MENORA MIVTACHIM

Menora Mivtachim Holdings Ltd.

Financial Statements

As of March 31, 2025

IMPORTANT

This document is an unofficial translation for convenience only of the Hebrew original of the March 31, 2025, financial report of Menora Mivtachim Holdings Ltd. that was submitted to the Tel-Aviv Stock Exchange and the Israeli Securities Authority on May 29, 2025.

The Hebrew version submitted to the TASE and the Israeli Securities Authority shall be the sole legally binding version.

Interim Financial Statements

As of March 31, 2025

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Chapter A

Report of the Board of Directors

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Report of the Board of Directors as of March 31, 2025

The following Report of the Board of Directors reviews the activity of Menora Mivtachim Holdings Ltd. (hereinafter - the "**Company**") for the three months ended March 31, 2025 (hereinafter - the "**Reporting Period**"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, assuming that the reader also has at his/her disposal the Company's full 2024 Periodic Report, which was published on March 16, 2025 (hereinafter - the "**Periodic Report**").

With regard to the description of the businesses of the insurers consolidated in the Company's reports, the report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the circulars issued by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Commissioner**").

1. Company Description

1.1 The Company's shareholders

The Company is a publicly-traded company, whose shares are traded on the Tel Aviv Stock Exchange. The Company's principal shareholders are Palamas Establishment and Najaden Establishment (foreign corporations), which hold jointly in trust approx. 63%[1] of the Company's shares for Mss. Niva Gurevitch and Tali Griffel, respectively. The foreign corporations awarded Ms. Tali Griffel and Ms. Niva Gurevitch powers of attorney to vote on behalf of each of them (respectively) at general meetings of the Company, and accordingly Ms. Tali Griffel and Ms. Niva Gurevitch are considered as the Company's controlling shareholders (hereinafter - the "**Controlling Shareholders**"). As of the report date, the Company's CEO, Mr. Ari Kalman, holds - through an employee trust company - approx. 2.77%[2] of the Company's shares. The remaining Company shares are widely held.

1.2 The Company's areas of activity

As of the report date, the Company is engaged, through subsidiaries under its control, in all of the key insurance segments, including Life Insurance and Long-Term Savings, which includes Pension and Provident funds, Property and Casualty Insurance, which includes Motor Insurance (Compulsory and Property), Other Property and Casualty Insurance and Health Insurance. The Company is also engaged, through subsidiaries under its control, in other activities (which do not

[1] Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 62.76%.

[2] Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 2.75%.

constitute an “operating segment” as this term is defined in the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Form), 1969), such as provision of factoring services and credit to SMEs (through an associate) as well as the provision of securities distribution services and underwriting commitments, and real estate investments.

In addition, the Group holds a control stake and/or means of control in various insurance agencies, through Menora Mivtachim Agencies Ltd. (which is wholly-owned and controlled by the Company), and through subsidiaries of Shomera Insurance Company Ltd. (hereinafter - “**Shomera**”).

For a description of the Group’s areas of activity, see Section 1.3 in the chapter entitled Description of the Corporation's Business in the Periodic Report.

2. Events and developments since the latest annual report

2.1 The Iron Swords War - consequences and effects

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the “**Iron Swords War**” or the “**War**”). Consequently, the Company and the Group subsidiaries undertook the requisite operational and business measures. and from 2024 the Group returned to full operating activity without suffering any material effects due to the War. It should be noted that in May 2025, the IDF began Operation Gideon's Chariots concomitantly with the continued talks and negotiations for the release of the hostages.

2.2 Rating reiteration

In January 2025, Midroog announced that it reiterates the rating of the Company’s Bonds (Series C) at Aa2 with a stable outlook. For further details, see the Company's immediate report dated January 22, 2025 (Ref. No. 2025-01-006170).

2.3 Tender offer - Isracard

On October 31, 2024, the Company entered into an investment agreement with Isracard Ltd. (hereinafter - “**Isracard**”) for the purchase of approx. 33% of Isracard’s issued and paid up share capital by way of private placement at pre-money valuation of NIS 3.15 billion. On December 30, 2024, Isracard announced that it received another proposal, which constitutes a “preferrable proposal" and therefore it intends to cancel the investment agreement signed with the Company. On January 1, 2025, the Company notified Isracard that it does not intend to negotiate an amendment to the agreement’s terms. On January 5, 2025, Isracard notified the Company of the cancellation of the investment agreement. Accordingly, the Company received approx. NIS 62 million in compensation. For further details, see the Company's immediate reports dated October 31, 2024, December 31, 2024 and January 6, 2025 Ref. Nos.: 2024-01-613158, 2024-01-628739 and 2025-01-001589).

2.4 Yesodot transaction

On January 27, 2025, Menora Insurance and another Menora group subsidiary (hereinafter - the "**Investor**") entered into an agreement with Yesodot A. Financial Support Ltd. (hereinafter - “**Yesodot**") for the provision of subordinate credit facilities (hereinafter - the "**Agreement**”). Menora Insurance and the Investor undertook to advance to Yesodot credit facilities totaling NIS 200 million each, and the credit facility to be advanced by the Investor is convertible into 50.1% of Yesodot’s shares; such conversion will result in assumption of control. Furthermore, the parties entered into a shareholder agreement, which will come into effect upon the execution of the conversion (if it is executed), comprising three mutual options (put and call), for a period of up to 4 years, at the end of which (if exercised) the Investor will hold 100% of Yesodot’s shares. In April 2025, all the conditions precedent were met and accordingly the Agreement entered into force. For further details, see the Company's immediate report dated April 28, 2025 (Ref. No. 2025-01-030005).

2.5 Extension of ED tenure

In February 2025, an extraordinary meeting of the Company was held in which Mr. Gabriel Perel was reappointed ED, and his compensation was approved. For further details, see the Company's immediate report dated February 2, 2025 (Ref. No. 2025-01-007119).

2.6 Dividend distribution

In March 2025, and in accordance with the distribution policy, the Board of Directors declared the distribution of approx. NIS 150 million in dividend. For further details, see the Company's immediate report dated March 16, 2025 (Ref. No. 2025-01-017142).

2.7 Dividend distribution by subsidiaries

In March 2025, Menora Insurance's board of directors declared the distribution of NIS 250 million in dividend.

For further details regarding the distribution of dividends from the subsidiary Menora Mivtachim Pension and Provident Funds subsequent to the balance sheet date, see Section 16.3 below.

2.8 Issuance of Series I

In March 2025, the sub-subsidiary, Menora Mivtachim Capital Raising Ltd. (hereinafter - "**Menora Capital Raising**"), issued NIS 400 million par value Bonds (Series I) registered with a NIS 1 par value each. The Bonds (Series I) were rated Aa3 by Midroog. The issuance proceeds were transferred to Menora Mivtachim Insurance as Tier 2 Capital. For further details, see the immediate report issued by Menora Mivtachim Capital Raising on March 23, 2025 (Ref. No. 2025-01-019461).

2.9 Legal proceedings

For a description of legal and administrative proceedings, as well as regarding developments in the exposure to class actions and the approval of lawsuits which were filed against the Company and/or its consolidated companies, as class actions and other contingent claims, see Note 11 to the financial statements.

3. Capital requirements according to the solvency regime (in NIS thousand)

3.1 Solvency ratio and minimum capital requirement

A. Solvency ratio

Menora Insurance	As of December 31, 2024	As of December 31, 2023
	Audited*	Audited*
	NIS thousand	
Without taking into account the Provisions for the Transitional Period:		
Shareholders equity in respect of SCR	7,627,026	7,042,994
Solvency capital requirement (SCR)	4,714,197	4,473,864
Surplus	2,912,829	2,569,130
Solvency ratio (%)	161.8%	157.4%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising	184,204	-
Shareholders' equity for solvency purposes	7,811,230	7,042,994
Surplus	3,097,033	2,569,130
Solvency ratio (%)	165.7%	157.4%
The Board's target for the period (in %)	115.0%	114.3%
Capital surplus over target	2,389,904	1,930,007
Meeting milestones taking into account the Provisions for the Transitional Period:		
Shareholders' equity in respect of SCR	7,885,190	7,524,516
Solvency capital requirement (SCR)	4,576,707	4,306,029
Surplus	3,308,483	3,218,487
Solvency ratio (%)	172.3%	174.7%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising	400,000	-
Shareholders' equity for solvency purposes	8,285,190	7,524,516
Surplus	3,708,483	3,218,487
Solvency ratio (%)	181.0%	174.7%

B. Minimum capital requirement (MCR)

	As of December 31, 2024	As of December 31, 2023
	Audited*	Audited*
	NIS thousand	
Minimum capital requirement (MCR)	1,377,444	1,315,136
Solvency capital requirement (SCR)	6,459,205	5,839,516

C. Solvency ratio

Shomera Insurance	As of December 31, 2024	As of December 31, 2023
	Audited*	Audited*
	NIS thousand	
Without taking into account the Provisions for the Transitional Period:		
Shareholders equity in respect of SCR	700,676	627,488
Solvency capital requirement (SCR)	563,152	462,009
Retained earnings	137,524	165,479
Solvency ratio (%)	124.4%	135.8%
The Board's target for the period (in %)	113.0%	110.9%
Excess capital over target (in NIS thousand)	64,314	115,186
Meeting milestones taking into account the Provisions for the Transitional Period:		
Shareholders' equity in respect of SCR	700,676	627,488
Solvency capital requirement (SCR)	563,152	438,908
Retained earnings	137,524	188,580
Solvency ratio (%)	124.4%	143%

D. Minimum capital requirement (MCR)

	As of December 31, 2024	As of December 31, 2023
	Audited*	Audited*
	NIS thousand	
Minimum capital requirement (MCR)	212,286	138,093
Solvency capital requirement (SCR)	700,676	627,488

(*) The solvency ratio as of December 31, 2024 was reviewed by the Company's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. See Note 7 to the Consolidated Financial Statements and the Economic Solvency Ratio Report on the Company's website.

The Solvency Ratio Report was prepared on the basis of the terms and conditions and the best estimate as known to the companies as of the December 31, 2024.

According to the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the circulars by virtue of the said regulations, as of the report date, Menora Mivtachim Pension and Provident Funds has excess capital of approx. NIS 569 million.

As of the approval date of the financial statements, all Group companies comply with the capital requirements which were set for them, as the case may be (see also Note 7 to the financial statements).

3.2 Economic solvency regime based on Solvency II of an insurance company

As of 2018, the Boards of Directors of Menora Mivtachim Insurance and Shomera decided to set a “capital target” for the purpose of dividend distribution. The capital target constitutes an addition to the equity capital in excess of the solvency capital requirement (SCR).

Over the years, Menora Insurance and Shomera revised the target capital and the manner in which it was achieved. As of the report date, Menora Insurance’s target capital will increase gradually and linearly from 115% at the end of 2024 to 130% in 2032 (the end of this company’s transitional period), and Shomera’s target capital will stand at 113% as from the end of 2024 (the end of its transitional period).

It is hereby clarified that there is no certainty that the Consolidated Insurance Companies will meet this solvency ratio at each point in time.

For further details, see Section 7.2.1.2 (d)-(g) to the Report on the Corporation's Business and Note 7 to the Financial Statements.

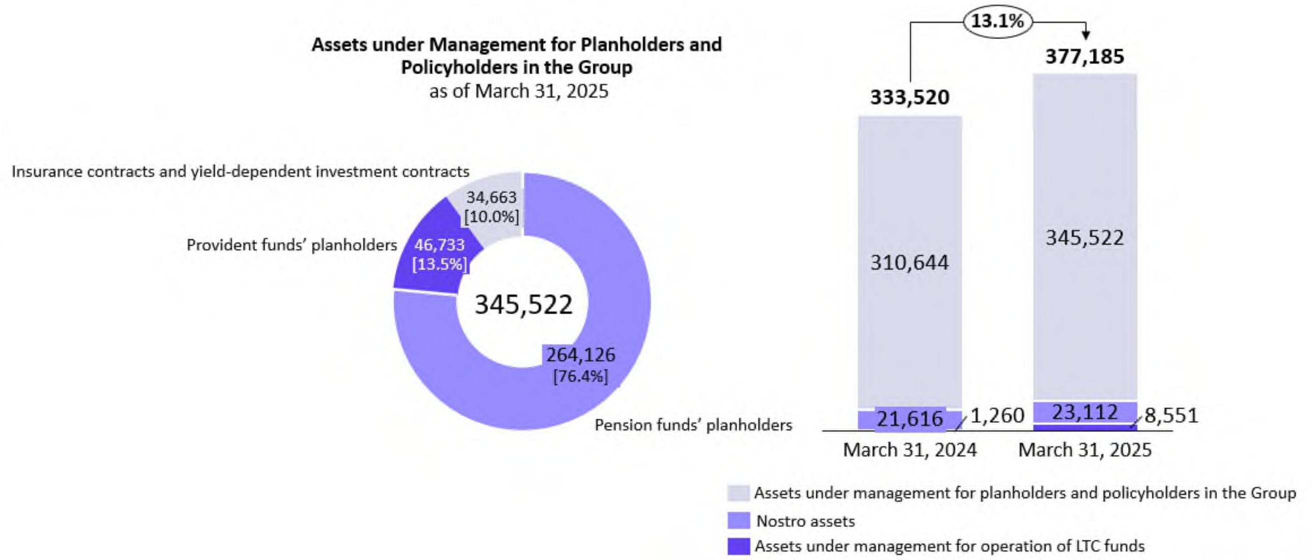
4. IFRS 17 and IFRS 9 - First-Time Application

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts. Furthermore, in June 2020 and December 2021, the IASB published amendments to the standard (hereinafter - “**IFRS 17**”). IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue under IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority. Furthermore, commencing from the date of initial application of IFRS 17, the Company is required to implement IFRS 9 for the first time in lieu of IAS 39. The New Standards lead to material changes in the Company’s financial reporting on life insurance and long-term health insurance and have a limited effect on property and casualty insurance and short-term health insurance.

The standard’s first-time application date is January 1, 2025, and the transition date is January 1, 2024. As a result, the comparative figures for Q1/2024 and 2024 were restated. For further details, see Section 7.3 below.

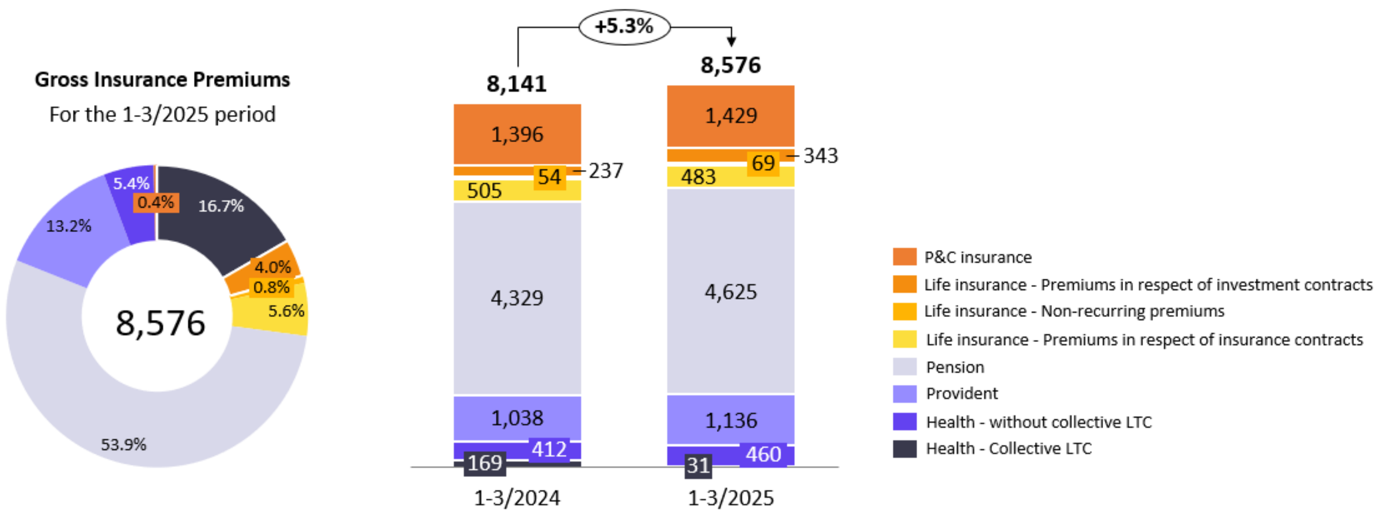
5. Assets under management and premiums

5.1 Assets under management (in NIS million)



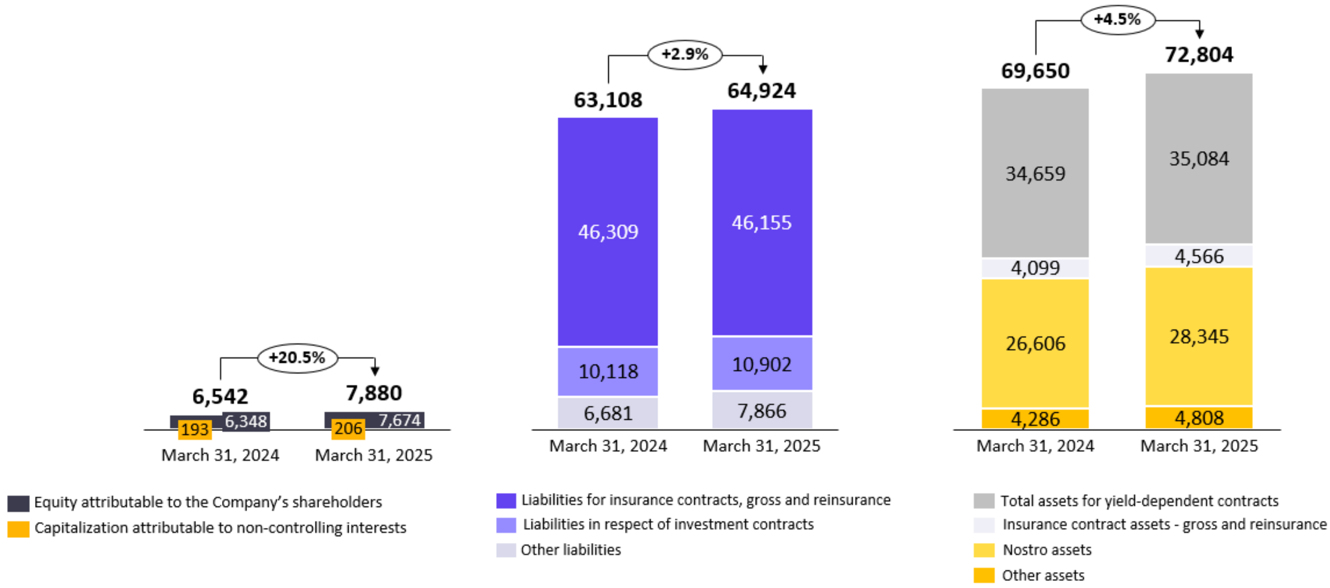
The consolidated financial statements do not include the assets under management in the pension funds and provident funds (except for guaranteed return provident fund tracks) as well as the assets with respect to the long-term care funds operation.

5.2 Contributions towards benefits and insurance premiums, gross in the Reporting Period (in NIS million)



The Consolidated Financial Statements do not include the contributions towards benefits deposited with pension funds and provident funds (excluding guaranteed return provident funds tracks) as well as proceeds in respect of investment contracts which are recognized directly in liabilities.

5.3 Key data from the consolidated balance sheets



The increase in assets (approx. NIS 3.2 billion) and in liabilities (approx. NIS 1.8 billion) compared to the corresponding quarter last year arose mainly from a positive return on the assets and growth in business. Accordingly, the equity attributable to the shareholders increased by approx. NIS 1,325 million.

5.4 Changes in the shareholders' equity

The equity attributable to the Company's shareholders amounted to approx. NIS 7,674 million as of March 31, 2025, compared to approx. NIS 7,432 million as of December 31, 2024. The increase in equity stems mainly from comprehensive income attributable to the shareholders in the period of approx. NIS 391 million, and on the other hand from distributed dividends of approx. NIS 150 million.

6. Operating results

The Reporting Period was characterized by positive returns that were lower than those recorded in the corresponding period last year. On the other hand, the change in the interest rate curve in addition to the illiquidity premium in the Reporting Period had a positive effect on the results compared to a negative effect in the corresponding quarter last year.

