage Ratio and Auction Amount in 2025



The average coverage ratio for 2025 was roughly 4.5, compared to an average of 4.2 in 2024, and 4.8 over the past decade.

The following graph illustrates the average time to maturity (ATM) of the government's funding. The calculation is based on fundraising in shekel terms and in accordance with the maturity range at the time of issuance. The ATM of capital raised in 2025 was 8.5 years.

Average Maturity of Capital Raised.



Global Markets

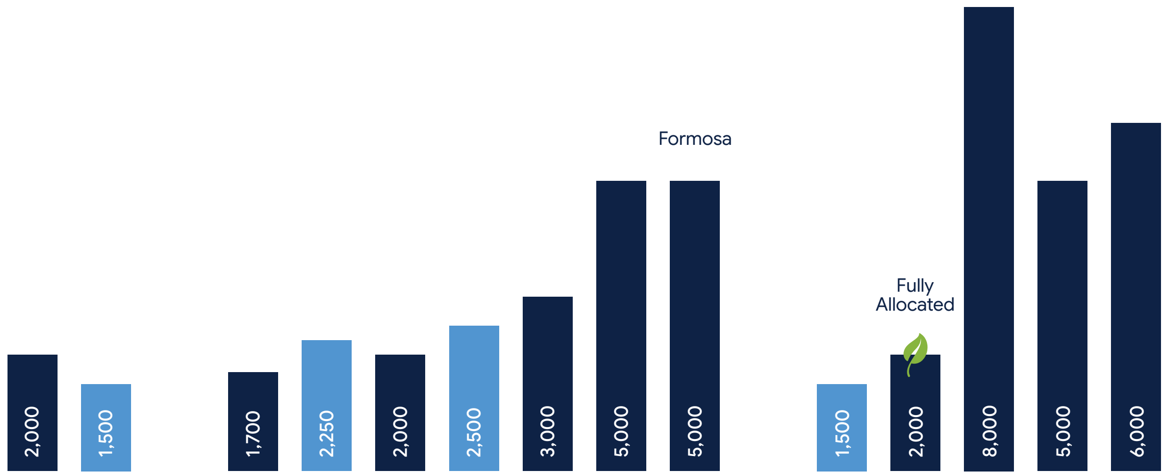
As of the end of 2025, the total stock of global debt amounted to approximately NIS 200 billion, compared to roughly NIS 203 billion at the end of 2024. This decrease is primarily due to changes in the exchange rate and the strengthening of the Shekel in the second half of the year. The global debt portfolio is comprised of public bonds, private placements, debt issuances through the Israel Bonds Organization, past offerings guaranteed by the government of the United States, and other loans.

Sovereign Issuances

Between 1995 and 2025, the State of Israel issued 27 sovereign bonds in the global debt capital markets, including in the United States, Europe, Taiwan, and Japan. Over the past decade, the size of global issuances has been trending upward, driven by the Debt Management Unit's policy favoring benchmark series due to increased financing needs, among other factors.

As of the end of 2025, the stock of sovereign bonds issued in foreign currencies amounted to roughly NIS 172 billion, compared to roughly NIS 171 billion at the end of 2024.

Global Public Issuances (USD/EUR Millions)



	2013	2014	2015	2016	2017	2018	2019	1/20	3/20	4/20	2021	2022	2023	2024	2025	2026
Currency	דולר	אירו		דולר	אירו	דולר	אירו	דולר	דולר	דולר	דולר	אירו	דולר	דולר	דולר	דולר
Maturity	10Y 30Y	10Y		10Y 30Y	10Y 20Y	10Y 30Y	10Y 30Y	10Y 30Y	10Y 30Y 100Y	40Y	5Y 10Y 30Y	10Y	10Y	5Y 10Y 30Y	5Y 10Y	5Y 10Y 30Y

$ Issuances in USD € Issuances in EUR

Global Public Offering - February 2025

In light of the high financing needs resulting from the "Iron Swords" war, the State of Israel conducted a public offering in February 2025 of dollar-denominated bonds in international markets totaling $5 billion. The offering consisted of two tranches: a 5-year maturity of $2.5 billion, with a yield of 5.573%, reflecting a spread of 120 basis points above the yield of U.S. government bonds of similar maturity and a 10-year tranche of $2.5 billion, with a yield of 5.891%, reflecting a spread of 135 basis points. This offering recorded high demand with 4.6 times more than the amount issued.

Global Public Offerings - January 2026

In January 2026, the State of Israel issued dollar-denominated bonds through a public offering in international markets. The bonds were issued with 5-,10-year and 30-year maturities, totaling USD 6 billion. The spreads above the yields of the relevant benchmark U.S. Treasury rates were 90, 100 and 125 basis points, respectively. High Demand for these offerings reached a level of approximately USD 36 billion -6 times more than the amount issued refelcting strong investor interest similarly to the coverage ratio in the green bond issuance in 2023.

2026

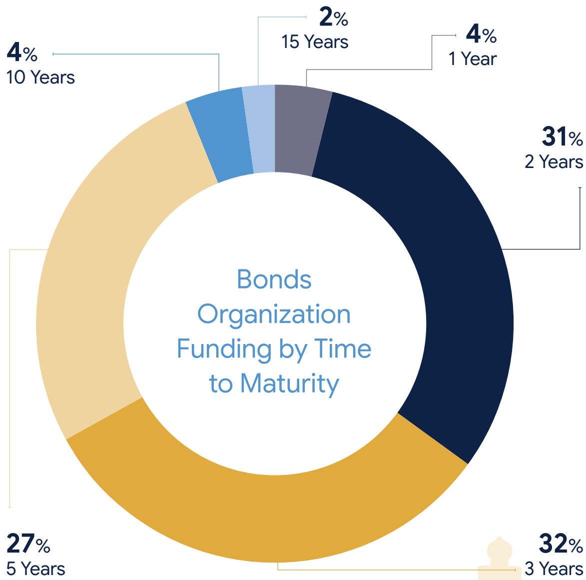
Private Placements

Due to the increased financing needs, since the beginning of the war 21 private placements were executed, denominated in euro, dollar, and brazilian real, raising roughly a net amount of NIS 39 billion. No private placements were executed in 2025.

Issuances through the Israel Bonds Organization

In 2025, Israel Bonds raised roughly USD 2.4 billion, following approximately USD 2.5 billion in 2024.

As of the end of 2025, the total stock of debt raised through Israel Bonds is approximately USD 7.5 billion, compared to USD 7.3 billion at the end of 2024.



United States Government Guarantees

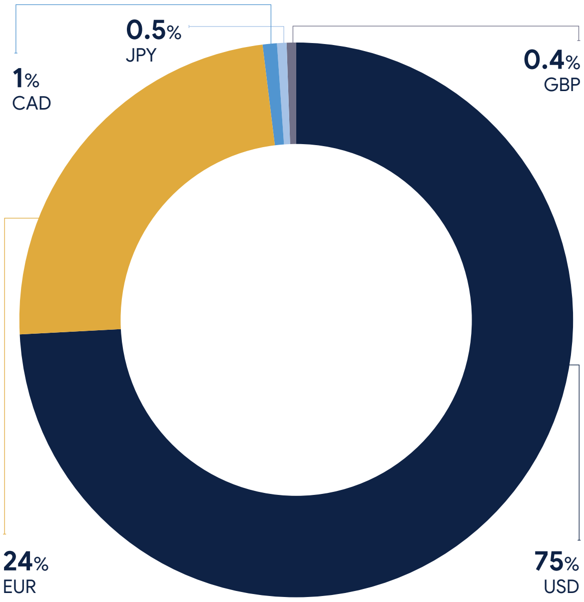
Under the guarantee program, in the years 2003- 2004, the State of Israel issued bonds with a par value of USD 4.1 billion. The Israeli government has not utilized the guarantee program since November 2004. As of the end of 2024, the balance available for use under the program is USD 3.8 billion.

The stock of bonds guaranteed by the U.S. government, as of the end of 2025, stands at roughly NIS 2.26 billion, compared to roughly NIS 4.09 billion at the end of 2024.