The Company recorded an improvement in profitability in the Pension and Provident Funds Segment and in the Health Insurance Segment as well as maintaining high profitability in the Property and Casualty Insurance Segment, alongside a decrease in profitability in the Life Insurance Segment. The improvement in profitability in the Pension and Provident Funds Segment arises from continued growth in the assets under management and the management fees charged, without a corresponding increase in expenses, the improvement in Health Insurance arises mainly from an increase and improvement in medical expenses insurance, while the decrease in profitability in the Life Insurance Segment arises mainly from an increase in death benefit claims.

6.1 Comprehensive income from operating segments during the Reporting Period

The Company assesses all its results while separating the operating results of the business activities from the operating results of the financial activity and special effects.
In measuring the business activity results (including nostro activity that is not attributed to the segments[3]) (hereinafter - "**Adjusted Profit**") the Company:

(1) Imputation of a normative real return of 4%[4] (annualized) plus index of 2.5%[5] (annualized) in respect of the balance of investment assets at the beginning of the period, plus the actual return on Hetz bonds, adjusted to an annualized index of 2.5%.[6]

(2) Neutralizes the effects of the change in the interest rate curve on insurance liabilities and assets (including Hetz bonds) and adjusts the effects of the index according to a 2.5% rate.

(3) In respect of deposits of the Accountant General in the guaranteed return provident funds, the actual return is imputed.

[3] Excluding the granting of credit by associates and investees.

[4] The normative return is based on the nominal interest rate curve plus the illiquidity premium and the spread in accordance with the Company's Nostro Assets portfolio. The Company will periodically examine the effects of the curve and the spread and will update the normative rate of return when there is a significant change in the relevant parameters.

[5] The index rate in this regard is determined in accordance with the inflation rate forecast for the coming year. The Company will examine the index rate when there is a significant change in inflation expectations.

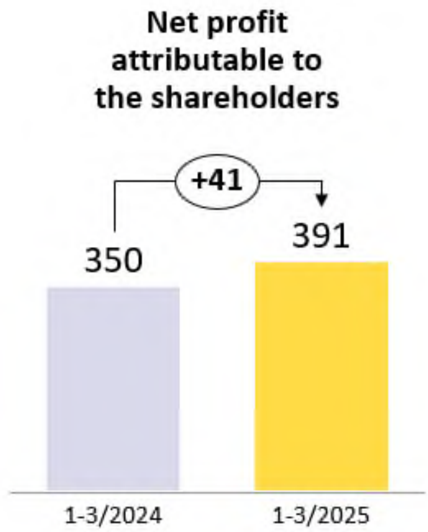
[6] The Adjusted Profit does not include the effect on the performance-dependent compensation (grants) to the Group's employees for the normative return.

The financial activity includes the difference between the actual return and the abovementioned normative return plus the differences in respect of the adjustment of the index (hereinafter - “**investment revenues**”). And the effects of changes in the risk-free interest rate curve adapted to the illiquid nature of the insurance liabilities (including Hetz bonds) (hereinafter - the “**interest rate effect**”).

Special effects include material events outside the ordinary course of business, at management's discretion (hereinafter - “**special effects**”).

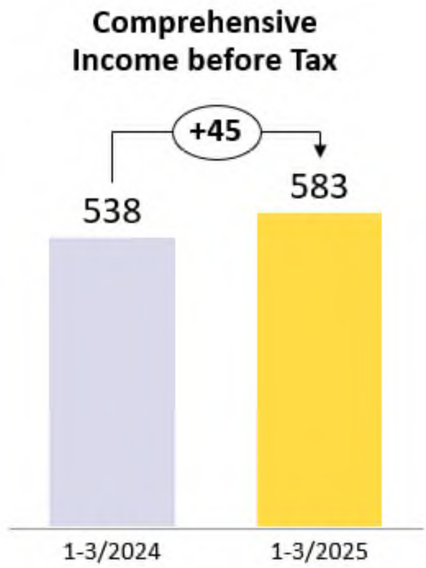
6.2 Data from the Consolidated statements of income data

6.2.1 Comprehensive income during the Reporting Period (NIS million)



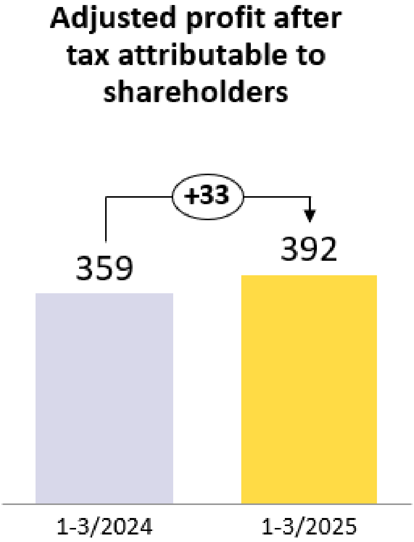
Return on equity

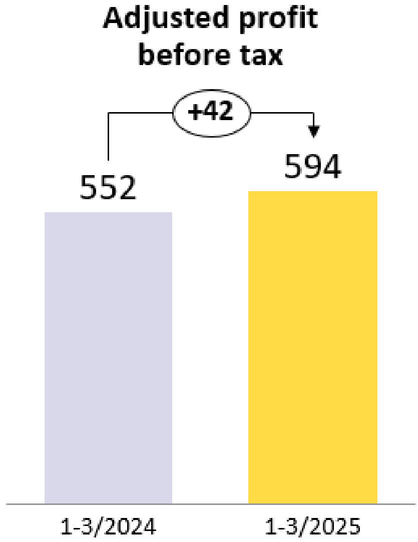
22.7%	21.0%



The return on equity is annualized and calculated based on the comprehensive income for the period, after tax, adjusted for a period of one year, divided by equity as of the beginning of the year.

6.2.2 Adjusted profit during the Reporting Period (in NIS million)



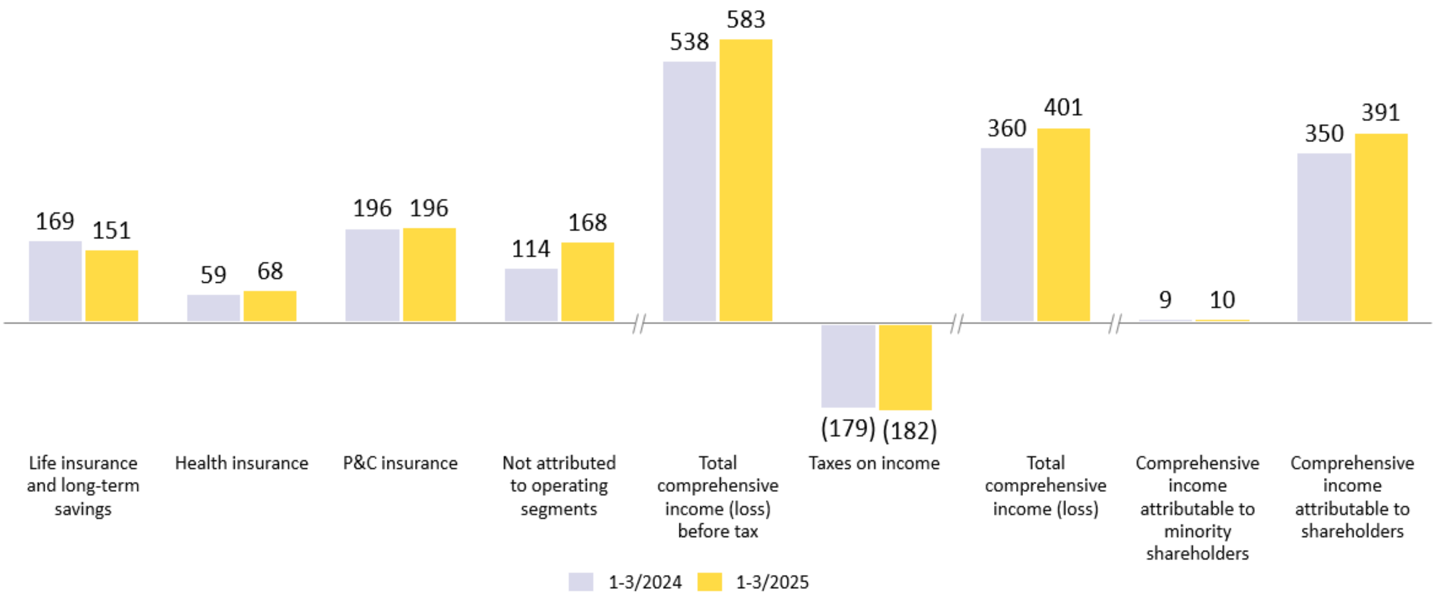


Return on equity

23.3%	21.1%

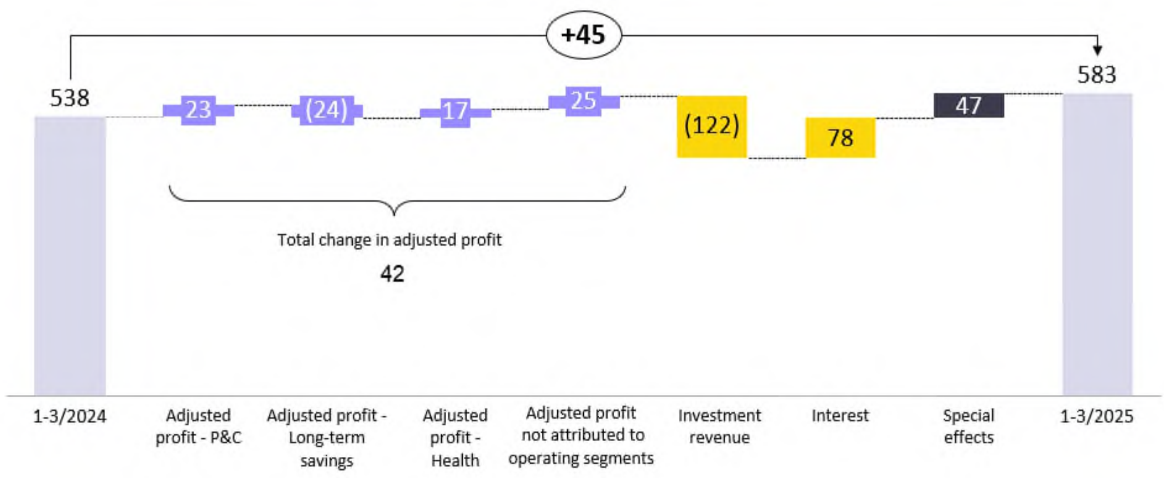
The return on equity is annualized and calculated based on the adjusted profit for the period, after tax, adjusted for a period of one year, divided by equity as of the beginning of the year.

6.2.3 Comprehensive income from operating segments during the Reporting Period (NIS million)



It is noted that the results in the report are shown in retention when the reinsurance results are attributed to the gross results in accordance with the relevant main coverage.

6.2.4 Changes in the operating results during the Reporting Period (NIS million)



1-3/2025	185	163	128	117	(73)	16	47
1-3/2024	161	187	111	92	48	(63)	0
	(a)	(b)	(c)		(d)	(e)	(f)

A. **Elementary Adjusted profit:** The increase in Adjusted Profit in the Report Period compared to the corresponding period last year is mainly due to the Motor Property Subsegment. For further details, see Section 6.6.3 below.

B. **Adjusted Profit Long-Term Savings:** The decrease in Adjusted Profit in the Report Period compared to the corresponding period last year arises from the Life Insurance Segment and on the other hand from an improvement in Adjusted Profit in the Pension and Provident subsegments. For further details, see Section 6.3.5 below.

C. **Adjusted Profit in health:** The increase in Adjusted Profit in the Reporting Period compared to the corresponding period last year stems mainly from an improvement in medical expenses and critical illness insurance. For further details, see Section 6.7.3 below.

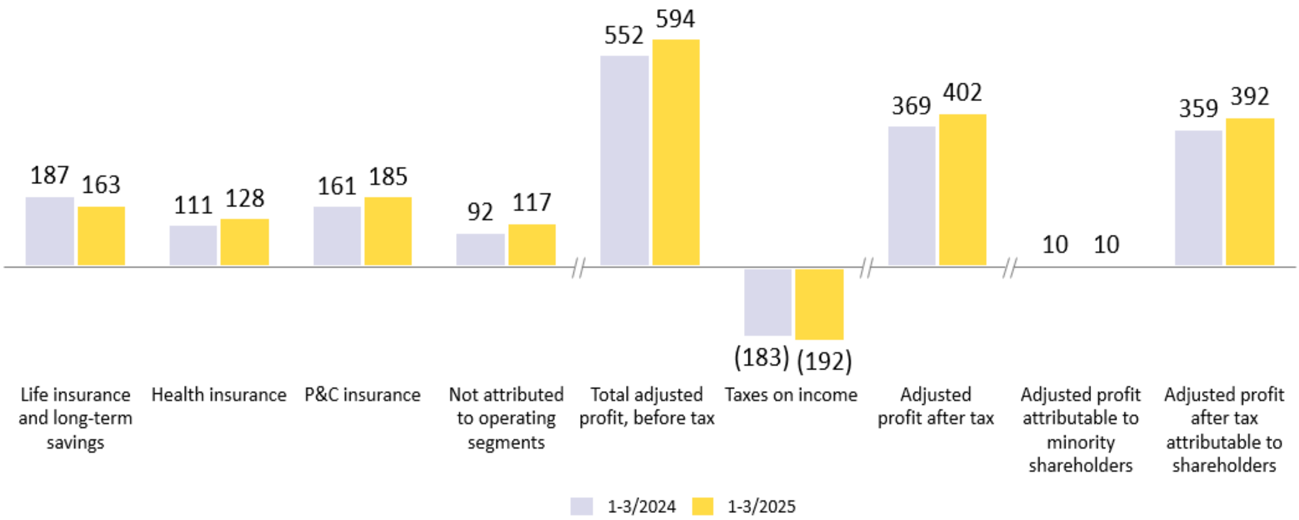
D. **Investment revenues:** In the Reporting Period, investment revenues were lower than the normative return, while in the corresponding period last year, investment revenues were higher than the normative return.

E. **Interest:** In the Reporting period, the interest rate curve increased and the illiquidity premium remained unchanged. Accordingly, finance expenses were charged in the individual and collective insurance products without a savings component (except for individual long-term care insurance), whereby finance income was charged to guaranteed-return savings and individual long-term care. In the corresponding period last year, the interest rate increased and on the other hand the illiquidity premium decreased. Accordingly, due to the effect of the above changes, finance expenses were charged for all products. In the

Property and Casualty Segment, finance income was generated in both periods.

F. **Special effects:** In the Reporting Period, special effects mainly include a one-off revenue due to receipt of approx. NIS 62 million in compensation from Isracard. For further details, see Section 2.3 above.

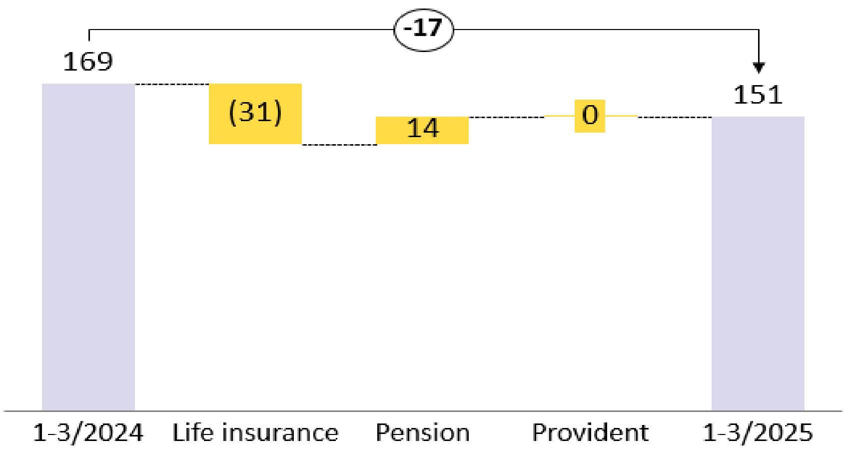
6.2.5 Adjusted profit from operating segments during the Reporting Period (in NIS million)



6.3 Financial information by area of activity

Life insurance and long-term savings (in NIS million)

6.3.1 Key results of the Life Insurance and Long-Term Savings Segment in the Reporting Period (before tax, in NIS million)

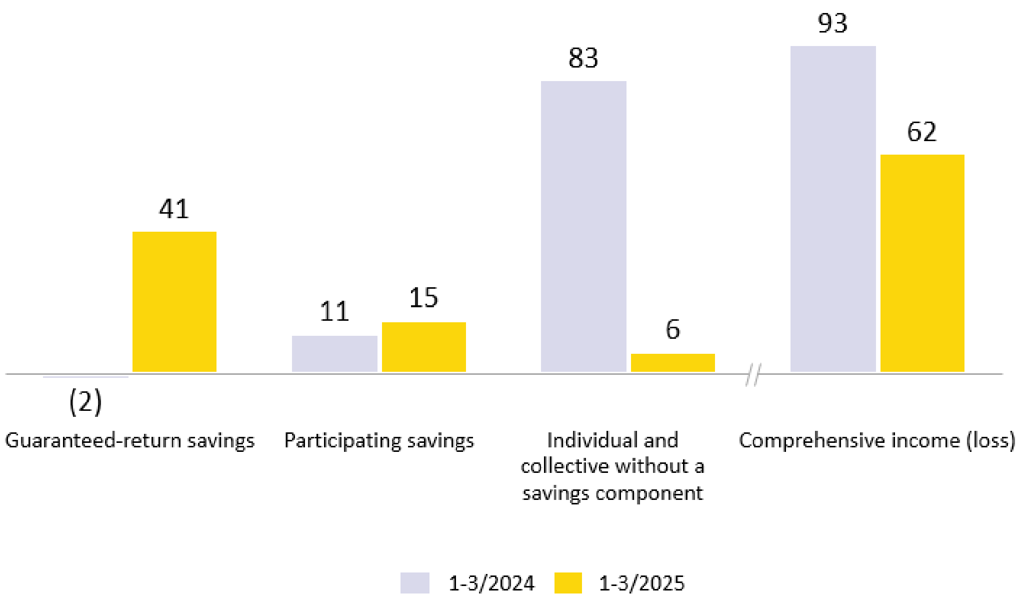


1-3/2025	62	75	14
1-3/2024	93	61	14

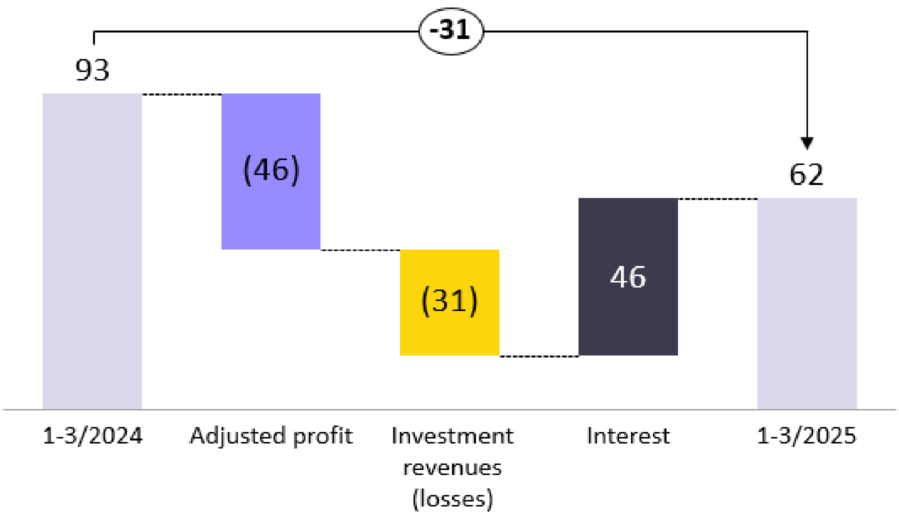
6.3.2 Operating results of the Life Insurance and Long-Term Savings Subsegments

The profitability of the long-term savings subsegment is affected by the changes in the capital market, which impact the guaranteed-return policies (which are backed mainly by designated bonds). In addition, changes in the interest rate curve plus the liquidity premium have a different effect depending on the types of products and consequently affect the segment's results.

6.3.3 Comprehensive income (loss) in life insurance during the Reporting Period (before tax, in NIS million)



6.3.4 Changes in the results of the Life Insurance Segment during the Reporting Period (before tax, in NIS million)

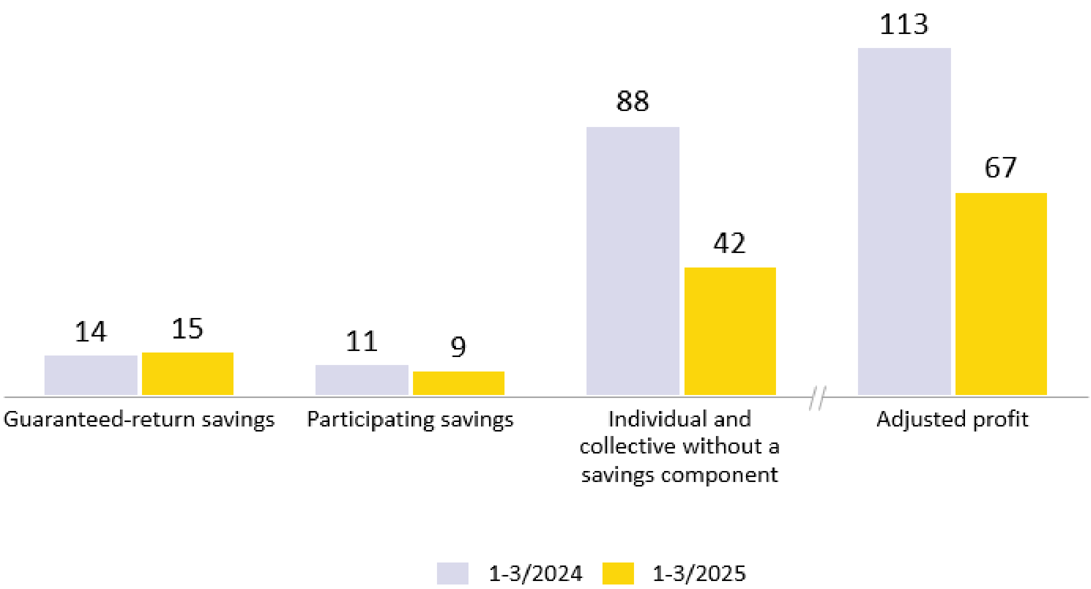


1-3/2025	67	(23)	18
1-3/2024	113	8	(28)

The decrease in comprehensive income from the Life Insurance and Long-Term Savings Operations in the Reporting Period compared to the corresponding period last year, stems mainly from a decrease in Adjusted Profit due to a significant increase in claims in life insurance products (death). It should be noted that during the Reporting Period there was an exceptional increase in life insurance claims (death) compared to the corresponding period last year in which the claims were of a lower scope than expected. In addition, there was an increase in the cancellation rate of the life insurance product in 2024.

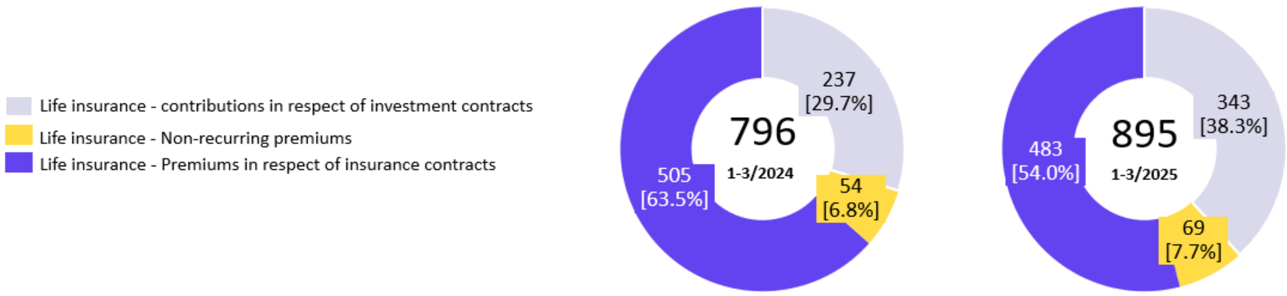
At the same time, during the Reporting Period, there was a decrease in investment revenues (losses) compared to the corresponding period last year alongside positive interest rate effects.

6.3.5 Results of the adjusted profit in the various Life Insurance Subsegments during the Reporting Period (before tax, in NIS million)



Policies without a savings component - the decrease in Adjusted Profit in the Reporting Period compared to the corresponding period last year is mainly due to a significant increase in claims in life insurance products (death). It should be noted that during the Reporting Period there was an exceptional increase in life insurance claims (death) compared to the corresponding period last year in which the claims were of a lower scope than expected. In addition, there was an increase in the cancellation rate of the life insurance product in 2024.

6.3.6 Premiums and redemptions in the Reporting Period (in NIS million)



The policies which were redeemed during the Reporting Period amounted to approx. NIS 599 million, compared to approx. NIS 558 million in the corresponding period last year. The rate of redemptions out of the average reserve in the Reporting Period was approx. 7.63% compared to approx. 7.35% in the corresponding period last year.

Redemptions in respect of policies where premiums were charged directly to liabilities for insurance contracts (without a significant insurance risk component) amounted to approx. NIS 213 million in the Reporting Period, compared to approx. NIS 224 million in the corresponding period last year.

Yield-dependent policies

Insurance reserves funds which accumulate in yield-dependent policies are invested in accordance with the Supervision of Financial Services Law (Insurance), 1981 and the regulations promulgated thereunder. This investment income is charged to the policyholders net of management fees.

In yield-dependent insurance policies issued from 1991 to 2003, an insurer may collect fixed management fees and variable management fees at the rates set in the regulations and derived from the real return of the investment portfolio. The variable management fees are collected only in respect of positive real return. If a negative real return was achieved, the insurer can only collect the variable management fees once the return which is achieved covers the cumulative real loss. During the course of 2022, a negative real return, which has yet to be offset as of the report date, was achieved, and consequently, the Company is prevented from collecting variable management fees until a cumulative positive return is achieved. As of the report date, the potential loss of income from management fees amounted to approx. NIS 45 million. Immediately prior to the report publication date, the potential loss of income from management fees is estimated at approx. NIS 7 million. It should be noted that in connection with yield-dependent insurance policies issued as from 2004, only fixed management fees are collected, and therefore real investment losses do not have a direct effect on the collection of those management fees as stated above.

The fixed management fees in yield-dependent life insurance policies collected during the Reporting Period amounted to approx. NIS 62 million, compared to approx. NIS 58 million in the corresponding period last year.

Details regarding the rates of return in yield-dependent insurance policies:

Policies issued in 1991-2003 (Fund J)

	1-3/2025	1-3/2024	1-12/2024
Real return before payment of management fees	(0.40%)	4.25%	8.68%
Real return after payment of management fees	(0.55%)	4.09%	8.04%
Nominal return before payment of management fees	(0.11%)	4.55%	12.41%
Nominal return after payment of management fees	(0.26%)	4.40%	11.74%

Policies issued from 2004 and thereafter (the new Fund J)

	1-3/2025	1-3/2024	1-12/2024
Real return before payment of management fees	(0.40%)	4.25%	8.68%
Real return after payment of management fees	(0.63%)	4.02%	7.74%
Nominal return before payment of management fees	(0.11%)	4.55%	12.41%
Nominal return after payment of management fees	(0.34%)	4.33%	11.44%

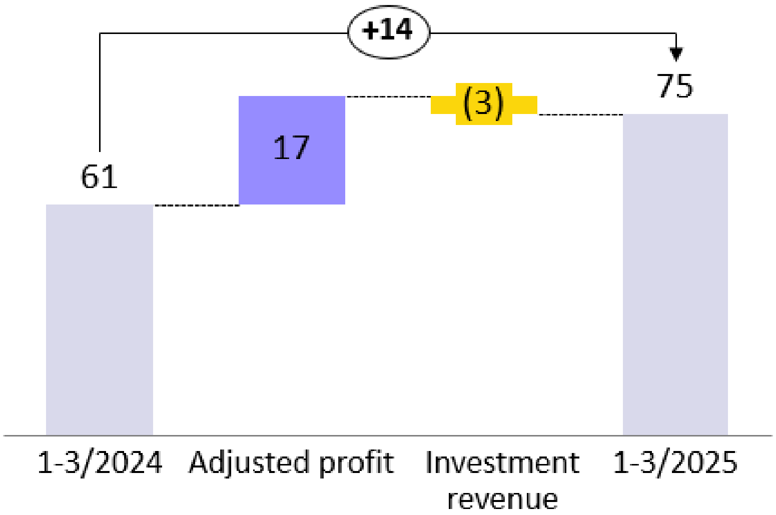
Details regarding the Investment Revenues (losses) carried to policyholders in yield-dependent insurance policies and management fees

In NIS million	1-3/2025	1-3/2024	1-12/2024
Nominal investment income credited to policyholders net of management fees	(61)	1,363	3,561
Fixed management fees	62	58	237
Variable management fees	-	-	-
Total management fees	62	58	237

6.4 Pension Funds Subsegment

The operating results in the pension funds subsegment relate to the results of a consolidated management company - Menora Mivtachim Pension and Provident Funds.

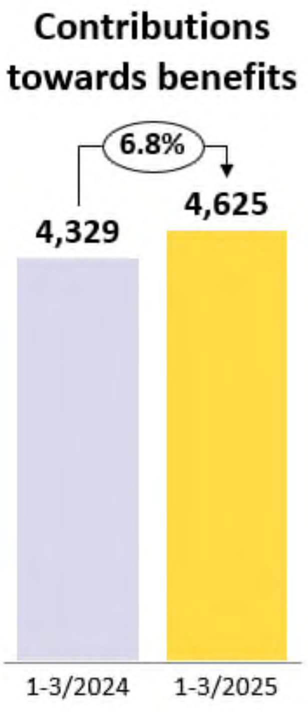
6.4.1 Changes in the pension funds activity results during the Reporting Period (before tax, in NIS million)

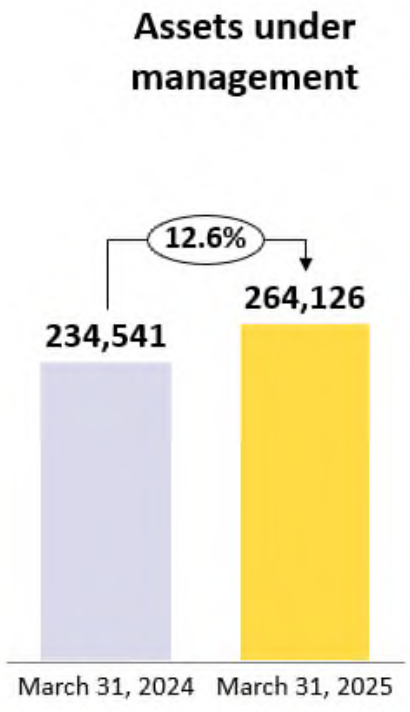


1-3/2025	77	(2)
1-3/2024	60	1

In the Reporting Period, the income amounted to approx. NIS 75 million, compared to income of approx. NIS 61 million in the corresponding period last year. The increase in income in the Reporting Period compared to the corresponding period last year arises from an increase in adjusted profit of approx. NIS 17 million, which stems mainly from an increase in revenues from management fees (net) due to the increase in total assets under management and an increase in collection, after discounts to planholders, and on the other hand - a moderate increase in expenses.

6.4.2 Assets under management and contributions towards benefits (in NIS million)

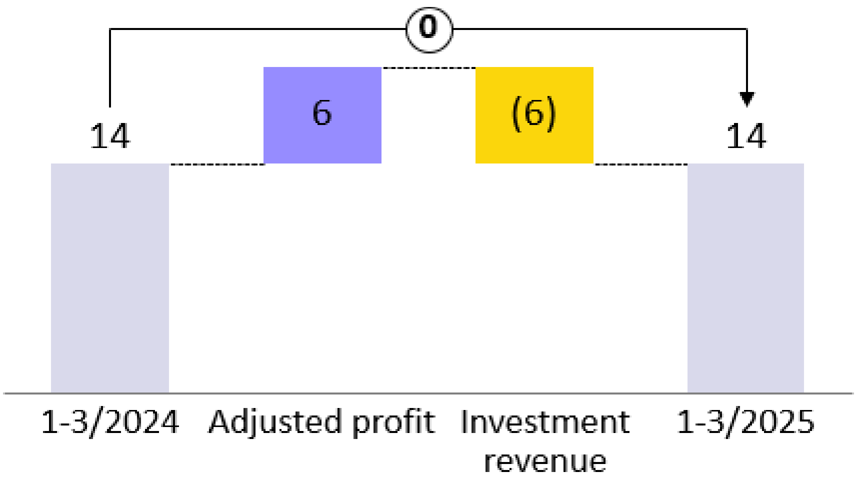




6.5 Provident funds

The activity in the provident funds subsegment is carried out in consolidated management companies, Menora Mivtachim Pension and Provident Funds and Menora Mivtachim Engineers:

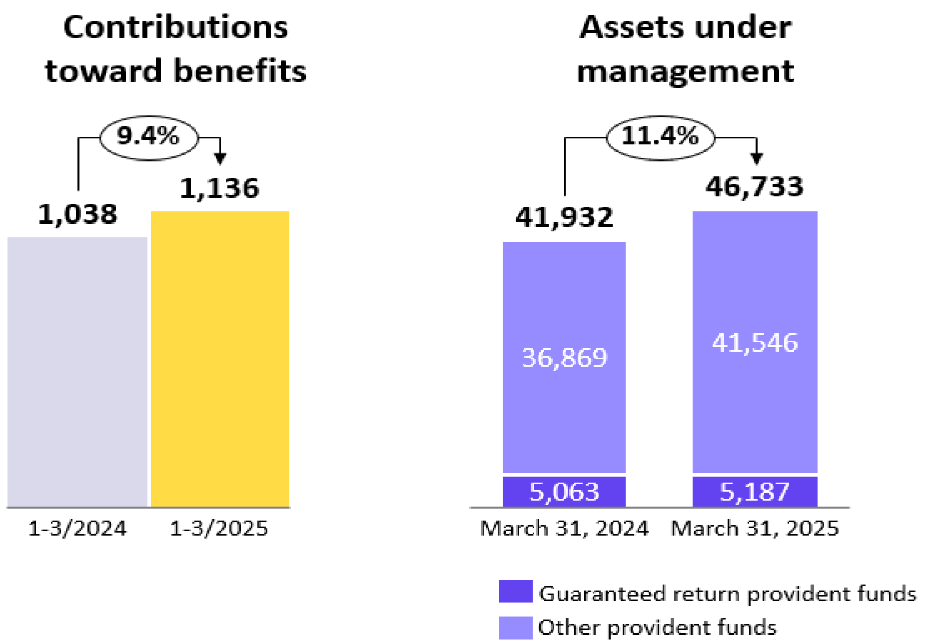
6.5.1 Changes in the provident funds activity results during the Reporting Period (before tax, in NIS million)



1-3/2025	20	(6)
1-3/2024	14	0

In the Reporting Period and in the corresponding period last year, the income amounted to approx. NIS 14 million. During the Reporting Period, there was an increase in Adjusted Profit of approx. NIS 6 million, arising mainly from an increase in management fees, which was partially offset by a moderate increase in expenses.

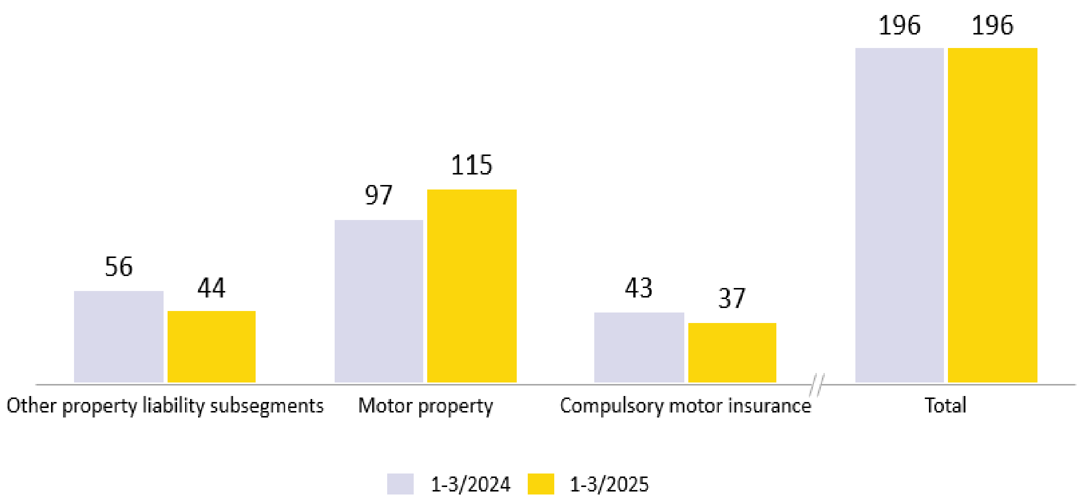
6.5.2 Assets under management and contributions towards benefits (in NIS million)



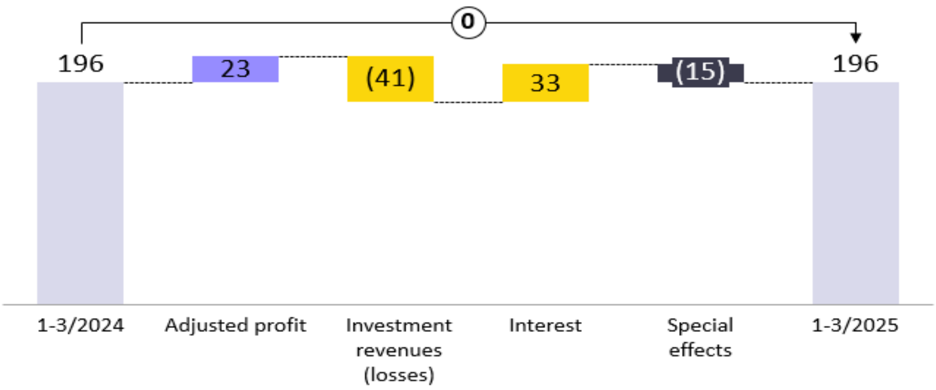
6.6 Results of Property and Casualty Insurance Subsegments

The property and casualty insurance businesses comprise three subsegments: Motor property, compulsory motor, property and other insurance, and other liability insurance.

6.6.1 Comprehensive income (loss) in property and casualty insurance during the Reporting Period (in NIS million)



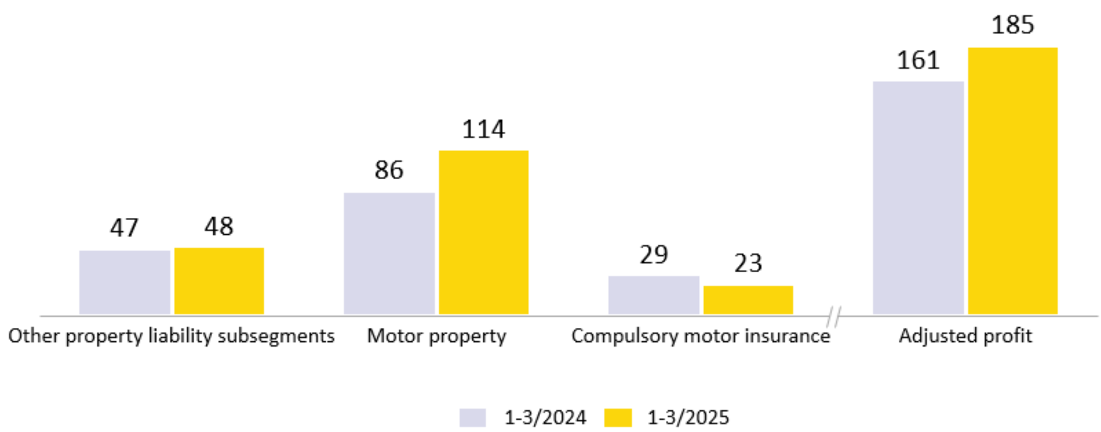
6.6.2 Analysis of key changes in comprehensive income during the Reporting Period, compared to the corresponding period last year (before tax in NIS million)



1-3/2025	185	(14)	41	(15)
1-3/2024	161	27	8	0

Comprehensive income during the Reporting Period, compared to the corresponding period last year, remained unchanged, with Adjusted Profit increasing by approx. NIS 23 million. In the Reporting Period, the interest rate effect reduced the insurance liabilities by approx. NIS 41 million, compared to a decrease of approx. NIS 8 million in the corresponding period last year. The interest rate effect in the Reporting Period includes a positive effect of approx. NIS 15 million in compulsory motor insurance, approx. NIS 8 million in the property and other liability subsegment, and approx. NIS 18 million in motor property insurance (in the corresponding period last year - a positive effect of approx. NIS 4 million in compulsory motor insurance, approx. NIS 2 million in the property and other liability subsegments, and approx. NIS 2 million in motor property insurance). On the other hand, there was a transition from Investment Revenues in the corresponding period last year to a loss (after charging a normative return as stated in Section 6.1 above) totaling approx. NIS 41 million.