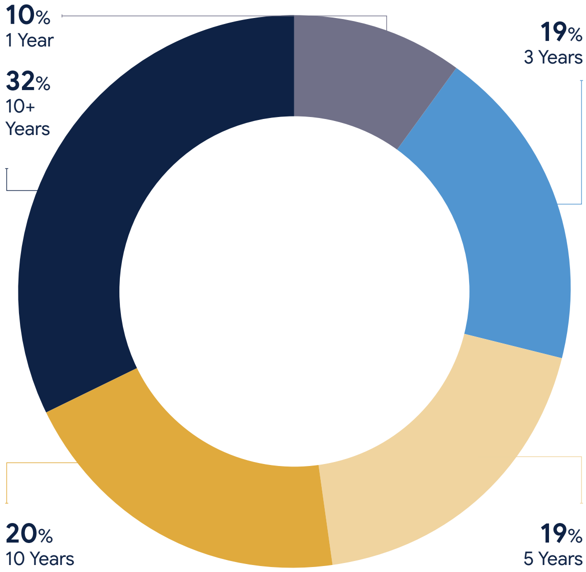
Loans from Foreign Governments and Other Loans

There is a balance of nontradable foreign currency debt consisting of bonds to foreign governments, international institutions, foreign banks, and bi-national funds. As of the end of 2025, this balance amounted to roughly NIS 1.05 billion, compared to NIS 1.24 billion at the end of 2024. It constitutes about 0.5% of the total foreign currency debt.

Debt Portfolio by Currency (%)



External Market Debt Portfolio by Maturity - Principal Only (%)



The State of Israel's Credit Rating

	Moody's	S&P	Fitch
Rating	Baa1	A	A
Outlook	Stable	Stable	Negative

Due to the rise in uncertainty in Israel following the outbreak of the "Iron Swords" war and the intensification of geopolitical risks in the region, credit rating agencies decided to review the State of Israel's credit rating. At the end of 2023, two of the three agencies, Moody's and Fitch, placed Israel on "Negative Watch," while not changing the credit rating. Despite continued fighting across multiple fronts, the rating agencies noted Israel's deep market access, strong external accounts, and the overall resilience of the Israeli economy as positive factors. However, the agencies expressed concern that an escalation of the conflict, particularly a scenario involving a broad confrontation with Iran, would place a burden the public finances. By the end of 2024 the credit rating of the State of Israel stood at "Baa1" with a "Negative" outlook according to Moody's, and "A" with a "Negative" outlook according to both Fitch and S&P.

In light of the ceasefire with Hamas, in January 2025, all three credit rating agencies issued statements regarding the potential positive impact on Israel's credit profile, provided the ceasefire was maintained. In March 2025, Fitch reaffirmed Israel's ratings at "A" with a "Negative" outlook. Similarly, in May 2025, S&P reaffirmed Israel's rating at "A" with a "Negative" outlook. Following the end of Operation "Rising Lion" in June 2025, the three credit rating agencies published reviews regarding the potential positive effects on Israel's credit profile, should the ceasefire with Iran be maintained. In July 2025, Moody's reaffirmed Israel's credit rating, with a “Negative” Outlook.

The credit rating agencies S&P and Moody's raised Israel's outlook from "Negative" to "Stable" in November 2025 and January 2026, respectively. These outlook upgrades followed the strengthening of Israel's economy after Operation "Rising Lion" and the ceasefire with Hamas, which led to the release of all hostages and serves as a basis for negotiations toward a stable agreement. The agencies further noted that Israel's economy demonstrated exceptional resilience to shocks, and that 2026 is expected to be a year of economic recovery. Due to Operation "Roaring Lion" and the conflict with Hezbollah, in March 2026 the credit rating agency Fitch reaffirmed Israel's credit rating at "A" with a "Negative" outlook.

Rating Agencies on Israel

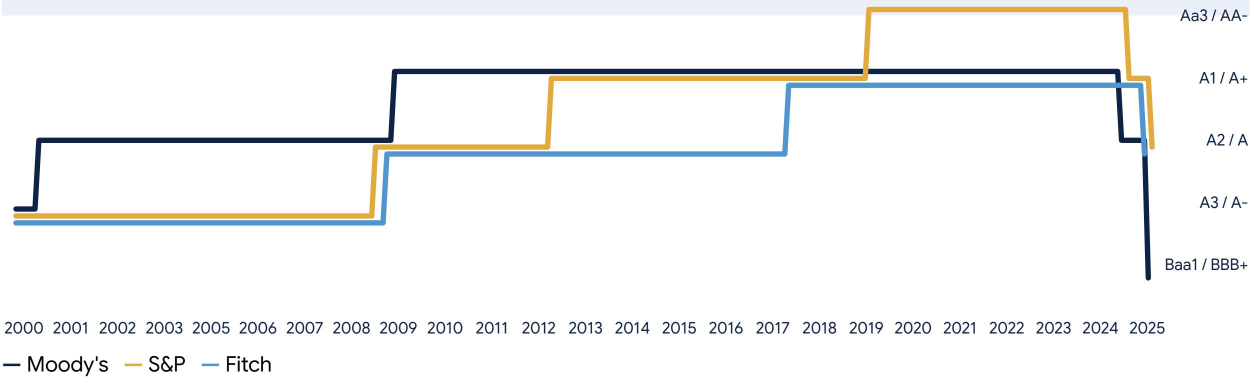
→ Strengths

- Diverse economy that is financially robust, high added value
- Strong external accounts
- Flexible monetary policy and deep domestic markets
- Top-tier access to capital markets, both domestically and globally

→ Challenges

- Lacking political stability, which can negatively impact policymaking
- Increased geopolitical risk - both domestic security risk and regional geopolitical risk - is expected to continue to limit Israel's credit rating
- Relatively high government debt-to-GDP ratio
- Substantial income and education gaps between different population groups and demographic changes are likely to hinder the growth potential of Israel in the long term

Development of Israel's Credit Rating



Secondary Market

26-28

04

Secondary Market

Market Making in Government Bonds

The market making reform came into effect in 2006, and its goals include developing a competitive and efficient government bond market, the entry of international investors, increasing demand and reducing financing costs.

Primary dealers are required to meet obligations in the primary and secondary market, and in return are entitled to benefits such as: exclusive issuances, green-shoe allocations, the lending facility, and the right to participate as a counterparty in hedging transactions.

In 2025, there were 12 Primary dealers in government bonds, seven of which were international banks.

Primary Market Rankings for 2025

The ranking of Primary Dealers in the primary market is based on the volume of purchases in tenders. The ranking is calculated on a quarterly and annual basis.

Secondary Market Rankings for 2025

The secondary market rankings are based on trading data and quotes on MTS, for both CPI-indexed bonds and nominal bonds. The rankings are calculated on a weekly, monthly, quarterly, and annual basis. Based on the weekly rankings, the rates of Green-Shoe to which primary dealers are entitled are determined.

	Yearly primary market ranking	sha	cpi
1	Bank Leumi	Bank Leumi	Bank Leumi
2	Goldman Sachs International	Bank Hapoalim	Bank Hapoalim
3	Bank Hapoalim	Mizrahi Tefahot	Mizrahi Tefahot
4	Israel Discount Bank	Barclays Capital	Merrill Lynch International
5	Citibank	Deutsche Bank	Deutsche Bank
6	Merrill Lynch International	Jp Morgan Securities	Barclays Capital
7	Deutsche Bank	Merrill Lynch International	Jp Morgan Securities
8	Jp Morgan Securities	Israel Discount Bank	Goldman Sachs International
9	Barclays Capital	Goldman Sachs International	Israel Discount Bank
10	Mizrahi Tefahot	Citibank	Citibank
11	Bnp Paribas	Bnp Paribas	First International Bank Of
12	First International Bank Of	First International Bank Of	Bnp Paribas

Trading Volumes

Trading in government bonds takes place in several parallel trading arenas: the Tel Aviv Stock Exchange, MTS (a designated trading platform for Primary Dealers) and over-the-counter (OTC) trading.

In 2025, the government bond market recorded a moderate decline in trading volumes compared with 2024, due to the continue high-interest-rate environment in Israel and abroad. During the year, global market volatility eased somewhat, as the inflationary risks that had emerged following the 2024 U.S. presidential election began to stabilize and markets gradually priced in the expected economic policy measures.

On the domestic front, the market continued to deal with the fiscal and macroeconomic repercussions of the “Iron Swords” war. However, a decline in Israel’s risk premium was observed, alongside reduced volatility, a partial recovery in demand, and lower uncertainty relative to 2024. This combination resulted in lower trading volumes although they remained relatively high compared with pre-war levels.

The average daily trading volume of government bonds on the TASE was NIS 3.5 billion, compared to an average of NIS 3.55 billion in 2024. The total trading volume on TASE amounted to NIS 838.1 billion in 2025, compared to NIS 854 billion in 2024. On MTS, 2025 trading volume declined to about NIS 37 billion, compared to in 2024 NIS 39 billion. OTC trading also declined to NIS 106 billion, compared to NIS 144 billion in 2024.