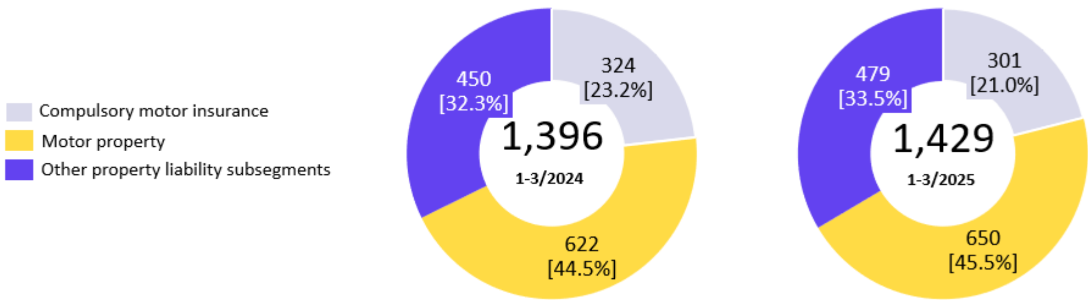
6.6.3 Results of adjusted profit by operating segment in the Reporting Period (before tax, in NIS million)



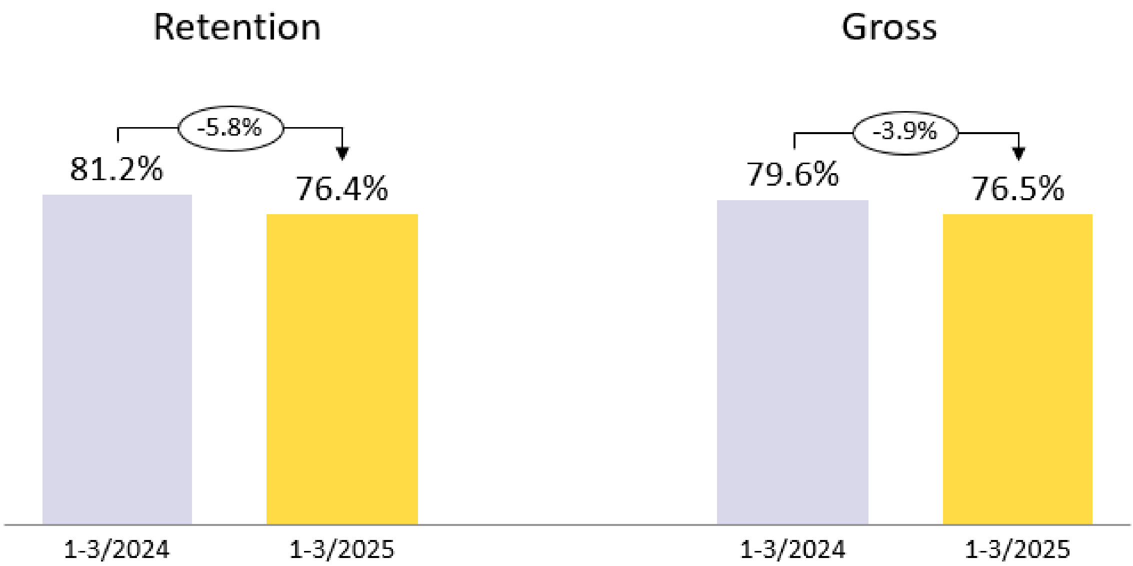
Compulsory Motor Insurance – the decrease in Adjusted Profit in the Reporting Period compared to the corresponding period last year stems mainly from a deterioration in the results of the current year.

Motor Property Insurance – the increase in Adjusted Profit in the Reporting Period compared to the corresponding period last year arises mainly from an improvement in the current year's results as a result of an increase in tariffs.

6.6.4 Gross premiums during the Reporting Period and corresponding period last year (in NIS million)



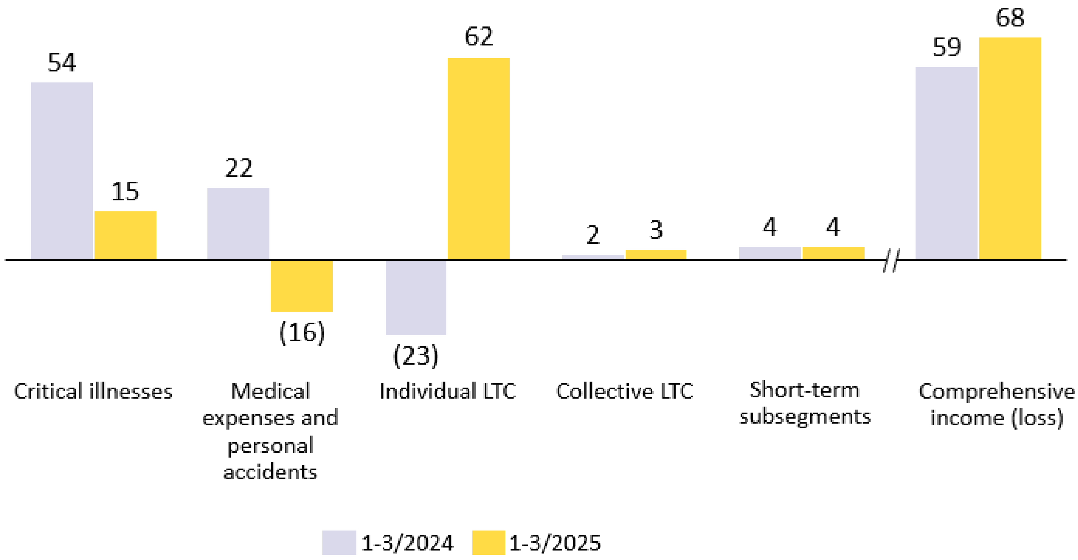
Following is the combined loss ratio - gross and retention - in motor property:



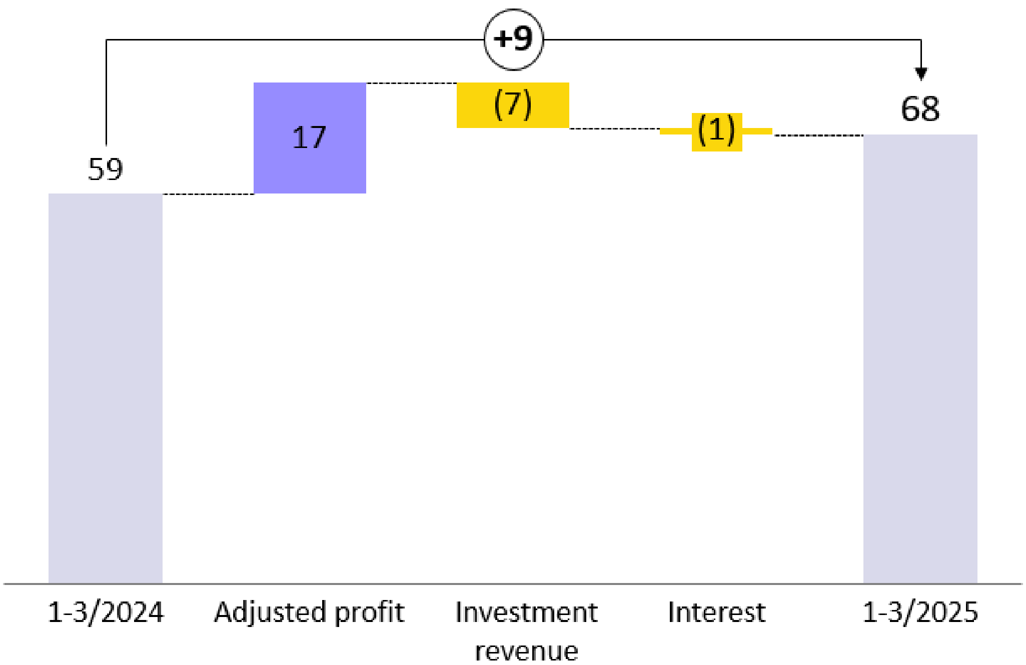
- **Combined loss ratio, gross** – reflects the ratio of insurance service expenses to revenues from insurance services
- **Combined loss ratio in retention** – reflects the ratio of net insurance service expenses out of reinsurance expenses to revenues from insurance services, net out of reinsurance revenues

6.7 Operating results of the Health Insurance Segment

6.7.1 Comprehensive income (loss) in health insurance during the Reporting Period (before tax, in NIS million)



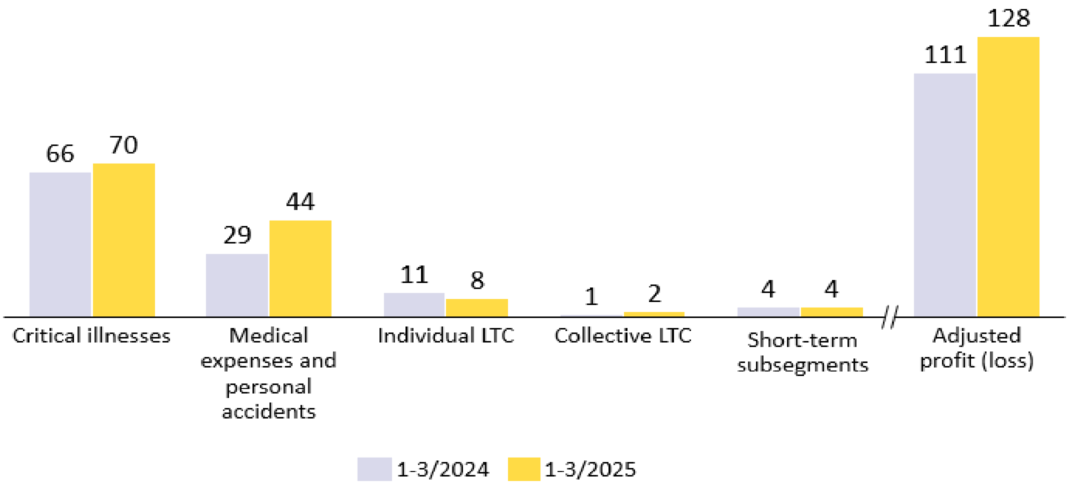
6.7.2 Analysis of key changes in comprehensive income during the Reporting Period, compared to the corresponding period last year (before tax, in NIS million)



1-3/2025	128	(17)	(43)
1-3/2024	111	(10)	(42)

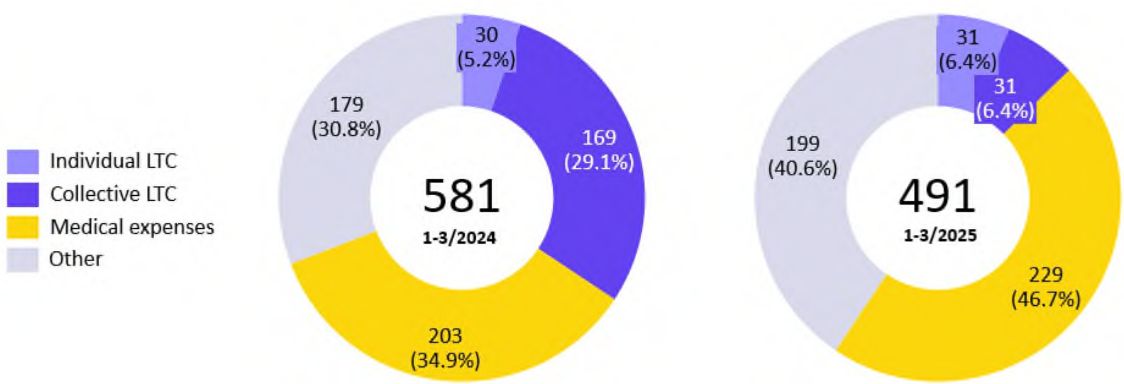
The increase in Adjusted Profit in the Reporting Period compared to the corresponding period last year stems mainly from an improvement in claims as well as an increase in activity in critical illness and medical expense insurance products, as well as the effects of demographic studies that increased the balance of CSM in the medical expenses insurance product.

6.7.3 Results of adjusted profit by operating segment in the Reporting Period (before tax, in NIS million)



- **Medical Expenses and Personal Accidents** - the increase in profit is mainly due to studies carried out in 2024.
- **Critical Illnesses** - the improvement in Adjusted Profit stems mainly from an improvement in current activity (decrease in claims).
- **Short-term subsegments and long-term care operations** - the improvement in Adjusted Profit stems mainly from the transition of the Meuhedet and Leumit HMOs from collective long-term care insurance activities to operational activities without bearing the risk.

6.7.4 Gross premiums during the Reporting Period and corresponding period last year (in NIS million)



- Premiums for collective long-term care insurance in the corresponding quarter of last year include a total of approx. NIS 140 million in respect of HMOs, which in 2025 switched to an operational model.

7. IFRS 17 - Insurance Contracts[7]

As mentioned above, the standard's first-time application date is January 1, 2025, and the transition date is January 1, 2024. The shareholders' equity attributable to the shareholders before the transition date stood at approx. NIS 6,431 million. The shareholders' equity attributable to the shareholders considering the effects of IFRS 17 stands at approx. NIS 6,172 million - a decrease of approx. NIS 259 million.

7.1 Defined Terms

- **Best estimate hereinafter - ("BE")** - An estimate of the projected expected cash flows arising from the fulfillment of the insurance liability.
- **Contractual service margin (hereinafter - "CSM")** - The expected profit from provision of insurance coverage. The profit is not recognized on day one, but rather spread over the insurance coverage period. Loss from provision of insurance coverage is recognized on day one.
- **Risk adjustment (RA)** - Risk margin used as a buffer with respect to uncertainty arising from future cash flows
- **Pension - embedded value[8] -** The expected profit from the provision of pension services less the cost of capital requirement and deferred acquisition expenses (calculated in accordance with the embedded value principles).
- **The store of future earnings** – the total balance in respect of CSM, RA and the pension embedded value.

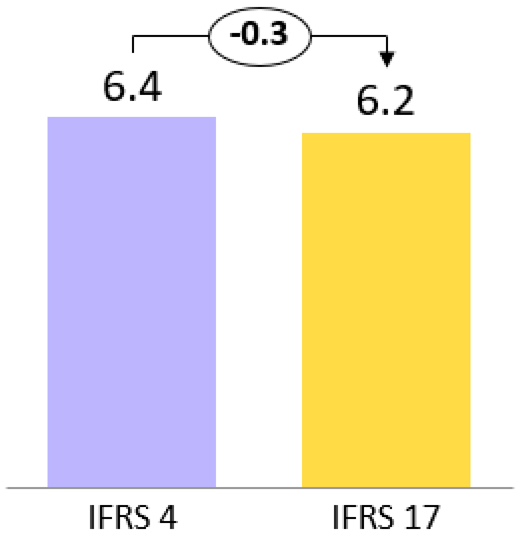
Following are the main effects at the transition date:

- **Change in the measurement of insurance liabilities** - On the transition date, the Company starts measuring insurance assets and liabilities (including deferred acquisition costs) according to the BE method.
- **Recognition of CSM and RA -** On the transition date, the Company recognizes CSM and RA liabilities in respect of the existing portfolio.
- **Effects of IFRS 9** - in respect of transition to a fair value measurement of some of the Company's debt assets (including Hetz bonds) and in respect of the recognition of a provision for current expected credit losses.

[7] The pension activity is not included in the scope of IFRS 17. This activity constitutes a substantial Group arm and has long-term features - similar to health and life products. Therefore, in order to reflect a complete and representative picture of the Group's embedded value at the starting point of the transition date, the embedded value data of the Group's pension activity are presented as part of the Group's store of future earnings.

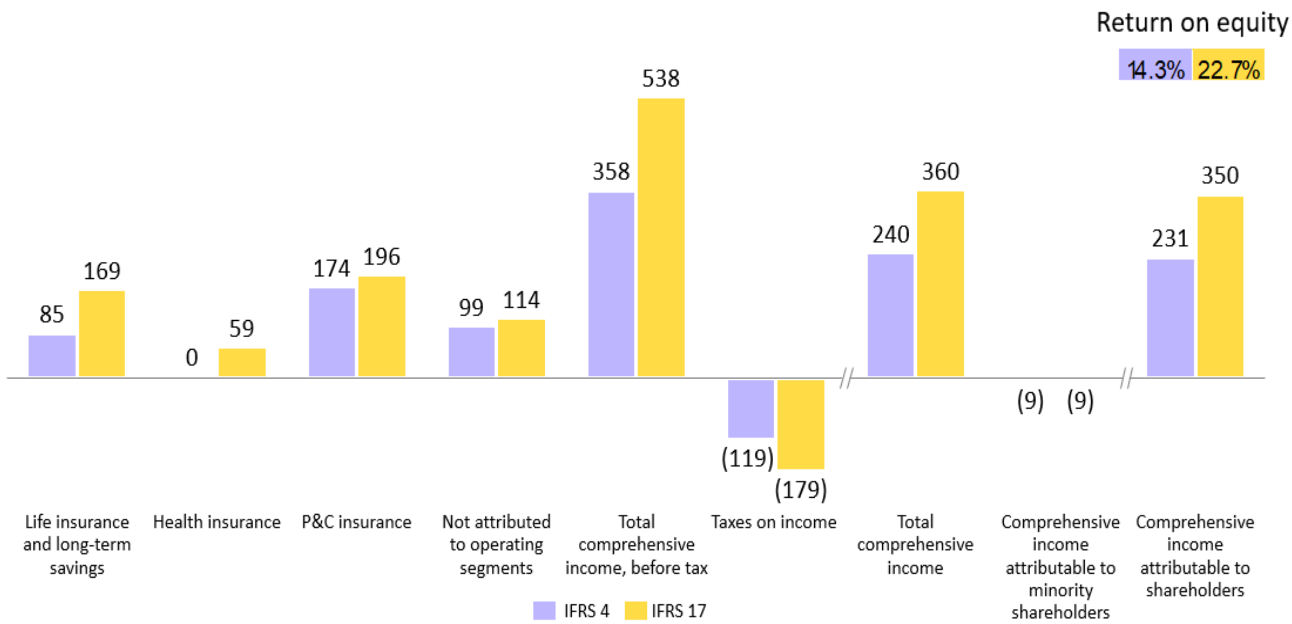
[8] See 8 below.

7.2 Change in equity as of January 1, 2024, to IFRS 17 (in NIS billion)

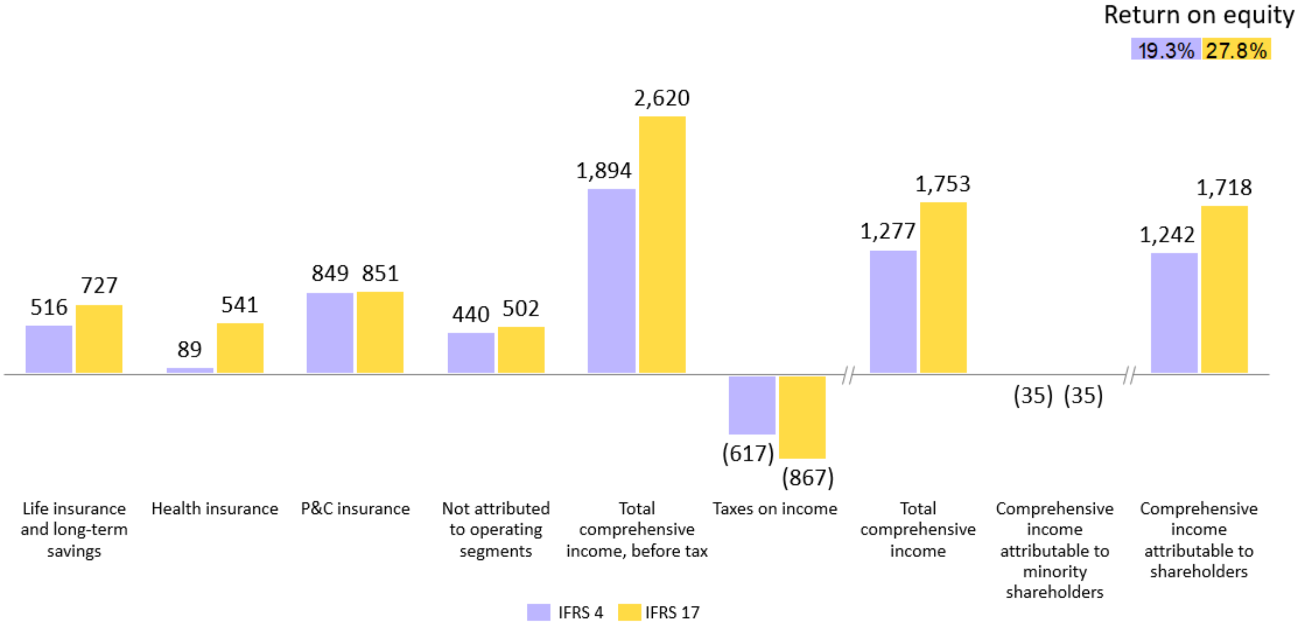


7.3 Comparison of profit before tax - IFRS 17 vs. IFRS 4

7.3.1 Comprehensive income from operating segments during the 1-3/2024 period (in NIS million)

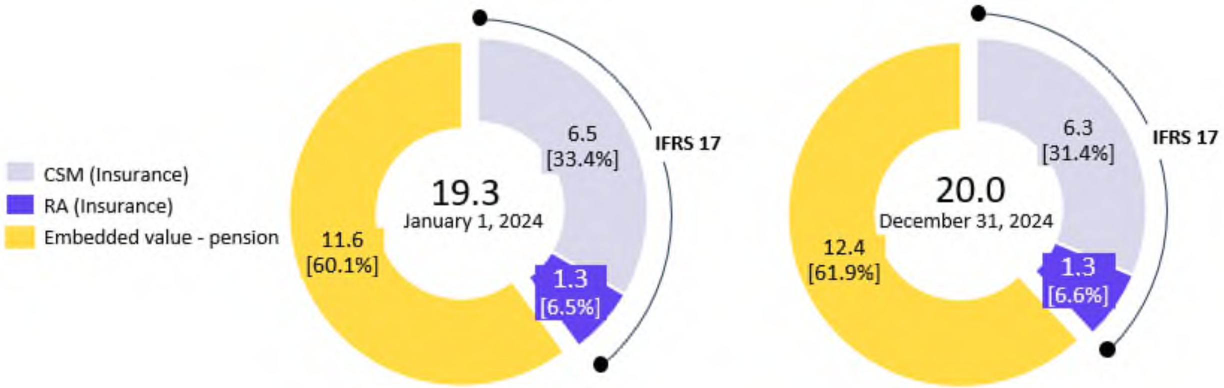


7.3.2 Comprehensive income from operating segments in 2024 (in NIS million)



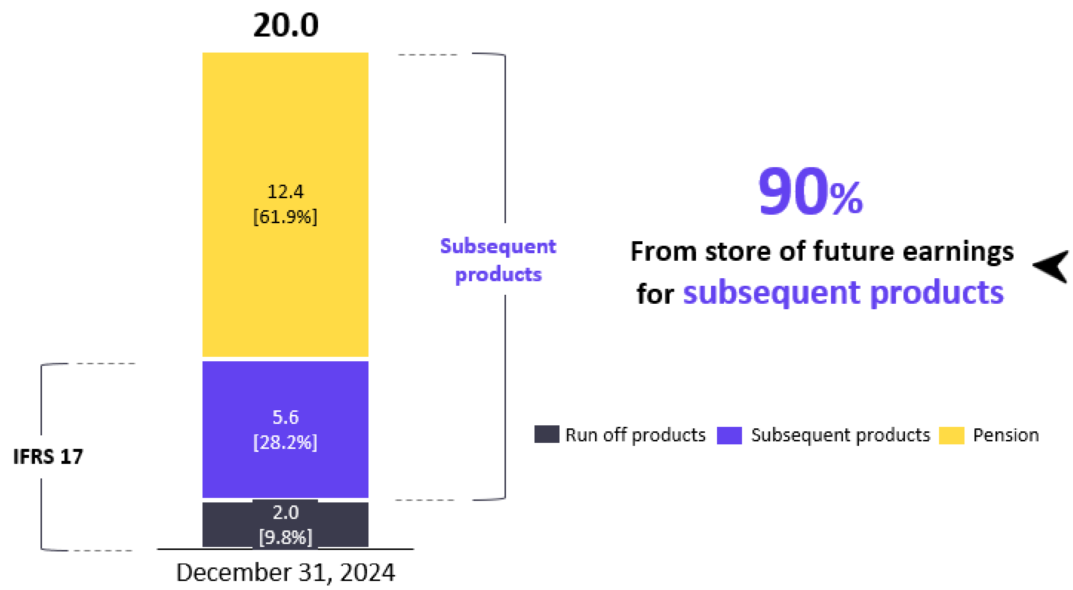
7.4 Store of future earnings

7.4.1 The balance of the store of future earnings divided into CSM and RA and the embedded value of pension (in NIS billion)

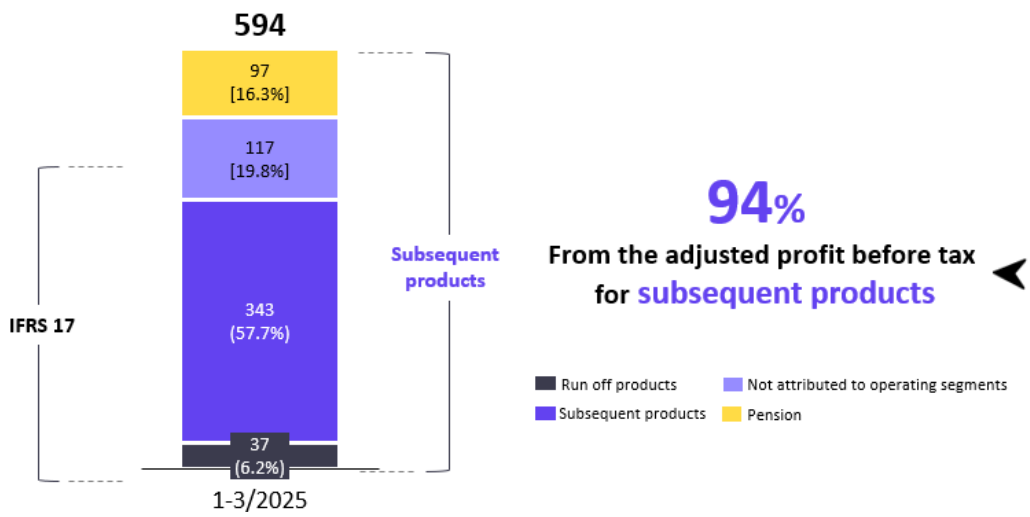


- In the Reporting Period and in the corresponding period last year there were no significant changes in demographic and operational assumptions in the calculation of insurance assets and liabilities in the Life Insurance and Health Insurance segments. Key changes in 2024 include: updates of assumptions regarding cancellations and retention, mortality assumptions, annuity takeup rate, and morbidity assumptions. Furthermore, assessments have been updated for actual changes in the Health Insurance Segment due to the implementation of regulatory changes in the medical expenses product.
- The CSM balance remained unchanged as of March 31, 2025.

7.4.2 The balance of the store of future earnings by products as of December 31, 2024 (NIS billion)



7.4.3 Adjusted Profit by breakdown of products for Q1-3/2025 (before tax, in NIS million)



8. Embedded value - pension

The calculation of the embedded value was carried out in accordance with the rules and principles set by the Commissioner of the Capital Market Authority, which adopted the rules and principles set in the report of a joint committee of the insurance companies and the Capital Market Authority, which was supported by consultants from Israel and abroad, in accordance with the provisions of the disclosure to the public directives; such a calculation is voluntary, but is reported to the Commissioner once a year as from 2017.

The embedded value of the Pension Subsegment is calculated in accordance with a best estimate[9] based on assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. As a rule, the calculation of the embedded value of the pension subsegment was carried out in accordance with the practice of calculating the embedded value (EV) of insurance contracts in Israel. It is noted that the embedded value does not include the adjusted shareholders' equity.

The measurement of the embedded value of the pension activity is based on discounting by a risk-free interest rate of projected future cash flows, including future income, based on a best estimate which does not include margins of conservatism.

The calculation of the pension subsegment's embedded value was carried out by discounting the pension subsegment's expected future cash flows, using a model applied to existing information in the Company's operational systems and to many demographic, economic and behavioral assumptions. The expected cash flows include future management fees in view of the expected cancellation rates, net of expenses incurred to the Company, including fees and commissions to agents, etc.

The calculation of the pension subsegment's embedded value does not include cash flows in respect of new planholders, who have not yet joined the Company; however, it does include an assumption of continued contributions in respect of existing planholders. Furthermore, the calculation assumes that the Company shall continue as a going concern, i.e., that the structure of the Pension Subsegment will not change, and therefore, some of the fixed expenses in the future shall not be allocated to the current portfolio, but rather to a new business which is expected to be sold in the future.

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[9] Limitations and qualifications with regard to calculation of the best estimate:

- Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events.
- Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions (such as the rate of cancellations) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.
- The determination of the BE should be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.

It is likely that actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way.

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

A. **Economic assumptions**
Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel (”**risk-free interest**”).

B. **Operational assumptions**
General and administrative expenses - the Company analyzed the expenses attributed to the Pension Subsegment and attributed them to various products and planholder types and to various activities such as ongoing operation, investment management, payment of pensions and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors. Future expenses and their allocation to future cash flows are determined based on multiple assessments and judgments applied by the Company, which affect the embedded value.

C. **Demographic assumptions**

- Cancellations (discontinuation of contributions, customer churn and redemptions) - in accordance with Company’s experience, as observed in periodic cancellation studies, while making adjustments in accordance with the Company’s estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Future pay raises of active planholders - in accordance with Company’s experience, as observed in periodic studies, while making adjustments in accordance with the Company’s estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Planholders and pensioners' mortality - in accordance with the consolidated circular regarding measurement of liabilities – revision of the demographic assumptions in life insurance and pension funds, which is valid as of the assessment date.
- Pension uptake rates, annuity uptake age - in accordance with the Company’s experience as observed in periodic studies.

9. Cash Flow

In NIS million	1-3/2025	1-3/2024	% of change	1-12/2024
Net cash provided by (used for) activity:				
Operating	29	751	(96.1%)	1,659
Investment	(282)	(157)	79.6%	(541)
Financing	438	101	331.9%	(548)
Exchange rate differences in respect of cash and cash equivalent balances	13	7	94.5%	8
Change in the cash balance	**199**	**702**	**(71.7%)**	**578**
Cash balance at end of period	**4,182**	**4,107**	**1.8%**	**3,983**

10. Developments in the macroeconomic environment

The War that began after a Hamas terrorist organization attack on October 7, 2023, continued into 2025. At the beginning of 2025, a ceasefire in Gaza was reached and the release of a number of hostages also began. However, in March the fighting resumed. Israel's risk premiums, which decreased following the ceasefire in northern Israel and Gaza, once again began to increase.

The Israeli economy grew by 1% in 2024. According to current indicators, activity in the economy continued to expand in the first quarter of 2025 after an improvement at the end of 2024, but at a relatively moderate pace. The recovery stems mainly from an increase in private consumption and an increase in investments, especially in residential construction. According to the Bank of Israel forecast, the Israeli economy is expected to grow by 3.5% in 2025. The Bank of Israel expects private consumption to grow by 6.0%, investments in fixed assets by 10% and exports by 2.5%.

The labor market continues to be tight. The ratio of the number of unemployed to the number of vacancies decreased to the lowest level of the last decade. The unemployment rate rose from a very low level of 2.7% at the end of 2024 to 2.9% in March 2025. The shortage of workers is mainly prevalent among those with a non-academic occupation, especially in the field of construction. As a result of the low unemployment, the average wage continued to grow at a relatively rapid pace. The Bank of Israel expects the general unemployment rate to stand at 2.9% at the end of 2025.

The inflation rate increased from 3.2% at the end of 2024 to 3.3% at the end of the first quarter of 2025. The price index for January 2025 was affected by government decisions made as part of budget adjustments, such as raising VAT from 17% to 18%, the increase in municipal property taxes, as well as an increase in the electricity and water rates. In accordance with the Bank of Israel's forecast, the rate of inflation is expected to reach 2.6% in 2025.

The Bank of Israel left its interest rate unchanged at 4.50%. According to the Bank of Israel, due to Israel's high risk premium and high inflation level, the Bank currently supports leaving the interest rate unchanged. The Bank of Israel Research Department estimates that the interest rate will decline by 0.5 percent over the next 12 months.

The government passed a budget for 2025 with a planned deficit of 4.9% of GDP. The budget included significant adjustments both on the revenues side (tax increases) and on the expenses side. The budget deficit at the end of the first quarter was 5.2%. Israel's debt-to-GDP ratio rose in 2024 to 69%, and according to the Bank of Israel's forecast, is expected to decline to 68% by the end of 2025.

The rating agencies confirmed Israel's existing rating after a decline in ratings made during 2024 with a negative outlook in all rating agencies. Israel is rated Baa1 by Moody's, and A by both S&P and Fitch.

During the first quarter of 2025, economic activity continued to expand in most major countries around the world. In January, the new US administration headed by President Trump entered the White House and began implementing a comprehensive program of structural changes in various fields such as foreign trade, immigration, governance structure, international relations and more. The changes were sharp and on occasions extremely frequent. In particular, tariffs on imports from all countries were raised at different rates. It is likely that the existing tariff level is not yet final and will change in the future. The sharp policy changes increased the uncertainty among investors to a high level and caused abnormal volatility in the financial markets, as the US markets displayed a marked disadvantage in relation to the other markets and were characterized by underperformance of the stock market, a weakening of the dollar relative to most currencies and abnormal volatility in the bond market.

In the IMF's updated forecast, the growth forecast for the global economy decreased from 3.3% in the forecast published in January 2025 to 2.8%.

The IMF's forecast for US economic growth in 2025 decreased from 2.7% to 1.8%, subsequent to 2.8% growth in 2024. During the first quarter of 2025, U.S. economic data continued to be relatively good; though, forecasts and surveys of major research entities and business companies declined. The US labor market continued to create jobs at a relatively high rate. The unemployment rate increased from 4.1% at the end of 2024 to 4.2% in March 2025. The inflation rate decreased from 2.9% at the end of 2024 to 2.4% in March 2025, but there is concern that the increase in import tariffs will cause a significant increase in prices. During the first quarter, the Federal Reserve, the central bank of the United States, left interest rates unchanged at 4.25% -4.50%, despite the decline in inflation. According to the Bank's explanations, leaving the interest rate unchanged reflects concern about the effect of government policy on the inflationary environment.

Economic activity in Europe was moderate. In accordance with the IMF forecast, the European economy is expected to grow by 0.8% in 2025 after growing by 0.9% in 2024. The effect of the increase in tariffs on exports from Europe to the US is expected to significantly impair growth in Europe. In response to US threats to reduce military aid, the European Union decided to increase defense spending by EUR 800 billion. In Germany, a new chancellor was elected who, even before taking office, succeeded in approving in parliament an infrastructure investment plan amounting to approx. EUR 500 billion, while increasing defense expenditure.

The emerging economies continue to expand, especially in Asia, but are also likely to be affected by the increase in tariffs in the United States. The Chinese economy grew by 1.2% in the first quarter of 2025 after an increase of 1.6% in the previous quarter. The tariffs imposed at this stage on exports from China to the US and the mutual tariffs announced by the Chinese government effectively do not allow trade between the countries and are expected to significantly harm the Chinese economy.

Apart from the US Federal Reserve, the world's major central banks continued with the interest rate reduction process during the first quarter. The decline in the interest rate reflects moderation in inflation and concern about significant damage to growth as a result of the US administration’s new policy.

- **The bonds and equities markets**

  Trading in markets around the world was mainly influenced by statements and actions of US President Trump regarding foreign policy and economic policy. His influence led to a degree of disparity between the performance of the stock indices in the US and Europe. Europe was positively affected by the expectation of an end to the Russo-Ukrainian War mediated by the US, concomitantly with the increase in the defense budget and interest rate reductions. On the other hand, in the United States, there were growing concerns of an increase in inflation and damage to the companies' profitability increased resulting from expected changes in the president's customs policy. Subsequent to considerable increases in the first half of the first quarter following the return of some of the hostages and expectations of an end to the War, the trend reversed. From the end of February 2025, asset disposals began both due to the declines in the US capital market and the failure to release all the hostages combined with the return to fighting in Gaza.

  In the first quarter of 2025, the TA 35 and TA 125 indices increased by 1.0% and 0.8%, respectively, while the TA 90 index decreased by 0.6%. On the other hand, the TA-Banks Index which was up by 11.8%, the TA-Insurance Index which was up by 17.1% and the TA-Oil and Gas Index which was up by 11.5%, recorded notable outperformance. On the other hand, the TA Real Estate Index registered prominent underperformance, as it decreased by 12.8%.

  In the United States, share indices declined. The S&P 500 was down by 4.6%, the NASDAQ down by 10.4%, and the Dow Jones was down by 1.3%. On the other hand, in Europe there was an increase in share indices. The EURO STOXX 600 was up by 5.2%, the German DAX was up by 11.3%, and the FTSE in England was up by 5.0%. In the Far East, the Japanese Nikkei Index was down by 10.7%, with the Shanghai SSE Index slightly down by 0.5%.

  Bonds trading in 2024 was affected by the realization that interest rates are not expected to decline quickly, by changes in the rate of inflation and by changing estimates with regard to the end of the War. In Israel, in the first half of the quarter, there was a downward trend in returns and a return to the level of the beginning of the year. The returns on 10-year bonds, which at the beginning of 2025 stood at around 4.5%, remained at the same level at the end of the first quarter of 2025, and the return spread between the two-year period and the ten-year period remained at 0.2%.

In the United States, there has been a downward trend in returns. At the beginning of the year, the 10-year return was 4.55% and at the end of the first quarter the return decreased to 4.25%. The decline in return came against the backdrop of the expected interest rate reductions even though the US Federal Reserve has yet to adopt such a step. President Trump's tariff policy makes it difficult to reduce interest rates in light of the expectation that this will cause inflation, but on the other hand, it may lead to an economic slowdown that will support interest rate reductions.

The Tel Gov - Shekel Index increased by 0.8% in the first quarter, while the Tel Gov - CPI Linked Index decreased by 0.6%. The gap reflects a decrease of 0.2% in inflation expectations for a period of 10 years. The Tel Bond-20 Index increased by approx. 0.2% and the Tel Bond 60 Index increased by approx. 0.3%. This slight increase in the corporate bond sector reflects a slight reduction in the spreads compared with the government bonds.

In the first quarter of 2025, the shekel trade against the dollar was characterized by high volatility. In the first half of the quarter, the shekel strengthened to a level of NIS 3.55 per USD 1. In the second half, the trend reversed and the shekel weakened and ended the quarter at NIS 3.72 per USD 1. The fluctuations were mainly related to developments in the state of the War. The foreign currency reserves of the Bank of Israel increased by approx. USD 4.2 billion in the half-year, amounting to approx. USD 214.4 billion.

- **Events subsequent to the balance sheet date**

  In early April, President Trump rocked the global economy and stock exchanges around the world by announcing trade quotas on goods from around the world at different rates, significantly higher than earlier estimates. Subsequently, some quotas were frozen for a period of 90 days while on goods from China they were raised to a higher level. Reaching global agreements on the issue of trade quotas is not yet on the horizon, although the level of uncertainty, as reflected in the “fear index,” has been on the decline throughout the second half of April. On May 16, 2025, Moody's downgraded the U.S. credit rating by one notch to Aa1, with a stable outlook. The downgrade comes against the background of the deterioration of the US fiscal profile and expectations that this trend will continue in the coming years.