The following is the distribution of trading volumes between the various trading platforms:

TASE
(2024 - 78.5%)
83.0%

MTS
(2024 - 4.6%)
4.4%

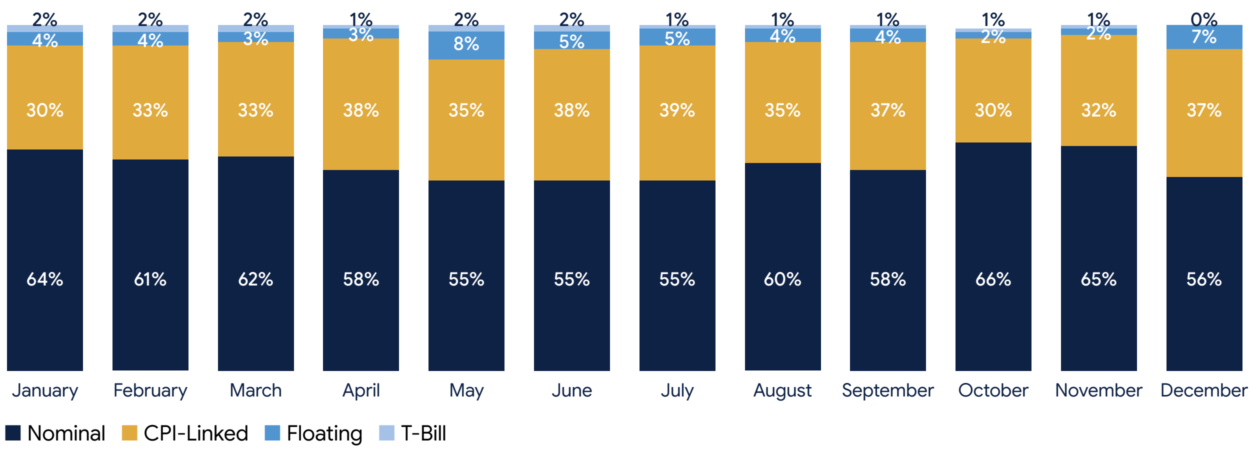
OTC Transactions
(2024 - 16.9%)
12.6%

Distribution of trading in the various channels

As in previous years, trading in government bonds in 2025 was concentrated in the nominal segment (which is not CPI-Linked). The distribution across the various segments in all trading arenas:

Nominal: 59.5% of trading (2024: 66.6%); **CPI-Linked:** 34.8% (2024: 27.0%); **Variable Interest Rate:** 4.4% (2024: 3.4%); **Short Term Bond:** 1.3% (2024: 3.0%)

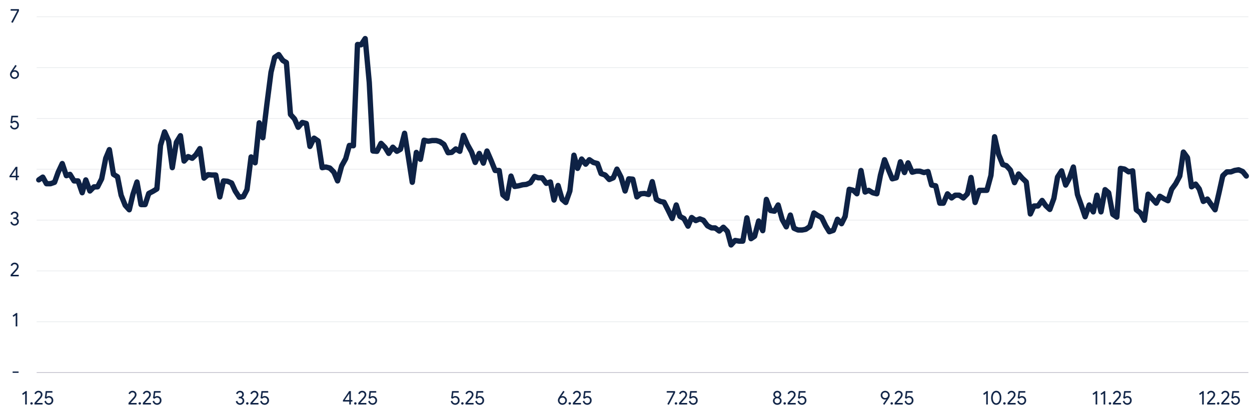
Breakdown of Trading Turnover in Different Segments



The Lending Facility

In 2025, the Lending Facility balance ranged between NIS 2.5 billion and NIS 6.5 billion (the market value of the borrowed bonds).

Borrowing (NIS, millions)



Distribution of Holdings of Tradable Government Bonds

Notable Figures:

33.5%

The share of holdings by pension funds and provident funds was about 33.5% at the end of 2025, compared to 34.9% at the end of 2024.

9.9%

The share of holdings by foreign investors was about 9.9% at the end of 2025, compared to 9.6% at the end of 2024.

7.7%

The Bank of Israel's holding rate declined to about 7.7% percent, compared with about 9% percent in 2024..

Debt Portfolio

30-38

05

Debt Portfolio

Government Debt

At the end of 2025, the government debt portfolio amounted to roughly NIS 1,416 billion, compared to roughly NIS 1,329 billion at the end of 2024, marking an estimated 6.5% increase in the debt portfolio.

In 2025, the amount of capital raised in government debt offerings stood at roughly NIS 207 billion in 2025, compared to roughly NIS 278 billion in 2024. The capital raised in 2025 included roughly NIS 175 billion in tradable domestic debt, roughly NIS 26 billion in external debt, and roughly NIS 6 billion in non-tradable domestic debt.

Issuances in the tradable domestic market during 2025 constituted roughly 85% of the annual capital raised, compared to roughly 79% in 2024. As of the end of 2025, the tradable domestic debt outstanding comprises roughly 61% of the government's debt portfolio.

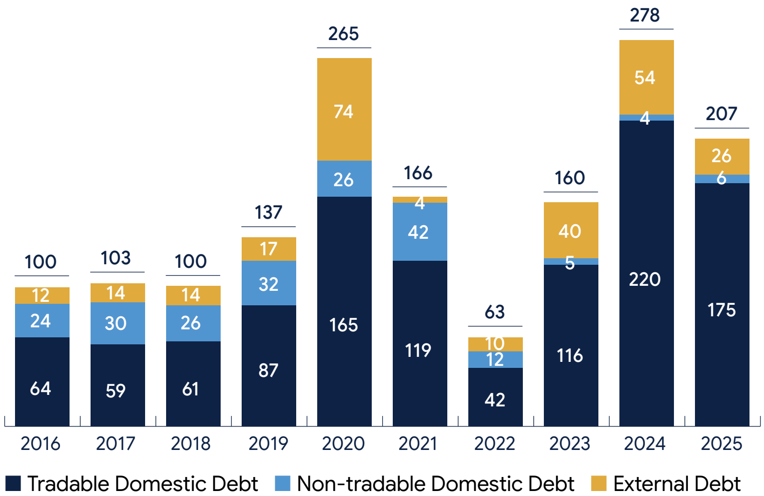
Issuances in external markets during 2025 constituted about 12% of the annual capital raised, compared to about 19% in 2024. Out of about NIS 26 billion raised in this channel during 2025, roughly NIS 17.4 billion were raised in public debt offerings, in February 2025, benchmark offerings of US dollar-denominated bonds with 5 and 10-year maturities were issued. In addition, capital raising via the Israel Bonds Organization amounted to roughly NIS 8.3 billion. At the close of 2025, external debt outstanding accounted for roughly 14% of the total government debt.

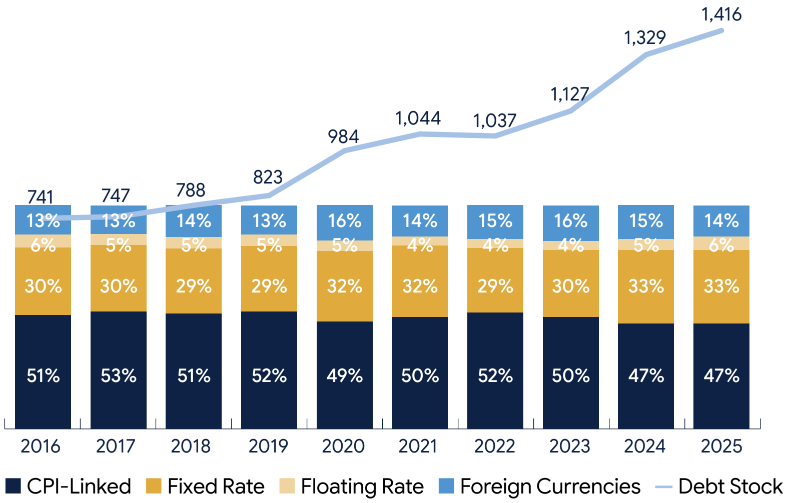
Offerings of CPI-linked debt are issued through tradable and non-tradable domestic instruments. During 2025, following the reform ending designated bond issuances, non-tradable domestic issuances, all of which are CPI-linked, constituted just 3% of total government debt issuance, compared to 2% during 2024. This channel of capital raising amounted to roughly NIS 5.7 billion.