11. Funding sources

The balance of the loans and credit as of March 31, 2025 is approx. NIS 4,955 million compared to NIS 4,503 million as of December 31, 2024.

As of the report date, the Company’s separate financial liabilities amount to approx. NIS 278 million, originating in Bonds (Series C), whose repayment is spread over 2 years (totaling NIS 108 million) according to the amortization schedules, and in an option to non-controlling interests (totaling NIS 170 million). The Company considers it important to maintain available financial assets at the amounts required to repay bonds and to cover its operating activities and those of its investees. In this regard, it is noted that as of the report date the Company has liquid financial assets totaling approx. NIS 671 million. As part of the rating of the bonds it raised, the Company declared that it intends to maintain liquid assets and lines of credit at a rate of 100% of debt repayments (principal and interest) one year in advance, in accordance with the bonds' amortization schedule.

12. Disclosure on Exposure to, and Management of, Market Risks

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, the report regarding market risks and mitigation thereof relates to exposures of the Company and its consolidated companies, except for insurance companies. During the first three months of 2025, there were no material changes in the Company's exposures to market risks and their management, compared to what is described in the 2024 Periodic Report.

13. Corporate Governance Aspects

13.1 Disclosure on the financial statements' approval procedure in the Company

- **The identity of the organs charged with governance in the corporation**

  The organs charged with governance in the corporation are the CEO and CFO, at management level, and the Company's Financial Statements Review Committee, as defined in the Companies Regulations (Provisions and Conditions for Financial Statement Approval Procedure), 2010, which is the Balance Sheet Committee that was appointed by the Company's Board of Directors, whose role is - among other things - to discuss and issue recommendations to the Company's Board of Directors in connection with matters pertaining to the Company's financial statements, including the assessments and estimates made in connection with the financial statements, the internal controls regarding financial reporting, the integrity and adequacy of the disclosure in the financial statements, the opinion of the independent auditor, the accounting policy that was adopted and the accounting treatment that was applied in connection with the corporation's material matters (hereinafter - the "**Balance Sheet Committee**"). It is noted that the Balance Sheet Committee is not the Company's Audit Committee.

- **Committee members**

  As of the report publication date, the Balance Sheet Committee comprises three members, all of whom serve as Company directors, as follows: Mssrs. Gabriel Perel (ED and Chairman of the Balance Sheet Committee), Shai Feldman and Orit Stav (EDs) who possess accounting and financial expertise. All committee members possess the ability to read and understand financial statements. For details regarding the skills and experience of the directors, based on which the Company views them as persons who possess the ability to read and understand financial statements, see the Additional Details Report in the Periodic Report,. All members of the Balance Sheet Committee signed statements in accordance with the Companies Regulations (Provisions and Conditions for Financial Statement Approval Procedure), 2010. Meetings of the Company's Balance Sheet Committee are also attended by the Company's independent auditors.

- **Approval procedure of the financial statements**

The financial statements of the Company were discussed in a meeting of the Balance Sheet Committee that was held on May 26, 2025. All members of the Balance Sheet Committee attended the abovementioned meeting. The meeting was also attended by Group officers and managers, as detailed below: Mssrs. Ari Kalman, CEO; Eran Griffel, Chairman of the Board of Directors; Ran Kalmi, CFO; Shimon Ir-Shai, Chief Legal Counsel, and Eti Hirshman, Chief Internal Auditor. The independent auditors and the following officers and managers of the subsidiary - Menora Mivtachim Insurance - were also in attendance: Mssrs. Yehuda Ben Assayag - Chairman of the Board; Michael Kalman - CEO; Ran Kalmi - CFO, Dan Bar-On - Chief Actuary; Omri Gal - Head of Finance and Accounting; Katy Resnick - Actuary, Life Insurance; Anna Semenova - Health Insurance Actuary; Jacob Mauser - Supervising Actuary (Property and Casualty Insurance) and representative of the Company's Secretariat.

The draft interim financial statements of the Company as of March 31, 2025, including the Report of the Board of Directors, and the financial statements, were delivered to the members of the Balance Sheet Committee and Board of Directors in advance, several days prior to their approval date.

The Balance Sheet Committee selected - through a detailed presentation by the Company's officers - the material issues in its financial reporting; as part of this process, the following were presented and reviewed: Assessments and estimates that were made in connection with the financial statements; internal controls regarding financial reporting; the integrity and adequacy of financial statements disclosures; the accounting policies and accounting treatment applied to material issues, and the Company's financial statements data. Furthermore, data included in the financial statements was presented, including information regarding the Company's financial position and operating activities.

As part of the abovementioned discussions, a review was held of the effectiveness of internal control over financial reporting.

The members of the committee assessed the judgment exercised by management in connection with the different issues, and after listening to the position of the Company's independent auditor, they reached the conclusion that the Company applied adequate accounting policies, and used adequate estimates and assessments. The committee formulated its recommendations regarding the various issues that were discussed, and recommended that the Board of Directors approve the interim financial statements for the period ended March 31, 2025.

14. Dedicated disclosure for bond holders

14.1 Details regarding the corporation's bonds

There were no material changes in relation to Section 13 to The Report of the Board of Directors in the Periodic Report.

15. Disclosure Provisions Relating to the Corporation's Financial Reporting

15.1 Reporting critical accounting estimates

There were no material changes in critical accounting estimates compared to those referred to in the Periodic Report.

Internal control over financial reporting and disclosure Group's institutional entities implement the provisions required under Sections 302 and 404 to the Sarbanes Oxley Law, all in accordance with the Commissioner's directives. In that context, the Group's institutional entities established work processes, that include, among other things, processes for disclosing and discussing events that affect the disclosure, and which are participated by those who take part in the preparation of the financial statements.

Accordingly, and further to the above, managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the institutional entity's disclosure as of the end of the period covered in this report. Based on this assessment, it was concluded that, as of the end of this period, the controls and procedures as to the institutional entities' disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that the institutional entity is required to disclose in its quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner and on the date set out in these provisions. In addition, during the quarter ending March 31, 2025, no changes took place in the internal control over financial reporting of the institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting.

At the same time, in the Corporation's subsidiaries Menora Mivtachim Insurance and Shomera Insurance Company, significant adjustments were made to the IT systems, working processes and internal controls related to the financial reporting, following the application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments. These changes included:

1. The integration of new information systems and/or developments in the Company's information systems to support the calculations and reports required under the new standards.
2. Updating work processes for collecting, processing and analyzing data in accordance with the requirements of the new standards.
3. The development and integration of new controls to verify the accuracy and completeness of the information reported under the new standards.

4. Training employees and managers on the new requirements and their impact on the financial reporting.

As of the current reporting date, the management of these companies believes that the adjustments and changes made to the internal control following the implementation of the new standards have been fully and efficiently implemented.

The management of these companies operates and will continue to operate in monitoring and examining the effectiveness of the new controls during the year, including making adjustments to working processes and controls as required.

16. Events subsequent to the balance sheet date

16.1 Collective agreement subsidiary – Insurance

On April 9, 2025, a new collective agreement was signed for the years 2025 to 2028, between Menora Insurance, and the New Histadrut Workers' Union and the workers' union at Menora Insurance (hereinafter - the "**Agreement**"). The new Agreement will replace the existing agreement, which was recently extended until December 31, 2024. The New Agreement will apply to all employees of Menora Insurance, except for managers and employees serving in specific roles, which were defined in the agreement. The Agreement embodies an improvement in the employment and welfare conditions of Menora Insurance's employees, as well as an extension of the salary and bonus supplement budget, an improvement of additional employment conditions and the expansion of the leisure and welfare budgets, among other things, depending on compliance with the annual work plan approved by the Board of Directors. The Group estimates that the Agreement will not have a material effect on the Group's expenses in respect of the previous Agreement.

16.2 Rating - subsidiary and sub-subsidiary

On May 28, 2025, Midroog published a tracking report of Menora Insurance, which reiterated the rating of the Company and that of the notes issued by it and by Menora Mivtachim Gius Hon, a sub-subsidiary of the Company. Accordingly, the Company's rating will be Aa1 with a stable outlook and the rating of the notes in Tier 2 capital and the hybrid Tier 2 capital is Aa3 with a stable outlook.

16.3 Dividend distribution by a subsidiary

Subsequent to the balance sheet date, in May 2025, the board of directors of subsidiary Menora Mivtachim Pension and Provident Funds distributed a NIS 50 million dividend (the Company's share is NIS 45 million).

The Board of Directors wishes to extend its sincere appreciation to the Group's employees, its management and agents for their work and contribution to the Group's achievements.

Eran Griffel **Chairman of the Board**	**Ari Kalman** **CEO**

Ramat Gan, May 28, 2025

Chapter B

Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure

Menora Mivtachim Holdings Ltd.

Quarterly Report on the Effectiveness of the Internal Control over Financial Reporting and Disclosure
<u>in accordance with Regulation 38C(a)</u>

Management, under the supervision of the Board of Directors of Menora Mivtachim Holdings Ltd. (hereinafter - the "**Corporation**") is responsible for establishing and maintaining adequate internal control over financial reporting and disclosure in the Corporation.

For this matter, the members of management are as follows:

1. Ari Kalman, CEO;
2. The other members of management:

   Ran Kalmi, CFO

   Lior Yochpaz, Chief Investment Officer

The internal control over financial reporting and disclosure consists of the Corporation's existing controls and procedures that have been planned by the chief executive officer and the most senior financial officer or under their supervision, or by the equivalent acting officers, under the supervision of the Corporation's Board of Directors, designed to provide reasonable assurance about the reliability of financial reporting and the preparation of the financial statements in compliance with applicable laws, and ensure that all information that the Company is required to disclose in the financial statements its publishes pursuant to law is collected, processed, summarized and reported in a timely manner and according to the format prescribed by law.

Among other things, internal controls include controls and procedures planned to ensure that all information that the Corporation is required to disclose as aforesaid is collected and transferred to the Corporation's management, including the chief executive officer and the most senior financial officer, or the equivalent acting officers, in order to allow decision making on a timely basis with respect to the disclosure requirements.

Due to its inherent limitations, internal control over financial reporting and disclosure is not designed to provide absolute assurance that misstatements or omissions of information in the financial statements shall be prevented or detected.

Menora Mivtachim Insurance Ltd., Shomera Insurance Company Ltd. and Menora Mivtachim Pension and Provident Funds Ltd., subsidiaries of the Corporation, are institutional entities which are subject to the directives of the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Commissioner**" regarding the assessment of the effectiveness of internal controls over financial reporting.

With regard to the internal control in the aforementioned subsidiaries, the Corporation applies the following Commissioner's Directives: Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting" and Institutional Entities Circular 2010-9-7, "Internal Control over Financial Reporting - Certifications, Reports and Disclosures", including amendments to said circulars.

In the quarterly report on the effectiveness of internal control over financial reporting and the disclosure attached to the quarterly report for the period ended December 31, 2024 (hereinafter - the "**Most Recent Quarterly Report of Internal Control**"), the internal control was found to be effective; based on this assessment, the Corporation's Board of Directors and management have concluded that the said internal control, as of December 31, 2024, is effective.

As of the report date, the Board of Directors and management have not been informed of any event or matter that may alter the assessment of the effectiveness of internal control, as found in the Most Recent Quarterly Report of Internal Control;

As of the report date, based on the Most Recent Annual Report over Internal Control and based on information brought to the attention of management and the Board of Directors as stated above, the internal control is effective.

Certification

Certification by the CEO

I, Ari Kalman, hereby certify as follows:

(1) I have examined the quarterly report of Menora Mivtachim Holdings Ltd. (hereinafter - the "**Corporation**") for the first quarter of 2025 (hereinafter - the "**Reports**");

(2) To my knowledge, the Reports do not contain any misrepresentation of a material fact, or omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the financial statements and other financial information included in the Reports fairly represent, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;

(4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Corporation's audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -

(b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation, state that:

(a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -

(b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(c) No event or matter has been brought to my attention during the period between the date of the most recent periodic report and the date of this report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

Ramat Gan, May 28, 2025

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Ari Kalman, CEO

Certification

Certification by the Most Senior Financial Officer

I, Ran Kalmi, hereby certify that as follows:

(1) I have reviewed interim financial statements and other financial information included in the interim report of Menora Mivtachim Holdings Ltd. (hereinafter - the “Corporation”) for the first quarter of 2025 (hereinafter – the “**Reports**” or “**Interim Reports**”);

(2) To my knowledge, the interim financial statements and other financial information included in the Interim Reports do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;

(3) To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports present fairly, in all material aspects, the Company’s financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;

(4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Corporation’s audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:

(a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, that could reasonably adversely affect the Corporation’s ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -

(b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;

(5) I, alone or together with others in the Corporation, state that:

(a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), -2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports’ preparation period; and -

(b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;

(c) I have not been informed of any event or matter that occurred during the period between the most recent periodic report date and the date of this Report, relating to the Interim Financial Statements and to any other financial information included in the Interim Financial Statements, which may, in my opinion, change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

Nothing in the foregoing shall derogate from my responsibility or the responsibility of any other person, under any law.

Ramat Gan, May 28, 2025

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Ran Kalmi, CFO

MENORA MIVTACHIM

Chapter C

Financial Statements

MENORA MIVTACHIM

Consolidated Interim Financial Statements

As of March 31, 2025

Unaudited

Menora Mivtachim Holdings Ltd.

Menora Mivtachim Holdings Ltd.

Consolidated Interim Financial Statements

As of March 31, 2025

Unaudited

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Shape the future
with confidence

Review Report of Independent Auditors to the Shareholders of Menora Mivtachim Holdings Ltd.

Introduction

We have reviewed the accompanying financial information of Menora Mivtachim Holdings Ltd. and its subsidiaries (hereinafter - the "**Group**"), including the Condensed Consolidated Statement of Financial Position as of March 31, 2025 and the Condensed Consolidated Statements of Income, Comprehensive Income, Changes in Equity and Cash Flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with IAS 34 - "Interim Financial Reporting" and in accordance with the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings in accordance with the Financial Services Supervision Law (Insurance), 1981; they are also responsible for the preparation of financial information for this interim period in accordance with Chapter D to the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating insurance companies. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We have not reviewed the condensed interim financial information of the consolidated companies the total consolidated assets of which constitute approx. 3.82% of the total consolidated assets as of March 31 2025 and the consolidated revenues of which constitutes approx. 14.94% of the total consolidated income for the three-month period then ended. Neither did we audit the condensed interim financial information of equity-accounted companies, the investment in which amounted to NIS 243,745 thousand as of March 31, 2025, and the Group's share in the income of which amounted to NIS 5,779 thousand for the three-month period then ended. The condensed interim financial information of the above companies was audited by other independent auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

Review scope

We performed our review pursuant to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed pursuant to generally accepted auditing standards in Israel and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

Based on our review and the review reports of other independent auditors, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with IAS 34 and with the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings in accordance with the Financial Services Supervision Law (Insurance) Law, 1981.

In accordance with the previous paragraph, based on our review and the review reports of other independent auditors, nothing has come to our attention that causes us to believe that the abovementioned financial information does not comply, in all material respects, with the disclosure provisions of Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as the regulations are applicable to a corporation consolidating insurance companies.

Emphasis of matter

Without qualifying the above conclusion, we draw attention to that which is stated in Note 11 to the Consolidated Interim Financial Statements regarding exposure to contingent liabilities.

Tel Aviv,
May 28, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

Assets

	Note	As of March 31 2025	As of March 31 2024	As of December 31 2024
		Unaudited		
		NIS thousand		
Cash and cash equivalents for yield-dependent contracts		2,232,419	2,686,100	2,526,357
Other cash and cash equivalents		1,949,533	1,420,807	1,456,969
Financial investments for yield-dependent contracts	5.A	32,678,365	31,618,311	33,101,222
Other financial investments measured at fair value	5.B	16,325,975	15,570,292	15,895,547
Other financial investments measured at depreciated cost	5.B	9,379,235	8,959,358	9,256,025
Receivables and debit balances		481,803	367,317	526,804
Current tax assets		9,984	82,706	17,310
Insurance contract assets		1,169,097	833,416	1,272,967
Reinsurance contract assets		3,397,345	3,265,521	3,318,042
Equity-accounted investments		654,658	552,710	632,243
Investment property for yield-dependent contracts		173,132	104,415	168,294
Investment property - other		690,546	656,001	685,729
Property, plant, and equipment measured at fair value		885,843	846,162	897,247
Other property, plant and equipment		153,463	169,859	156,803
Intangible assets and goodwill		1,843,662	1,810,466	1,842,060
Costs of obtaining investment management service contracts		772,065	683,765	748,182
Deferred tax assets		6,636	22,796	10,414
Total assets		72,803,761	69,650,002	72,512,215
Total assets for yield-dependent contracts		35,083,916	34,490,754	35,986,896

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Financial Position (cont.)

Equity and liabilities

	Note	As of March 31 2025	As of March 31 2024	As of December 31 2024
		Unaudited	Unaudited	
		NIS thousand	NIS thousand	NIS thousand
Liabilities				
Loans and credit	6	4,955,244	4,610,939	4,502,552
Liabilities for derivative instruments		607,717	312,061	294,717
Payables and credit balances		1,138,436	1,138,291	906,786
Liability for current taxes		232,518	3,541	79,679
Liabilities for yield-dependent investment contracts	4	5,713,572	5,052,624	5,602,407
Liabilities for non-yield-dependent investment contracts	4	5,188,911	5,065,192	5,176,010
Total labilities for insurance contracts	4	46,155,476	46,309,495	47,343,859
Labilities for reinsurance contracts	4	92,777	90,949	99,067
Liabilities for employee benefits, net		130,042	127,321	130,261
Liabilities for deferred taxes		709,564	397,996	746,156
Total liabilities		64,924,257	63,108,409	64,881,494
Equity				
Share capital		99,429	99,429	99,429
Share premium		317,289	332,215	326,460
Treasury shares		(66,689)	(95,207)	(84,019)
Capital reserves		347,515	316,578	347,253
Retained earnings		6,976,314	5,695,451	6,742,727
Total equity attributable to the Company’s shareholders		7,673,858	6,348,466	7,431,850
Non-controlling interests		205,646	193,127	198,871
Total equity		7,879,504	6,541,593	7,630,721
Total liabilities and equity		72,803,761	69,650,002	72,512,215

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

May 28, 2025			
Approval date of the financial statements	**Eran Griffel** **Chairman of the Board**	**Ari Kalman** **CEO**	**Ran Kalmi** **CFO**

Consolidated Statements of Income

	Note	For the 3 months ending March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		
		NIS thousand (excluding earnings per share data)		
Revenues from insurance services		2,037,874	1,935,391	8,027,349
Expenses from insurance services		1,697,743	1,464,404	6,095,313
Income from insurance services before reinsurance policies held		340,131	470,987	1,932,036
Reinsurance expenses		385,947	366,518	1,485,983
Reinsurance revenues		382,934	253,678	1,059,845
Net expenses from reinsurance contracts held		(3,013)	(112,840)	(426,138)
Income from insurance services	8	337,118	358,147	1,505,898
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts		1,301	1,412,715	3,780,685
Other investment gains (losses), net:				
Interest revenues calculated using the effective interest method		95,871	95,275	465,682
Decrease in net losses (losses) from impairment of financial assets		(1,409)	1,732	(8,791)
Other investment gains, net		151,096	295,956	1,269,971
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity		609	637	(6,074)
Total income from other investments, net		246,167	393,600	1,720,788
Total investment income, net		247,468	1,806,315	5,501,473
Finance expenses, net arising from insurance contracts		89,652	1,432,033	3,852,209
Finance income (expenses), net arising from reinsurance contracts		(2,054)	33,936	156,369
Increase in liabilities for investment contracts due to the yield component		(65,379)	(285,936)	(977,992)
Net investment and finance income	9	90,383	122,282	827,641
Income, net from insurance and investment		427,501	480,429	2,333,539
Revenues from management fees		281,515	246,161	1,043,287
Revenues from fees and commissions of agencies		17,735	14,119	58,189
Other operating expenses		256,307	221,393	947,316
Other revenues (expenses), net		61,171	(4,635)	(7,578)
Other finance income		33,209	16,852	63,606
Share in profits of equity-accounted subsidiaries which are not closely related to the investing activity		10,053	7,488	31,119
Income before income tax		574,877	539,021	2,574,846
Income tax		181,137	178,189	855,605
Income for the period		393,740	360,832	1,719,241
Attributable to:				
Company’s shareholders		383,724	351,576	1,684,007
Non-controlling interests		10,016	9,256	35,234
Net profit		393,740	360,832	1,719,241
Basic earnings per share attributable to the Company's shareholders (in NIS)		6.16	5.68	27.17
Diluted net earnings per share attributable to the Company's shareholders (in NIS)		6.09	5.48	26.59