Issuances of CPI-linked tradable domestic debt amounted to roughly NIS 53 billion and constituted around 26% of the total government debt issuance in 2025, compared to roughly 21% in 2024.

In 2025, the rate of CPI-linked debt stock stood at roughly 47%, Similar to 2024, despite a 2.4% annual rate of inflation. This stability is attributable to the net positive increase in issuing of non-CPI-linked debt compared to CPI-linked debt.

Total Government Issuances and Distribution Across Channels, 2016-2025 (NIS Billion)



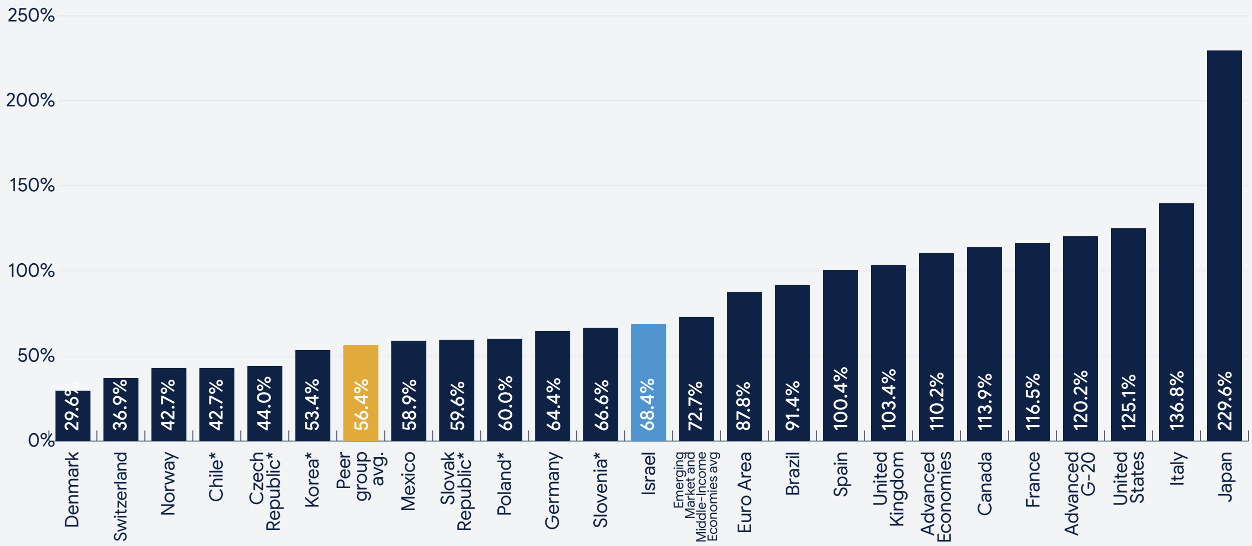


Total Government Issuances and Distribution Across Channels, 2016-2025 (NIS Billion) ›

Debt-to-GDP Ratio

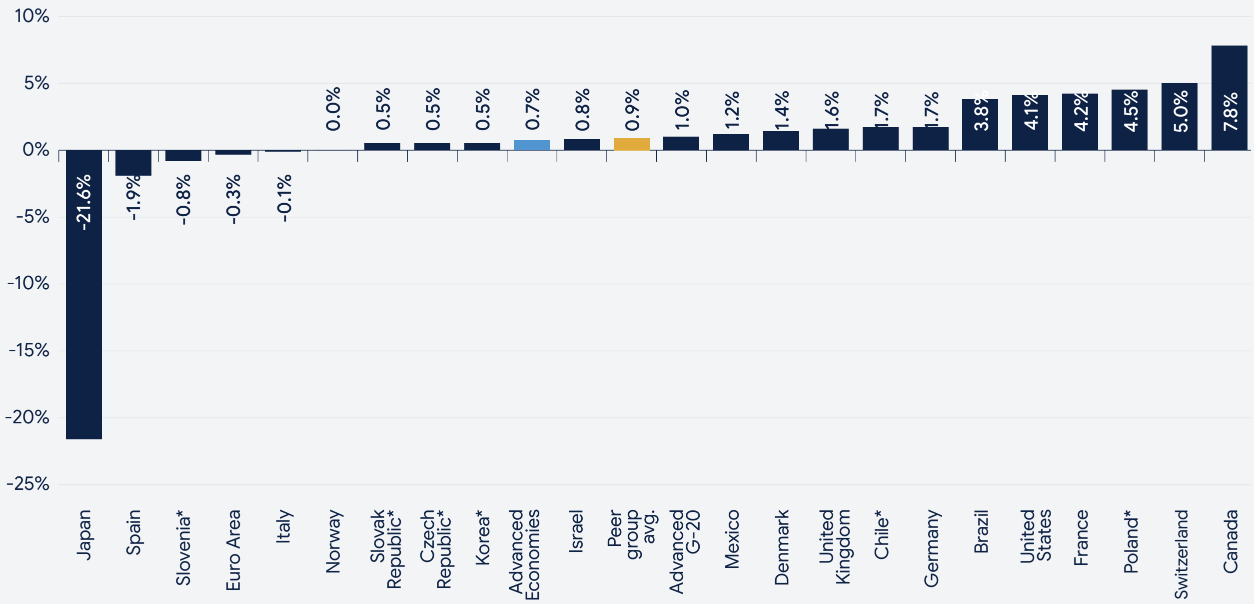
In the decade leading up to the COVID-19 pandemic, the debt-to-GDP ratio was on a downward trend due to responsible fiscal policy and efficient debt management, among other factors. In 2025, the continued heightened financial needs of the government following the continuation of the “Iron Swords” war, which led to an increase in the debt-to-GDP ratio compared to 2024. In 2025, the government debt-to-GDP ratio increased by roughly 0.8% compared to 2024, amounting to roughly 67.1%. The public debt-to-GDP ratio increased by approximately 0.7%, reaching roughly 68.4%.

Public Debt to GDP Ratio, 2025



Source: Ministry of Finance and Bank of Israel, other countries: Fiscal Monitor, October 2025

Change in Public Debt to GDP Ratio, 2024-2025



Source: Ministry of Finance and Bank of Israel, other countries: Fiscal Monitor, October 2025

The graphs above indicate the debt-to-GDP ratio of public debt for 2025 rose by approximately 0.7%, which is lower than the average increase of the peer countries. While the public debt-to-GDP ratio level is above the peer group average, it remains low in comparison to the advanced economies average level and to the Euro area average level.

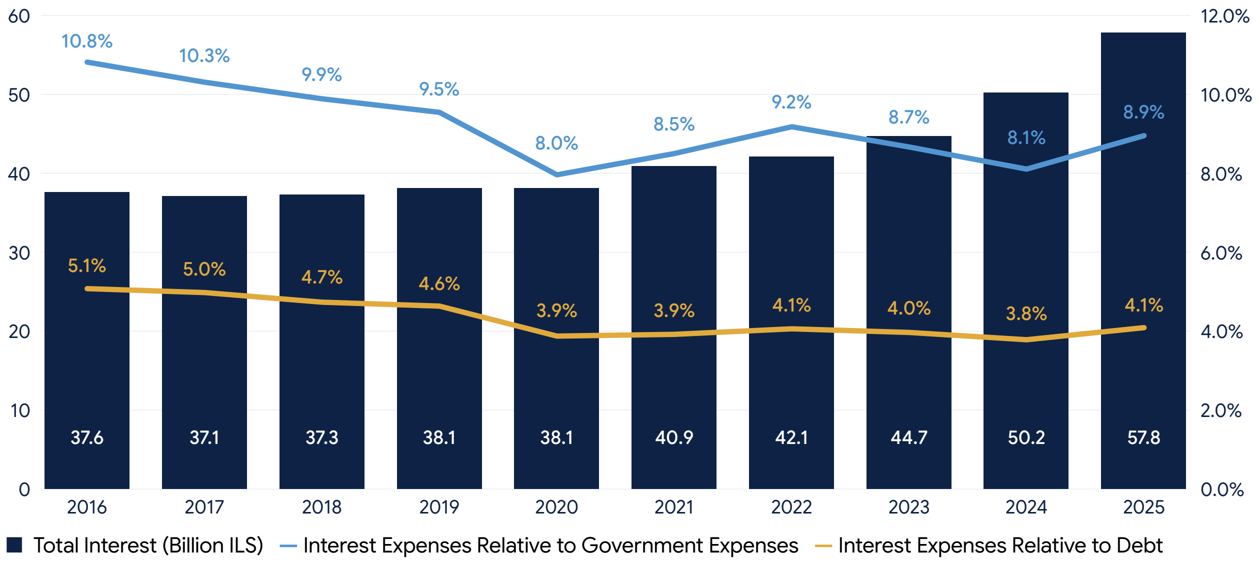
*Peer countries

Interest Expenses

Interest expenses in 2025 amounted to roughly NIS 57.8 billion, compared to roughly NIS 50.2 billion in 2024. Government expenses in 2025 amounted to approximately NIS 650 billion, compared to about NIS 621 billion in 2024. The proportion of interest expenses stood at roughly 8.9% of total government expenditures, compared to roughly 8.1% in 2024.

Interest expenses as a percent of Government Debt, has been on a downward trajectory over the past decade. It fell from roughly 5.1% in 2016 to about 4.1% in 2025.

Interest Expenses Relative to Government Debt and Government Expenditures, 2016-2025



Interest Expenses of each channel

Tradable Domestic Channel: Interest expenses increased by roughly NIS 5.2 billion, from NIS 14.4 billion to NIS 19.6 billion. The interest expense rate as a percentage of the total tradable domestic debt increased from 1.8% to 2.3%, mainly reflecting refinancing of maturing debt at higher interest rates.

Non-Tradable domestic Channel: Interest expenses increased by roughly NIS 0.2 billion, from NIS 16.6 billion to NIS 16.8 billion. The interest expense rate as a percentage of total non-tradable domestic debt stands at 4.8% same as in 2024. In 2025, approximately NIS 14.6 billion was estimated as the subsidy for Yield Guaranteed to pension funds and insurance companies.

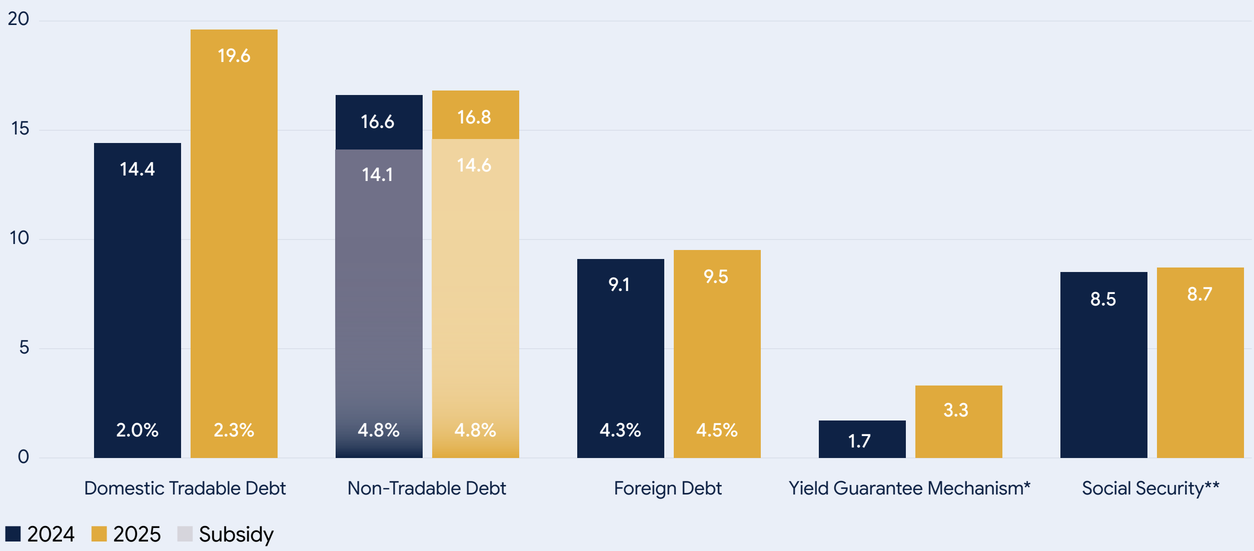
External Channel: Interest expenses increased by roughly NIS 0.4 billion, from NIS 9.1 billion to NIS 9.5 billion. The interest expense rate as a percentage of the total external debt increased from 4.5% to 4.7%.

Yield Guarantee Mechanism: The budgetary provision for the guarantee of yields from pension funds, amounted to roughly NIS 3.3 billion.

National Insurance: interest expenses increased by NIS 0.2 billion, from roughly NIS 8.5 billion to about NIS 8.7 billion.

The graph below compares interest expenses between 2024 and 2025, for every channel, relative to the debt portfolio of each channel.

Total Interest Expenses, and Interest Expense-to-Debt Ratio, Distribution by Channel 2024-2025



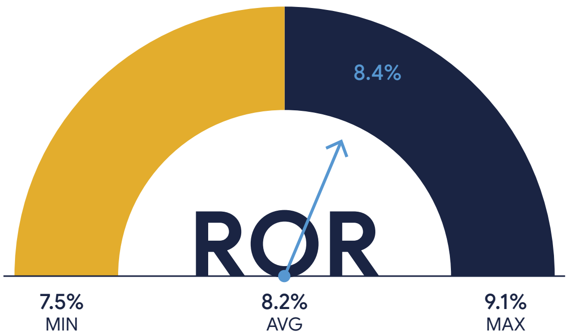
*Budgetary allocation for a designated fund in accordance with the amendment to the Financial Services Supervision Act (Provident Funds), 2025.

**The National Insurance debt is not recognized as government debt because the state does not issue debt instruments to cover it. Nevertheless, this debt is accounted for in the State budget and in subject to fiscal regulations.

Government Debt Risk Management

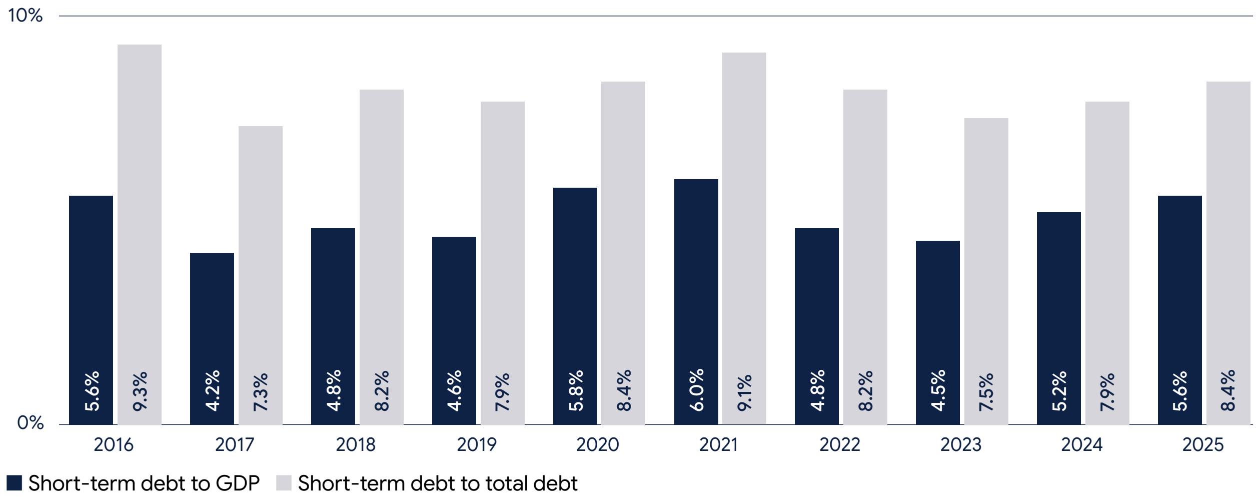
1. Refinancing Risk

→ ROR Index (Roll Over Ratio)



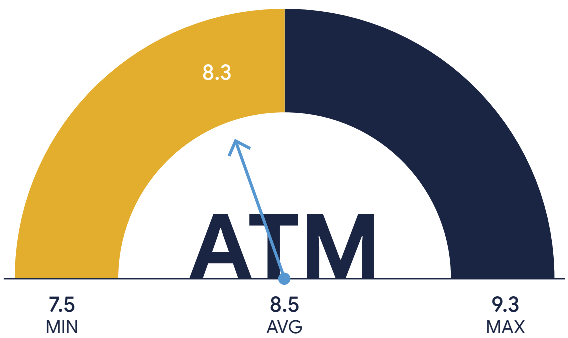
Debt issuance over the past year was characterized by a shorter ATM compared to 2024. As such, the RoR in 2025 amounted to roughly 8.4% compared to 7.9% in 2024, within target range of 8% to 12%. Furthermore, the ratio of short-term debt-to-GDP was higher than 2024, amounting to 5.6% in 2025 compared to 5.2% in 2024.