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Comprehensive Income

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
Net profit	393,740	360,832	1,719,241
Other comprehensive income (loss):			
<u>Items of other comprehensive income (loss) not subsequently carried to profit or loss:</u>			
Revaluation of property, plant, and equipment, net	-	-	49,202
Losses from remeasurement of defined benefit plan for employees	(201)	(460)	(271)
Total other comprehensive income (loss) not to be subsequently carried to profit or loss before income tax	(201)	(460)	48,931
Income tax (tax benefit) associated with items of other comprehensive income not to be subsequently carried to profit or loss	(64)	(151)	11,240
Total other comprehensive income (loss) not to be subsequently carried to profit or loss, net of tax	(137)	(309)	37,691
<u>Items of other comprehensive income (loss) subsequently carried or will be carried to profit or loss:</u>			
Foreign currency translation differences for a foreign operation	(185)	985	3,826
Share in other comprehensive income (loss), net of associates	8,508	(1,522)	(7,344)
Total other comprehensive loss which has been or will be carried to profit or loss, before income tax	8,323	(537)	(3,518)
Income tax applicable to the remaining items of other comprehensive income which were carried or will be carried to profit or loss:	788	471	93
Total other comprehensive income (loss) which has been or will be carried to profit or loss, net of tax	7,535	(1,008)	(3,611)
Total other comprehensive income (loss) for the period, net of tax	7,398	(1,317)	34,080
Total comprehensive income for the period	401,138	359,515	1,753,321
Attributable to:			
Company's shareholders	391,089	350,274	1,718,051
Non-controlling interests	10,049	9,241	35,270
Total comprehensive income	401,138	359,515	1,753,321

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders										
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS thousand										
Balance as of January 1, 2025	99,429	326,460	(84,019)	58,833	(39,739)	314,624	13,535	6,742,727	7,431,850	198,871	7,630,721
Net profit	-	-	-	-	-	-	-	383,724	383,724	10,016	393,740
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	(218)	-	-	-	(218)	33	(185)
Loss due to remeasurement of defined benefit plans	-	-	-	-	-	-	-	(201)	(201)	-	(201)
Share in other comprehensive income of associates	-	-	-	-	8,508	-	-	-	8,508	-	8,508
Tax benefit (income tax) relating to items of other comprehensive income	-	-	-	-	(788)	-	-	64	(724)	-	(724)
Total other comprehensive income (loss)	-	-	-	-	7,502	-	-	(137)	7,365	33	7,398
Total comprehensive income	-	-	-	-	7,502	-	-	383,587	391,089	10,049	401,138
Exercise of employee options	-	(9,171)	17,330	(8,159)	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	1,433	-	-	-	-	1,433	13	1,446
Change in non-controlling interests for a put option	-	-	-	-	-	-	(514)	-	(514)	(1,127)	(1,641)
Dividend distributed	-	-	-	-	-	-	-	(150,000)	(150,000)	(2,160)	(152,160)
Balance as of March 31, 2025	99,429	317,289	(66,689)	52,107	(32,237)	314,624	13,021	6,976,314	7,673,858	205,646	7,879,504

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity (cont.)

	Attributable to the Company's shareholders											
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS thousand										
Balance as of January 1, 2024 (audited)	99,429	332,985	(100,200)	63,224	(36,213)	276,738	16,985	5,519,184	6,172,132	187,165	6,359,297
Net profit	-	-	-	-	-	-	-	351,576	351,576	9,256	360,832
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	1,000	-	-	-	1,000	(15)	985
Loss due to remeasurement of defined benefit plans	-	-	-	-	-	-	-	(460)	(460)	-	(460)
Share in other comprehensive loss of associates	-	-	-	-	(1,522)	-	-	-	(1,522)	-	(1,522)
Tax benefit (income tax) relating to items of other comprehensive income (loss)	-	-	-	-	(471)	-	-	151	(320)	-	(320)
Total other comprehensive loss	-	-	-	-	(993)	-	-	(309)	(1,302)	(15)	(1,317)
Total comprehensive income (loss)	-	-	-	-	(993)	-	-	351,267	350,274	9,241	359,515
Exercise of employee options	-	(770)	4,993	(4,223)	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	1,450	-	-	-	-	1,450	24	1,474
Change in non-controlling interests for a put option	-	-	-	-	-	-	(390)	-	(390)	(1,189)	(1,579)
Dividend distributed	-	-	-	-	-	-	-	(175,000)	(175,000)	(2,114)	(177,114)
Balance as of March 31, 2024	99,429	332,215	(95,207)	60,451	(37,206)	276,738	16,595	5,695,451	6,348,466	193,127	6,541,593

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Changes in Equity (cont.)

	Attributable to the Company's shareholders										
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total equity
	Unaudited										
	NIS thousand										
Balance as of January 1, 2024 (audited)	99,429	332,985	(100,200)	63,224	(36,213)	276,738	16,985	5,519,184	6,172,132	187,165	6,359,297
Net profit	-	-	-	-	-	-	-	1,684,007	1,684,007	35,234	1,719,241
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	3,911	-	-	-	3,911	(85)	3,826
Revaluation of property, plant and equipment	-	-	-	-	-	49,202	-	-	49,202	-	49,202
Gain (loss) due to remeasurement of defined benefit plans	-	-	-	-	-	-	-	(423)	(423)	152	(271)
Share in other comprehensive loss, net of associates	-	-	-	-	(7,344)	-	-	-	(7,344)	-	(7,344)
Tax benefit (income tax) relating to items of other comprehensive income (loss)	-	-	-	-	(93)	(11,316)	-	107	(11,302)	(31)	(11,333)
Total other comprehensive income (loss)	-	-	-	-	(3,526)	37,886	-	(316)	34,044	36	34,080
Total comprehensive income (loss)	-	-	-	-	(3,526)	37,886	-	1,683,691	1,718,051	35,270	1,753,321
Exercise of employee options	-	(6,525)	16,181	(9,656)	-	-	-	-	-	-	-
Cost of share-based payment	-	-	-	5,265	-	-	-	-	5,265	74	5,339
Non-controlling interests in a company consolidated for the first time	-	-	-	-	-	-	-	-	-	700	700
Change in non-controlling interests for a put option	-	-	-	-	-	-	(3,450)	-	(3,450)	(4,604)	(8,054)
Dividend distributed	-	-	-	-	-	-	-	(460,148)	(460,148)	(19,734)	(479,882)
Balance as of December 31, 2024	99,429	326,460	(84,019)	58,833	(39,739)	314,624	13,535	6,742,727	7,431,850	198,871	7,630,721

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows

	Appendix	For the 3 months ending March 31 2025	2024	For the year ended December 31 2024
		Unaudited		
		NIS thousand		
Cash flows from operating activities	(a)	29,088	750,598	1,659,330
Cash flows provided by investing activities				
Investments in Investees		(703)	(49)	(67,157)
Cash derecognized due to acquisition of consolidated companies consolidated for the first time	(d)	-	-	(3,495)
Cash received due to the disposal of a consolidated company	(e)	-	-	3,721
Investment in property, plant and equipment		(4,416)	(9,772)	(53,253)
Investment in intangible assets		(50,383)	(65,074)	(242,503)
Acquisitions of financial investments by Group companies, which are not insurance companies, net		(223,621)	(80,611)	(174,966)
Provision of loans to investees		(3,350)	(1,454)	(6,381)
Dividend received from investees		704	91	2,191
Consideration from disposal of intangible assets		-	-	480
Proceeds from disposal (purchases) of property, plant and equipment		(8)	-	278
Net cash used for investing activities		(281,777)	(156,869)	(541,085)
Cash flows provided by financing activities				
Assumption of financial liabilities (less issuance expenses)		448,201	111,220	316,425
Repayment of financial liabilities		(8,019)	(7,691)	(384,386)
Dividend paid to the Company’s shareholders		-	-	(460,148)
Dividend paid to non-controlling interests		(2,160)	(2,114)	(19,734)
Net cash provided by (used for) financing activities		438,022	101,415	(547,843)
Exchange rate differences for cash and cash equivalent balances		13,293	6,838	7,999
Increase in cash and cash equivalents		198,626	701,982	578,401
Balance of cash and cash equivalents as of the beginning of period	(b)	3,983,326	3,404,925	3,404,925
Balance of cash and cash equivalents as of the end of the period	(c)	4,181,952	4,106,907	3,983,326

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows (cont.)

		For the 3 months ending March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		
		NIS thousand		
(a)	Cash flows from operating activities			
	Net profit for the period	393,740	360,832	1,719,241
	Adjustments to profit and loss line items:			
	The Company's share in profits of equity-accounted investees	(10,662)	(8,125)	(25,045)
	Gains, net on financial investments for insurance contracts and yield-dependent investment contracts	(196,767)	(1,380,531)	(3,940,938)
	Gains, net on other financial investments:			
	Measured at fair value through profit and loss	(45,266)	(118,094)	(705,344)
	Measured at amortized cost	(129,421)	(245,112)	(1,008,422)
	Finance expenses for financial and other liabilities	45,920	48,292	209,501
	Profit (loss) from disposal:			
	Property, plant & equipment	(89)	49	(230)
	Investees	-	-	388
	Intangible Assets	-	-	(219)
	Increase in fair value of investment property for yield-dependent contracts	-	-	(1,525)
	Increase in fair value of other investment property	-	-	(26,619)
	Impairment of intangible assets	-	137	686
	Impairment of property, plant and equipment	-	-	1,713
	Cost of share-based payment	1,055	1,227	4,143
	Depreciation and amortization:			
	Property, plant & equipment	20,505	20,857	85,281
	Intangible Assets	48,784	48,477	198,304
	Income tax	181,137	178,189	855,605

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
(a) Cash flows from operating activities (cont.)			
Changes in assets and liabilities line items:			
Change in assets and liabilities for insurance contracts	(1,084,513)	664,708	1,259,519
Change in assets for reinsurance contracts	(85,593)	(20,006)	(64,409)
Change in liabilities for yield-dependent investment contracts	111,166	215,685	765,468
Change in liabilities for non-yield-dependent investment contracts	12,901	(411)	110,407
Change in costs of obtaining investment management service contracts	(23,883)	(30,367)	(94,784)
Receivables and debit balances	44,047	104,899	(98,507)
Payables and credit balances	78,560	(80,079)	(116,104)
Liabilities for employee benefits, net	(420)	(158)	2,416
Financial investments and investment property for insurance contracts and yield-dependent investment contracts:			
Acquisition of investment property	(4,838)	(1,454)	(63,808)
Proceeds of disposal of financial investments, net	509,335	652,535	923,531
Financial investments and other investment property:			
Acquisition of investment property	(4,818)	(4,141)	(14,317)
Proceeds from sale of investment property	-	-	4,101
Proceeds of disposal (acquisition) of financial investments, net	(243,731)	81,184	175,904
Total adjustments required to present cash flows from operating activities	(776,591)	127,761	(1,563,304)
Cash paid and received during the period for:			
Interest paid	(33,192)	(50,164)	(177,530)
Interest received	329,937	302,061	1,357,633
Taxes paid	(161,528)	(78,717)	(359,751)
Taxes received	98,539	458	86,625
Dividend received	178,183	88,367	596,416
	411,939	262,005	1,503,393
Total cash flows provided by operating activities	29,088	750,598	1,659,330

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Consolidated Statements of Cash Flows (cont.)

		For the 3 months ending March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		
		NIS thousand		
(b)	Cash and cash equivalents as of the beginning of the period			
	Cash and cash equivalents for yield-dependent contracts	2,526,357	2,080,711	2,080,711
	Other cash and cash equivalents	1,456,969	1,324,214	1,324,214
	Balance of cash and cash equivalents as of the beginning of period	3,983,326	3,404,925	3,404,925
(c)	Cash and cash equivalents as of the end of the period			
	Cash and cash equivalents for yield-dependent contracts	2,232,419	2,686,100	2,526,357
	Other cash and cash equivalents	1,949,533	1,420,807	1,456,969
	Balance of cash and cash equivalents as of the end of the period	4,181,952	4,106,907	3,983,326
(d)	Cash derecognized due to acquisition of consolidated companies consolidated for the first time			
	Intangible assets	-	-	4,798
	Property, plant & equipment	-	-	36
	Receivables and debit balances	-	-	830
	Deferred taxes	-	-	(626)
	Liabilities for employee benefits	-	-	(554)
	Payables and credit balances	-	-	(289)
	Financial liabilities	-	-	-
	Non-controlling interests	-	-	(700)
		-	-	3,495
(e)	Cash received due to the disposal of a consolidated company			
	Property, plant & equipment	-	-	8,779
	Current taxes	-	-	59
	Receivables and debit balances	-	-	1,343
	Deferred taxes	-	-	1,265
	Payables and credit balances	-	-	(1,463)
	Financial liabilities	-	-	(5,874)
		-	-	4,109
	Loss on disposal of a consolidated company	-	-	(388)
		-	-	3,721

The accompanying notes are an integral part of the Consolidated Interim Financial Statements.

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL

Company description

Menora Mivtachim Holdings Ltd. (hereinafter - the "**Company**") is a publicly-traded company, whose shares are listed on the Tel Aviv Stock Exchange. The Company's principal shareholders are Najaden Establishment and Palamas Establishment (foreign corporations), which are held in trust for Mssrs. Niva Gurevitch and Tali Griffel, and which (jointly) hold approx. 63% of the Company's shares. The Company operates through companies under its control in all of the main insurance subsegments, including life insurance and long-term savings (life insurance, pension and provident funds), health insurance and property and casualty insurance. The Company is also engaged, through companies under its control, in the provision of securities distribution services and an underwriting obligation, insurance brokerage, and the provision of an undertaking for repayment of means of payment. In addition, the Company is engaged in real estate investments, and in the provision of financing and credit to SMEs through subsidiaries and associates.

The Company is an Israeli resident company incorporated in Israel, and its official address is 23 Jabotinsky St., Ramat Gan.

A. These financial statements were prepared in condensed format as of March 31 2025 and for the three-month period then ended (hereinafter - the "**Consolidated Interim Financial Statements**").

The comparative figures for the year ended December 31, 2024 and for the three-month period ended March 31, 2024 were taken from the Company's Annual Financial Statements as of December 31, 2024 and the year ended on that date and notes attached thereto (hereinafter – the "**Consolidated Interim Financial Statements**") and from the Interim Consolidated Financial Statements as of March 31, 2024, respectively, except for the adjustments following the application of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments, which have been reviewed but not yet audited by the independent auditor.

These financial statements should be read in conjunction with the audited Consolidated Annual Financial Statements.

B. Iron Swords War

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the "**Iron Swords War"** or the "**War**"). Consequently, the Company and the Group subsidiaries undertook the requisite operational and business measures. and from 2024 the Group returned to full operating activity without suffering any material effects due to the War. It should be noted that in May 2025, the IDF began Operation Gideon's Chariots concomitantly with the continued talks and negotiations for the release of the hostages.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Condensed Consolidated Interim Financial Statements

The Consolidated Interim Financial Statements are prepared in accordance with IAS 34 - "Interim Financial Reporting", and in accordance with the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings in accordance with the Financial Services Supervision Law (Insurance), 1981. In addition, the financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating an insurance company.

Through December 31, 2022, the Group’s consolidated financial statements were drawn up in accordance with International Financial Reporting Standards (IFRS), including in connection with the data relating to insurer consolidated subsidiaries, which meet the definition of insurer, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010.

In accordance with requirements set by the Commissioner, the first-time application date of IFRS 17 regarding Insurance Contracts and IFRS 9 regarding Financial Instruments was postponed to January 1, 2025 (instead of the first-time application date which was set in the standard itself - January 1, 2023). In view of the above, in the periods commencing January 1, 2023 and through initial application in Israel, the Group’s Consolidated Financial Statements were prepared in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports), 1970. In accordance with these provisions, these financial statements data that relate to consolidated subsidiaries which fall within the scope of the definition of insurers, as defined in the Securities Regulations (Preparation of Annual Financial Statements), 2010, were prepared in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.

As from January 1, 2025, the Group has been applying IFRS 17 and IFRS 9 for the first time to financial statement data relating to the subsidiaries as stated above, and as a consequence it resumed full application of IFRS. For additional information, see Note 2D.

In preparing the condensed financial statements in accordance with the above, the Company’s management is required to exercise discretion in assessments, estimates and assumptions that affect the implementation of the policy and the amounts of assets and liabilities, revenues and expenses. It is clarified that the actual results may differ from those estimates.

The accounting policies applied in the preparation of the Consolidated Interim Financial Statements are consistent with those implemented in the preparation of the Consolidated Annual Financial Statements, except as follows:

B. Insurance contracts

As detailed in Note 2D regarding first-time application of IFRS 17, Insurance Contracts (hereinafter – "**IFRS 17**"), the consolidated insurance companies (hereinafter – the “**Companies**”) have been applying IFRS 17 as from January 1, 2025 in accordance with the Provisions for the Transitional Period set forth in IFRS 17, including the restatement of the comparative figures for 2024. Wherever there is text relevant only to the subsidiary Menora Mivtachim Insurance Ltd., the name "Menora Insurance" will be noted accordingly.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Classification of insurance contracts and reinsurance contracts

A contract is classified as an insurance contract if it transfers to the issuing company a significant insurance risk. The Companies issue insurance contracts in their ordinary course of business, in which they accept a significant insurance risk from the policyholders. The Companies determine whether they have a significant insurance risk, by comparing the benefits, which will be provided to the policyholder after an insured event, to the benefits which will be provided to the policyholder if the insured event does not occur. In addition to the significant insurance risk, some insurance contracts also transfer financial risk to Menora Insurance, such as a guaranteed rate of return. Some of the contracts entered into by Menora Insurance have the legal form of an insurance contract but do not transfer a significant insurance risk (savings policies without insurance coverage). These contracts are classified as financial liabilities and referred to as 'investment contracts'.

Reinsurance contracts held are contracts held by the Companies under which they transfer to reinsurers a significant insurance risk relating to underlying insurance contracts. The purpose of the reinsurance contracts held is to mitigate the Companies' significant insurance risk in respect of the underlying insurance contracts.

Insurance contracts are classified as contracts with direct participation features or contracts without direct participation features. Insurance contracts with direct participation features are insurance contracts, which, at the time of engagement therein:

a) The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;

b) Menora Insurance expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

c) Menora Insurance expects a substantial proportion of any change in the amounts paid to the policyholder to vary with the change in fair value of the underlying items.

All other insurance contracts and reinsurance contracts were classified as contracts without direct participation features. Some of these contracts are measured in accordance with the PAA model.

Separating components from insurance contracts

An insurance contract may contain one or more components, which would be within the scope of another standard if they were separate contracts. For example, insurance contracts may include:

- Investment component
- A service component in addition to the insurance contract services (hereinafter - the "**service component**")
- Embedded derivatives

Embedded derivatives in insurance contracts will be separated and accounted for in accordance with the requirements of IFRS 9 where their economic characteristics and risks are not closely related to the economic characteristics and risks of the host contract, unless the embedded derivative itself meets the definition of an insurance contract.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Separating components from insurance contracts (cont.)

An investment component represents amounts, which Menora Insurance is required to repay the policyholder in all circumstances regardless of the occurrence of the insured event. A distinct investment component shall be separated from the host insurance contract and will be accounted for in accordance with IFRS 9. An investment component is distinct if it can be sold separately from the insurance component, and the investment component and the insurance component are not highly interrelated. Some of Menora Insurance's life insurance contracts include a savings component, which constitutes an investment component. Menora Insurance believes that the investment component is highly interrelated with the contract's insurance component; therefore, it is not a distinct component and is not accounted for separately from the host insurance contract. However, receipts and payments arising from the investment component are excluded from insurance revenues and insurance service expenses.