Ratio of Short-Term Government Debt to Total Debt and to GDP for 2024-2025 (%)

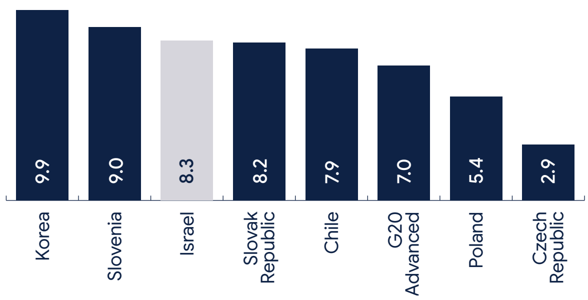


→ Average Time to Maturity (ATM)

As of the end of 2025, the ATM decreased to 8.3 years from 8.7 years at the end of 2024. The debt issuance strategy in recent years sought to gradually extend the ATM of the government debt maturities to around 9 years, as well as maintain the targeted ROR range as indicated above.



International Comparisons of ATM

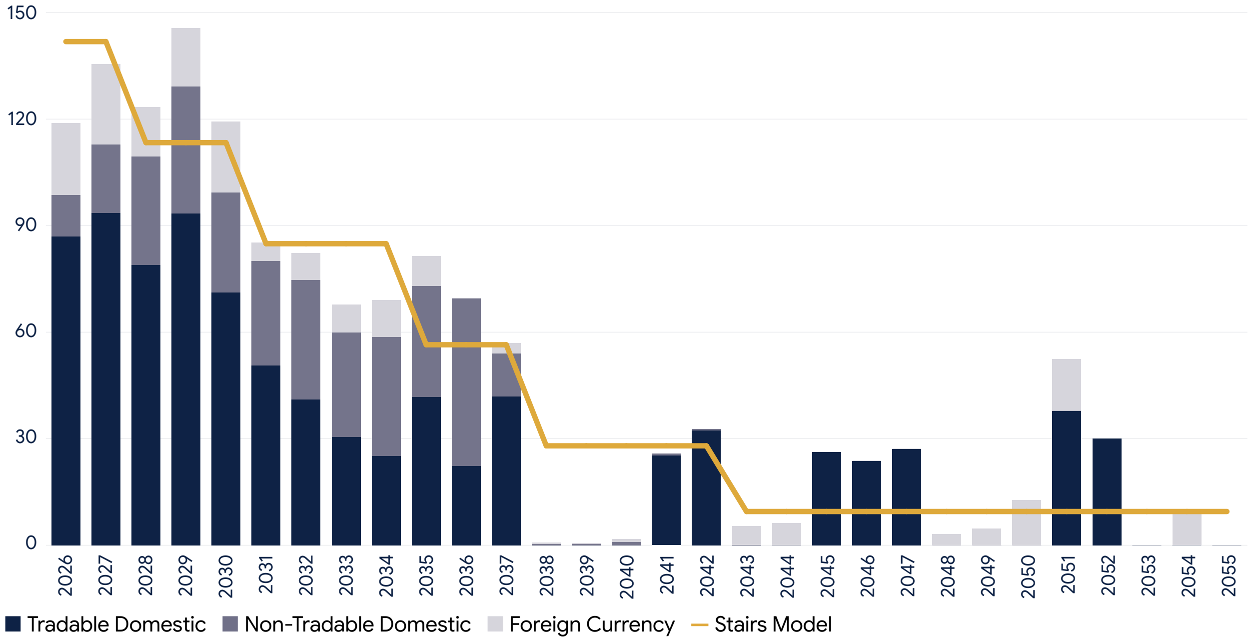


In a comparative analysis among relevant countries, the debt portfolio's ATM is situated between peer countries and is higher than the benchmark for developed economies[1].

[1] Source: The Ministry of Finance ant the Bank of Israel, for the others countries - Fiscal Monitor, October 2025.

Several models are used to manage refinancing risk:

a. Issuance Framework (Stairs) - The "GDMU" implements a long-term strategy in domestic and external tradable debt through the stairs model.



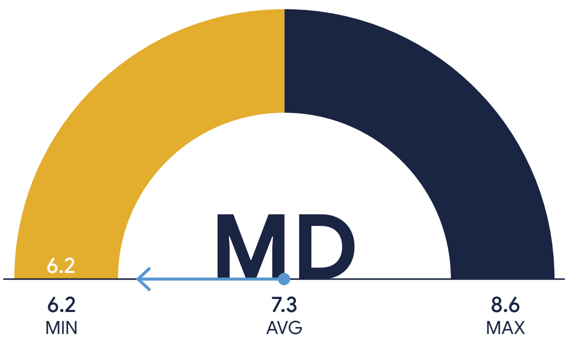
b. Fixed model for short-term bonds - Issuing new with maturities up to one year to smooth the redemption schedule.

2. Liquidity Risk - The risk that existing financing resources will not sufficiently cover the needs of the State at any given time.

3. Market Risk - The risk of changes in government debt and interest expenditures as a result of market changes (indexes, interest rates, and currency exchange rates).

⟶ Modified Duration

A metric that indicates the influence of interest rates on the market value of debt. The modified duration of government debt decreased to about 6.2 for 2025 from roughly 6.5 in 2024. This decline stems, among other factors, from a reduction in the debt duration and the refinancing of debt at higher interest rates compared to 2024.

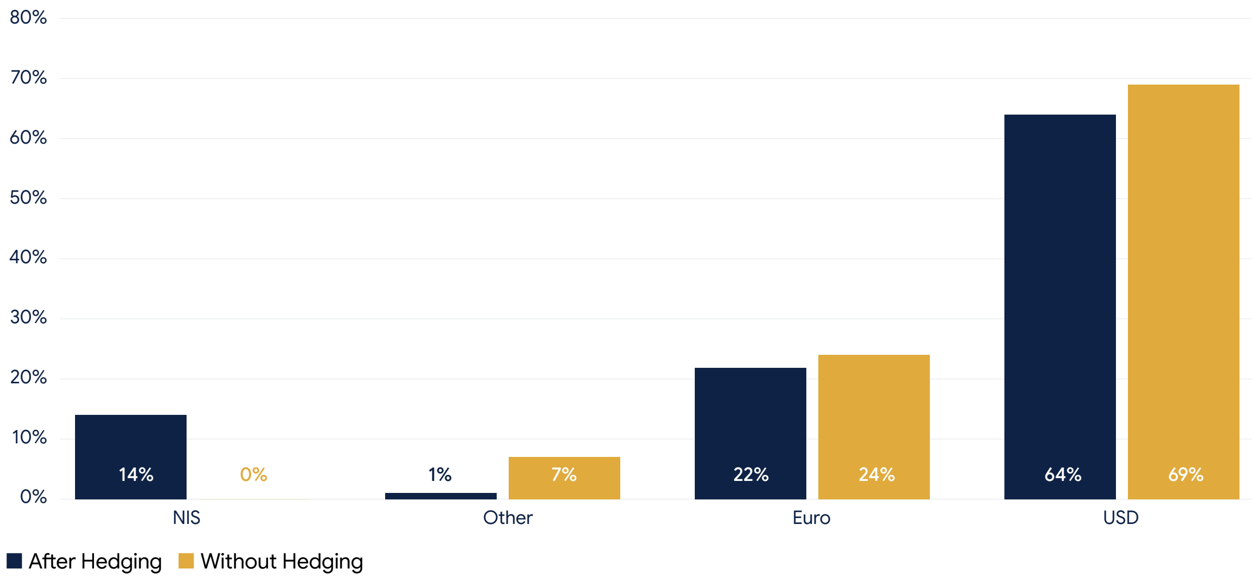


- Sensitivity to Consumer Price Index (CPI) - CPI-linked debt constituted around 47% of the portfolio at the end of 2025, thus the main sensitivity of the debt portfolio is its exposure to changes in the CPI. A change of 1% in the CPI results in an estimated adjustment of NIS 6.7 billion to the debt portfolio's absolute value.

- Sensitivity to Currency Foreign Exchange Rates - debt denominated in currencies constituted around 14% of the portfolio as of the end of 2024, exposing that debt to exchange rate fluctuations, which impacts both the debt portfolio and interest payments. In order to minimize possible exchange rate risk, the GDMU conducts hedging transactions.

As of the end of 2025, without accounting for hedging, roughly 69% of the external debt portfolio was US Dollar-denominated, roughly 24% of the portfolio was Euro-denominated, and the remaining 7% was denominated in other currencies. After accounting for executed hedging transactions, the exposure of external debt to US Dollar, Euro, and other currencies falls to levels of 64%, 22%, and 1%, respectively. The hedging transactions illustrate that roughly 14% of the external debt portfolio is, in effect, tied to the Shekel.

External Debt Portfolio Before and After Hedging



Sensitivity of the Government Debt

	Change in Government Debt (NIS millions)	**Change in Debt-to-GDP Ratio for Government Debt** (% GDP)
Unit Increase in CPI	6,694	0.32%
Unit Increase in USD-NIS Exchange Rate	1,487.6	0.07%
Unit Increase in EUR-NIS Exchange Rate	476.5	0.02%

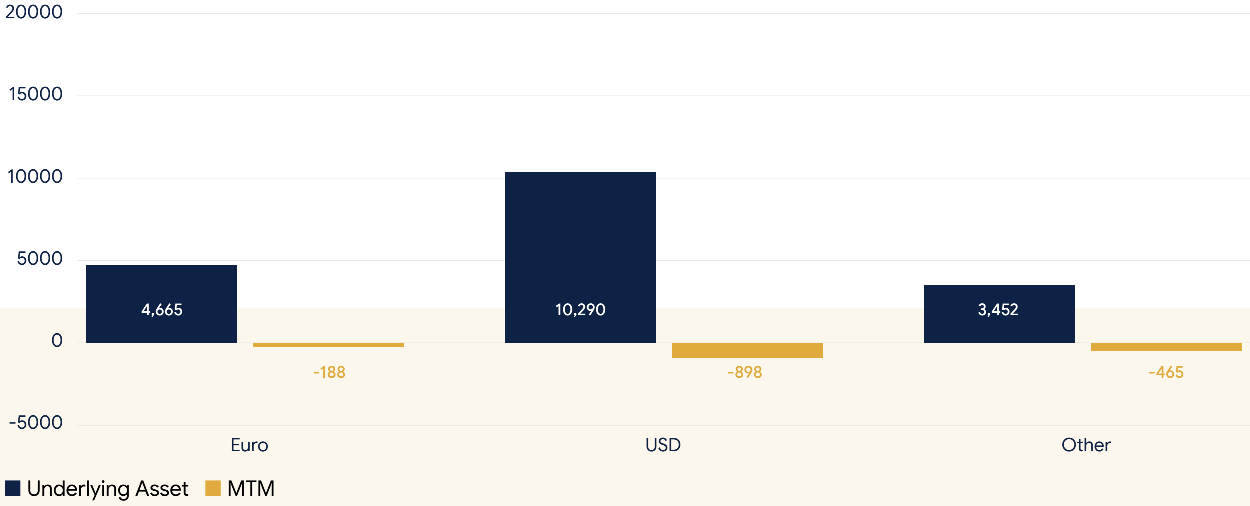
4. Credit Risk

The State conducts hedging transactions that expose the government to credit risk in the event of a counterparty's insolvency. The primary objective of the hedging policy is to reduce the interest expense budget's exposure to exchange rate volatility as a means of market risk management. Hedging transactions are divided between long-term through Cross-Currency Swaps and short-term through Forward and FX Swaps. In 2025, the GDMU conducted hedging transactions against principal and interest payments totaling an estimated USD 4.2 billion and EUR 4.3 billion

To minimize the impact of credit risk, the State only conducts hedging transactions with primary market dealers under a signed CSA agreement and ISA contract. This agreement stipulates a weekly calculation for the transfer of securities based on the fair market value of the trades. This transfer of securities assists in reducing exposure to the insolvency risk of the counterparty.

As of December 31, 2025, the government's hedging portfolio totaled roughly USD 33.4 billion (the hedged amount). The mark-to-market value of all the positions as of December 31, 2025, reflects a financial advantage to the Counterparty's benefit of roughly USD 1.5 billion.

Hedging Transactions and Fair Mar



c. Additional Models for Government Debt Risk Management

Debt-to-GDP Forecast	Debt Structure Simulation	Risk Cost Model
Estimating additional risks	Interest Payment Forecast	Financial Pricing Mechanisms

Average Issuance Amount and Number of Issuances

In accordance with the Accountant General's debt management policy, measures are taken to reduce the number of government bond series in circulation while increasing their volume. During 2025, four new bonds were issued in the tradable domestic market:

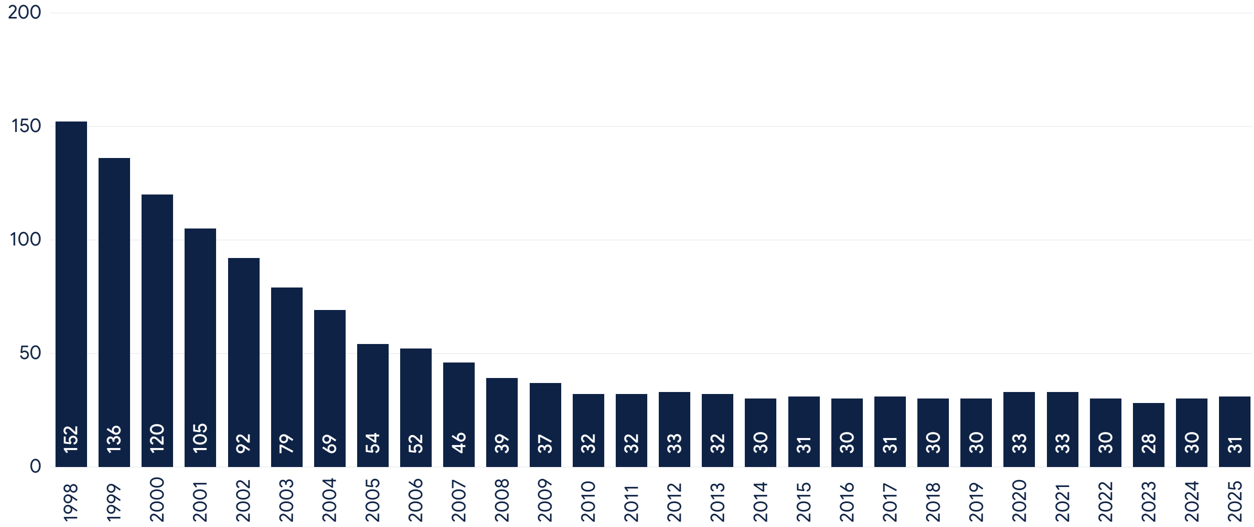
1. ILGOV 0728 with maturity in 2028 as a 3-year shekel benchmark.
2. ILGOV 1035 with maturity in 2035 as a 10-year shekel benchmark.
3. ILCPI 0431 (CPI-linked) with maturity in 2031 as a 5-year CPI-linked benchmark.
4. ILCPI 0456 (CPI-linked) with maturity in 2056 as a 30-year variable rate benchmark.

In addition, in 2025, the short-term debenture series 1125, 0226, 0526 were issued.

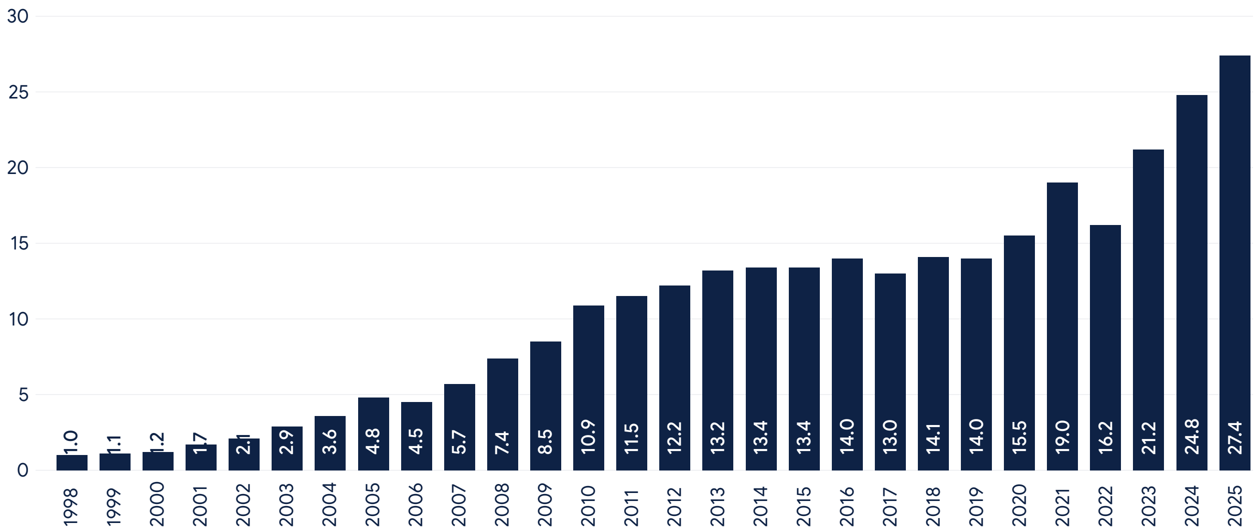
In 2025, three bond series reached maturity. Accordingly, the total tradable series outstanding contain 31 bonds, compared to 30 in 2024.

As can be seen in the graph below, over the years, the number of tradable bond series has substantially declined, while the average size of each series has increased. This policy improves the tradability and liquidity of the bonds and contributes to efficient planning of the redemption curve for government debt.

Number of Tradable Series in 1998-2025



Average Serise Size in 1998-2025 (Billion NIS)



Non-Tradable Domestic Debt

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Non-Tradable Debt

In 2025, the total non-tradable domestic debt was approximately NIS 5.7 billion. This debt was raised using the following instruments:

1. **Designated bonds for pension funds ("Arad") -** Due to the designated bond reform[1], no issuances were executed through this instrument in 2025. However, the redemption of these bonds amounted to NIS 6.1 billion.

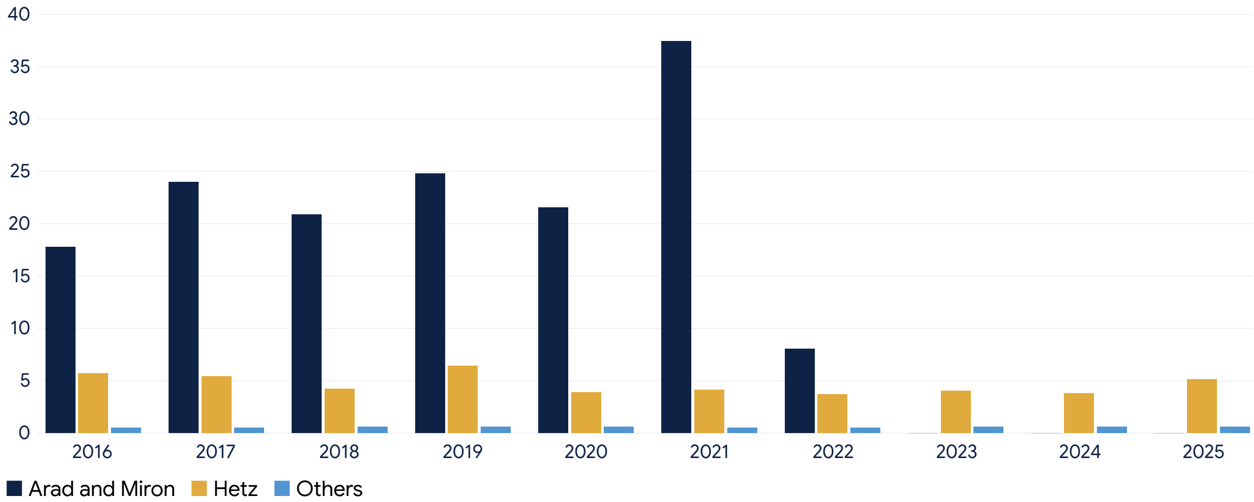
2. **Designated bonds for life insurance companies ("Hetz") -** From 1965 to 1990, non-tradable bonds for life insurance companies called "Hetz" (life-linked) were issued. The bonds had a fixed interest rate linked to an index, yielding between 4.0% and 6.2%. In early 1990s, new entrants were excluded from receiving these bonds. In 2025, the volume of "Hetz" bonds issuances was roughly NIS 5.1 billion, an increase of nearly 33% compared to NIS 3.8 billion in 2024. This resulted in a positive net raise of approximately NIS 0.2 billion.

3. **Various Deposits -** Loans generated by historic agreements with provident funds. These loans are CPI-linked with fixed interest rates of 4.95% to 5.95%. In 2025, nearly NIS 0.6 billion was raised in this instrument, similar to last year's raising. The net raise was approximately negative NIS 0.2 billion.

Principal Funding and Redemptions in 2025 (NIS millions)

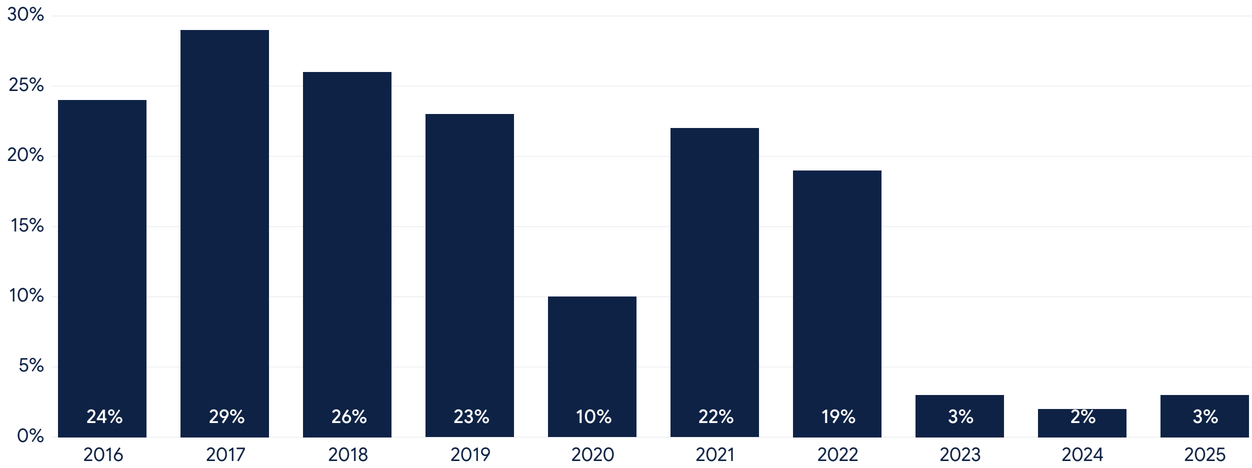
Net Funding	Principal Redemptions	Principal Funding	Instrument Funding
Pension ("Arad")	-	6,062	(6,062)
Life Insurance ("Hetz")	5,097	4,858	239
Other	632	854	(222)
Total	**5,728**	**11,774**	**(6,046)**

Domestic Funding by Non-Tradable Debt 2016-2025 (NIS billions)



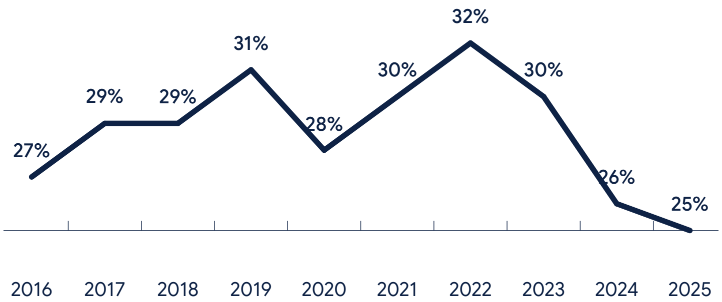
[1] The final issuance of the "Arad" bonds took place on September 1, 2022. As of October 1, 2022, the GDMU has provided pension funds with yield guarantees under an alternative mechanism, ensuring yields on a portion of the pension portfolio similar to those under the previous mechanism.

Non-Tradable Funding, Percentage of Total Funding 2016-2025 (%)



As illustrated in the graph above, starting from 2016, the average non-tradable domestic funding, as a percent of total funding, maintained high Levels. The exception to this was in 2020, due to the market effects of the pandemic, and from 2022 onwards due to the designated bond reform, which was implemented in October of that year.

Non-Tradable Stock, Percentage of Total Stock 2016-2025

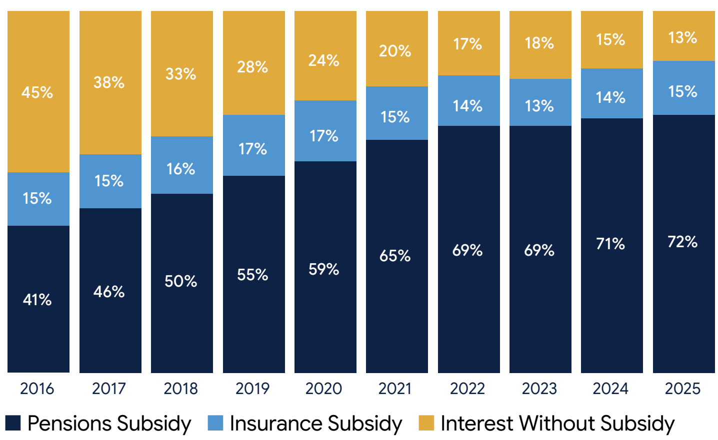


In 2025, the stock of non-tradable domestic debt amounted to approximately NIS 348.4 billion, compared to NIS 346.3 billion in 2024, constituting nearly 24.6% of total debt stock.

The majority of the non-tradable domestic debt stock consists of designated bonds issued to pension funds ("Arad" bonds) and bonds issued to insurance companies ("Hetz" bonds).

Interest Rate and Subsidy Estimate 2016–2025

Total interest expenses on non-tradable debt amounted to approximately NIS 16.8 billion in 2025. Within this figure, the subsidy estimate accounted for roughly 87%, representing approximately NIS 14.6 billion. This compares to a subsidy estimate of 85%, representing approximately NIS 14.1 billion, in 2024.



The differential between the subsidized and non-subsidized interest rates reflects the subsidy estimate for designated bonds issued to pension funds and insurance companies.

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