Service components constitute a promise to transfer goods or services to the policyholder in addition to the insurance contract services. A distinct service component will be separated from the host insurance contract and accounted for in accordance with IFRS 15. A service component is distinct if the policyholder can benefit from the goods or services on their own or together with other resources that are readily available to the policyholder. A service component is not distinct if the cash flows and risks associated with the good or service are highly interrelated with the cash flows and risks associated with the insurance components in the contract, and the Companies provide a significant service in integrating the good or non-insurance service with the insurance components.

After separating distinct components, the Companies apply IFRS 17 to all components not separated from the host insurance contract and account for them as a single insurance contract. The Companies did not identify components, which must be separated from the insurance contracts.

Level of aggregation and combination of insurance contracts

Insurance contracts are classified into groups for measurement purposes. The Companies determine the groups upon initial recognition and may add contracts to those groups after the end of the reporting period; however, the Companies do not reassess the composition of the groups in subsequent periods.

In order to determine the groups, the Companies first identify insurance contract portfolios. A portfolio comprises contracts subject to similar risks and managed together. The Companies identified insurance contract portfolios in accordance with the major product lines and based on the list of insurance portfolios included in the Professional Issues Circular published by the Commissioner. Contracts managed by the subsidiary Menora Insurance are classified into a portfolio separate to that of the contracts managed by the subsidiary Shomera Insurance even if they belong to the same product line. Once they have identified a portfolio, the Companies divide it into a minimum of the following groups, based on the expected profitability upon initial recognition:

- A group of contracts, which are onerous at initial recognition;
- A group of contracts, which at initial recognition have no significant possibility of becoming onerous subsequently (this group is negligible); and
- A group of the remaining contracts in the portfolio.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Level of aggregation and combination of insurance contracts (cont.)

For contracts to which the Company applies the PPA Model, the Company assume no contracts in the portfolio are onerous at the initial recognition date, unless facts and circumstances indicate otherwise.

IFRS 17 stipulates that an entity shall not include contracts issued more than one year apart in the same group, such that each underwriting year is attributed to a separate group of insurance contracts, except for insurance contract groups for which Menora Insurance applied the fair value approach on the transition date (see note 2D).

IFRS 17 permits the inclusion of contracts in the same group if they belong to different groups only because a law or regulation specifically constrains the Company's practical ability to set a different price or level of benefits for policyholders with different characteristics. The companies' proportionate share in compulsory motor insurance policies issued through the Pool meets this requirement; therefore, the Companies opted to include its proportionate share in these policies in the same group as the compulsory motor insurance policies sold by the Companies themselves.

The companies sell insurance contracts, which include a number of coverage types, which would have been classified into different insurance contract groups, had they been separate insurance contracts. The lowest unit of account in IFRS 17 is the insurance contract, with all insurance coverages included therein; therefore, the Companies usually allocate the insurance contract in its entirety to a single group of insurance contracts. It is only in cases where the legal form of the policy does not reflect the economic substance of the rights and obligations included in the contract, that the Companies separate the coverages and recognize them as separate insurance contracts. This approach is materially different from the Company's policy under IFRS 4, whereunder the Companies normally recognize and measure each coverage separately.

In addition, in certain cases the Companies contract the same policyholder (or a related party thereof) in a set or a series of insurance policies. Normally, each policy in a set or a series shall be recognized as a separate insurance contract. In certain cases, the set or series of policies reflects the economic substance of a single insurance contract. In such cases, the Companies recognize and measure such policies as a single insurance contract. When an insurance contract includes more than one insurance coverage, and the coverages would have been attributed to different insurance portfolios had they been provided under separate contracts, the Companies classify the contract as a whole in accordance with the portfolio to which the main coverage in the contract is attributed.

The Companies exercise judgment in determining whether to separate insurance components, or to combine a set or a series of insurance contracts with the same counterparty and account for them as a single contract. The Companies' judgment is based, among other things, on the interdependence between the cash flows of the insurance contracts, whether the insurance contracts expire together, and priced and sold together, and on the customer's view of the contracts as a single unit.

Recognition

The Companies recognize a group of insurance contracts they issue from the earliest of the following:

- The beginning of the coverage period of the group of contracts

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Recognition (cont.)

- The date when the first payment from a policyholder in the group becomes due
- For a group of onerous contracts, when the group becomes onerous

The Companies recognize a group of reinsurance contracts held from the earliest of the following:

- The beginning of the coverage period of the group of reinsurance contracts held. However, the Companies defer the recognition of a group of reinsurance contracts held which provide proportionate coverage until the initial recognition of any underlying insurance contract, if that date is later than the date of commencement of the coverage period of the group of reinsurance contracts held.

and,

- The date on which the Companies recognizes an onerous group of underlying insurance contracts if it entered into the reinsurance contract held in question as part of a group of reinsurance contracts held on or prior to that date.

The Companies add new contracts to the group during the reporting period in which the contract meets one of the abovementioned recognition criteria.

Insurance acquisition cash flows

Insurance acquisition cash flows arise from the costs of selling, underwriting and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the Group belongs.

The Companies allocate on a systematic and rational basis:

a) Insurance acquisition cash flows, which are directly attributable to a group of insurance contracts:
   (i) to this group; and
   (ii) To groups comprising insurance contracts, which are expected to arise from renewals of the Group's insurance contracts.
b) Insurance acquisition cash flows, which are directly attributable to a portfolio of insurance contracts, which are not directly attributable to a group of insurance contracts - to groups of insurance contracts in the portfolio.

The Companies allocate insurance acquisition cash flows for future renewals in certain P&C insurance contracts in which the coverage period is one year.

When the insurance acquisition cash flows were paid or incurred before the related group of insurance contracts is recognized in the statement of financial position, a separate insurance acquisition cash flows asset is recognized for each related group.

The asset in respect of insurance acquisition cash flows is derecognized from the statement of financial position when the insurance acquisition cash flows are included in the initial measurement of the related group of insurance contracts.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance acquisition cash flows (cont.)

At the end of each reporting period, the Companies revise the amounts of insurance acquisition cash flows allocated to groups of insurance contracts, which are yet to be recognized, in order to reflect changes in assumptions relating to the allocation method used.

Subsequent to the revision of the allocation of insurance acquisition cash flows, the Companies assess the recoverable amount of the asset in respect of the insurance acquisition cash flows, if facts or circumstances indicate an impairment of the asset. When it makes this assessment, the Company applies the following to the relevant subsegments:

- Impairment test at the level of an existing or future group of insurance contracts; and
- Another impairment test specifically relating to the asset in respect of insurance acquisition cash flows allocated to expected future renewals of insurance contracts.

If an impairment loss is identified, the carrying amount of the asset is adjusted and an impairment loss is recognized in profit or loss.

If the conditions which triggered an impairment in previous periods no longer exist or have improved, the Companies will recognize the reversal of some or all of the impairment loss in profit or loss and increase the carrying amount of the asset.

Contract boundary

The Companies include in the measurement of a group of insurance contracts all cash flows within the contract boundary of each contract in the group. Cash flows are within the boundary of a contract if they arise from substantive rights and obligations which exist during the reporting period in which the Company can compel the policyholder to pay the premiums or in which it has a substantive obligation to provide the policyholder with insurance services. A substantive obligation to provide insurance services ends when:

- The Companies have the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks.
  Or,
- Both of the following criteria are satisfied:
  - The Companies have the practical ability to reassess the risks of the portfolio of insurance contracts, which contains the contract and, as a result, can set a price or level of benefits that fully reflects those risks.
  - The pricing of the premiums for coverage up to the date when the risks are reassessed does not take into account the risks, which relate to periods after the reassessment date.

A liability or asset relating to expected premiums or expected claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future contracts.

For reinsurance contracts held, cash flows are within the boundary of a contract if they arise from substantive rights and obligations which exist during the reporting period, in which the Companies are compelled to pay amounts to the reinsurer or have a substantive right to receive services therefrom. A substantive right to receive services from the reinsurer ends when the reinsurer has a practical ability to reassess the risks transferred to it, and can set a new price or change the terms of the benefits, such that they fully reflect those risks, or alternatively, when the reinsurer has a substantive right to discontinue the insurance coverage.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Measurement model

There are three models for measuring insurance contracts:

- The general measurement model (the GMM model) Menora Insurance applies this model for insurance contracts and reinsurance contracts, which are not measured in accordance with the VFA or PAA model. These contracts mainly include policies, which have a non-yield-dependent savings component, life insurance, and permanent health insurance, which are sold as a standalone policy, and long-term health insurance products.
- The variable fee approach (the VFA model) – Menora Insurance applies this approach to insurance contracts with direct participation features (see details under "**classification of insurance contracts and reinsurance contracts**" above). The Company's insurance contracts with direct participation features are policies, which have a yield-dependent savings component, and yield-dependent immediate annuity policies.
- The premium allocation approach (the PAA model) - the Companies apply this simplified approach to certain insurance and reinsurance contracts, whose coverage period is normally one year or less, and insurance contracts, which satisfied the eligibility criteria for application of the PAA model (see details under "insurance contracts measured in accordance with the PAA model"), which include P&C insurance contracts and short-term health insurance products.

Insurance contracts measured under the GMM or VFA model

Measurement on initial recognition

The measurement of insurance contracts upon initial recognition is identical for the GMM model and the VFA model. Upon initial recognition, Menora Insurance measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, and (b) the contractual service margin (CSM).

The fulfillment cash flows include estimated future cash flows, adjusted to reflect the time value of money and the financial risks and a risk adjustment for non-financial risk.

If the fulfillment cash flows constitute in total a net inflow upon initial recognition, a CSM is recognized to fully offset the fulfillment cash flows, with no effect on profit or loss upon initial recognition. The CSM represents the unearned profit of the insurance contract, which the Company will recognize insofar as it provides services under the contract. However, if the fulfilment cash flows constitute in total a net outflow upon initial recognition, a loss is recognized immediately in the profit or loss (hereinafter - the "**Loss Component**") and the group of contracts is deemed onerous.

The CSM or Loss Component unit of account is based on groups of insurance contracts consistently with the aggregation level described above.

Subsequent measurement of fulfillment cash flows

In each reporting period, the fulfillment cash flows are measured using current estimates of the expected cash flows and current discount rates. In subsequent periods, the balance of a group of insurance contracts on each reporting date is the sum of:

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance contracts measured under the GMM or VFA model (cont.)

Subsequent measurement of fulfillment cash flows (cont.)

- The liability for remaining coverage (LRC), which includes the fulfillment cash flows relating to future services, and any remaining CSM as of that date; and
- The liability for incurred claims (LIC), which includes the fulfillment cash flows for incurred claims (including claims incurred and not yet reported) and expenses payable.

For an onerous group, the LRC is split into a Loss Component, which reflects the losses recognized in respect of an onerous group of insurance contracts and an LRC excluding a Loss Component, which reflects the balance of liability for future service. The Loss Component determines the amounts presented in profit or loss as reversals of losses on onerous groups and are consequently excluded from insurance revenue.

Subsequent measurement of CSM under the GMM model

For contracts without direct participation features, when applying the GMM model, the CSM balance at the end of the reporting period is the CSM calculated at the end of the latest reporting period adjusted to reflect the following changes:

- Effect of new contracts added to the group;
- Interest accrued on the carrying amount of the CSM, measured at nominal discount rates as of the initial recognition date;
- changes in the fulfilment cash flows relating to future service, except if:
  - The increase in fulfilment cash flows exceeds the carrying amount of the CSM, in which case the excess is recognized as a loss in profit or loss and forms a Loss Component.
  - The decrease in the fulfillment cash flows is carried to the Loss Component and reverses losses recognized in profit or loss in previous periods; and
- The amount recognized as insurance revenues because of the transfer of services in the period, determined by the allocation of the contractual service margin remaining at the end of the reporting period (before any allocation) over the current and remaining coverage period.

When measuring the fulfillment cash flows, changes relating to future services are measured using current discount rates, but the CSM is adjusted to reflect these changes using the discount rates set in the initial recognition. The implementation of the two different interest rates generates a profit or loss, which is recognized under insurance finance income or expenses.

Subsequent measurement of CSM under the VFA model

Contracts with direct participation features measured in accordance with the VFA model are contracts under which Menora Insurance’s obligation to the policyholder is the net of:

- The obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- A variable fee in exchange for the future services provided by the insurance contract, which is Menora Insurance's share in the fair value of the underlying items net of fulfilment cash flows which do not vary based on the returns on underlying items. Menora Insurance provides investment management services under these contracts by providing a guaranteed return on investments based on underlying items, in addition to insurance coverage.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance contracts measured under the GMM or VFA model (cont.)

Subsequent measurement of CSM under the VFA model (cont.)

When measuring a group of contracts with direct participation features, Menora Insurance adjusts the fulfillment cash flows in respect of all changes in the obligation to pay the policyholder an amount equal to the fair value of the underlying items. These changes do not relate to future services and are recognized in profit or loss. Menora Insurance adjusts the CSM for changes in the amount of the Company's share in the fair value of the underlying items, relating to future services, as described below.

The CSM balance at the end of the reporting period is the CSM calculated at the end of the latest reporting period adjusted to reflect the following changes:

- Effect of new contracts added to the group;
- The change in the amount of the Company's share in the fair value of the underlying items and changes in fulfillment cash flows relating to future services, except if:
  - The risk mitigation option was applied so as not to recognize the change in CSM to reflect changes in the effect of financial risk on the amount of its share in the underlying items or fulfilment cash flows (see below);
  - A decrease in the amount of the Company's share in the fair value of the underlying items, or an increase in the fulfilment cash flows relating to future services, exceeds the carrying amount of the CSM, giving rise to a loss and consequently - a Loss Component; or
  - An increase in the amount of the Company's share in the fair value of the underlying items, or a decrease in the fulfilment cash flows relating to future services, is attributed to the Loss Component, and reverses losses recognized in profit or loss in previous periods; and
- The amount recognized as revenues from insurance services provided during the period.

Changes in fulfilment cash flows relating to future services include changes relating to the abovementioned future services for contracts without direct participation features (measured at current discount rates), and changes in the effect of the time value of money and financial risk, which do not arise from the underlying items.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance contracts measured under the GMM or VFA model (cont.)

Risk mitigation option

Under the management of its business and as part of its regulatory obligations, Menora Insurance is required to manage investment portfolios of assets held for yield-dependent insurance policies. Under such portfolios, Menora Insurance may actually hold assets, whose total amount exceeds the nominal aggregate value of the yield-dependent policies accounted for by the VFA approach, in order to hedge the effects of additional financial exposures arising from those policies, including with regard to the effect of guaranteed annuity conversion factors, all in accordance with the Company's objective and risk mitigation strategy. The Company put into practice the risk mitigation alternative set in the standard with regard to changes in the fulfillment cash flows arising from changes in the time value of money and financial risks in the relevant insurance liabilities, which are hedged through those assets. Therefore, the aforementioned changes will be recognized in profit or loss under the “Net finance income (expenses) from insurance contracts' concurrently with the income or expenses incurred in respect of the abovementioned assets. Menora Insurance assesses and may periodically assess the amount of excess assets under management be held in practice under the participating portfolio in order to hedge the yield-dependent liabilities.

Subsequent measurement of loss component

For contracts, which are not measured under the PAA model, Menora Insurance creates a Loss Component of the obligation in respect of the remaining coverage for onerous groups of insurance contracts. The loss component determines the amount of fulfillment cash flows to be recognized in profit or loss in subsequent periods as reversal of losses on onerous contracts, excluded from insurance revenues when incurred. When fulfilment cash flows are incurred, they are allocated between the Loss Component and the LRC without a Loss Component on a systematic basis.

The systematic basis is determined by the ratio between the Loss Component and the present value of the expected claims and expenses plus RA at the beginning of each period.

Changes in fulfilment cash flows relating to future services and changes in the amount of the Company's share in the fair value of the underlying items for contracts with direct participation features are allocated solely to the Loss Component. If the Loss Component is reduced to zero, any excess exceeding the amount allocated to the Loss Component gives rise to new CSM for the group of contracts.

Insurance contracts measured under the PAA model

The Companies may implement the Premium Allocation Approach only if upon inception of the group:

a) The coverage period of each contract in the group is one year or less; or
b) The companies reasonably expect that such simplification would produce a measurement of the liability for the remaining coverage period provided by the group that would not substantively differ from the measurement that would result from applying the general measurement model.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance contracts measured under the PAA model (cont.)

In most property and casualty insurance portfolios, the coverage period of all contracts is up to one year. These groups of insurance contracts qualify automatically for application of the PAA model.

In respect of the remaining groups of contracts, the Companies compare the liability in respect of the remaining coverage period, which will be created by applying the PPA Model, and the liability, which will be created from applying the General Measurement Model (GMM) under possible future scenarios (PAA eligibility test).

The LRC is initially measured as the total premiums received upon initial recognition net of the insurance acquisition cash flows as of that date, without adjustment in respect of the time value of money, since the premiums are usually received within one year from the date of providing the related coverage.

For insurance acquisition cash flows allocated to groups of insurance contracts measured when applying the PAA model, the Companies may amortize the amount over the coverage period or recognize the amount as an expense as incurred, if the coverage period of each contract in the group does not exceed one year. This choice may be carried out at the insurance contracts group level. For all groups of insurance contracts of the Companies, which are measured using the PAA model, the Companies opted to recognize the insurance acquisition cash flows which are directly attributable to the groups of insurance contracts in profit or loss over the coverage period in a systematic manner based on the passage of time. If facts and circumstances indicate that a group of contracts is onerous upon initial recognition, loss is immediately recognized in profit or loss in respect of net payments and a Loss Component of the LRC arises in respect of the group.

Subsequent measurement

In subsequent periods, the Companies measure the LRC balance at the end of each reporting period as follows:

- The LRC at the beginning of the period; plus
- Premiums received during the period; net of
- Insurance acquisition cash flows; with an added
- Amounts recognized as amortization of insurance acquisition cash flows; net of
- Amounts recognized as revenues from insurance service during the period; net of
- Investment component paid or transferred to LIC.

The amounts recognized as insurance revenues during the period are based on the passage of time.

If during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Companies recognize a loss in profit or loss and an increase in the LRC up to the amount by which current estimates of the fulfillment cash flows relating to the remaining coverage (including RA) exceed the LRC balance.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Insurance contracts measured under the PAA model (cont.)

Subsequent measurement (cont.)

The Companies estimate the LIC as the fulfillment cash flows relating to incurred claims. IFRS 17 allows not to discount the future cash flows in respect of incurred claims if those cash flows are expected to be paid or received within one year or less from the date the claims are incurred. The Companies no longer apply the abovementioned expedient.

Reinsurance contracts held measured under the GMM model

Measurement on initial recognition

The measurement of reinsurance contracts held is made by applying the principles applied for the GMM model for issued insurance contracts, subject to the adjustments detailed below. Reinsurance contracts cannot be measured using the VFA model.

Upon initial recognition, Menora Insurance recognizes net profit/cost as CSM in the consolidated statements of financial position, except for several exceptions. If the net cost of reinsurance contracts held relates to insured events which occurred before the acquisition of the reinsurance contract held, the net cost is immediately recognized in profit or loss. Furthermore, if the underlying insurance contracts are onerous, Menora Insurance is required to recognize immediately a profit in profit or loss in respect of that portion of the claims which the Company expects to recover from reinsurance, if Menora Insurance entered into the reinsurance contract held on or before the date on which it entered into the onerous contracts (hereinafter - the "**loss recovery component**").

The measurement of the cash flows of a reinsurance contract held is consistent with that of the underlying insurance contracts, but includes an adjustment for the risk of non-performance by the reinsurer. The RA represents the risk transferred by the Company to the reinsurer.

Subsequent measurement

In subsequent periods, the book balance of a group of reinsurance contracts held is the sum of:

- The asset for remaining coverage (ARC), which includes the fulfillment cash flows relating to services, which will be received under the contract in future periods, and any remaining CSM as of that date; and
- The asset for incurred claims (AIC), which includes the fulfillment cash flows for incurred claims and expenses receivable.

Menora Insurance adjusts the CSM balance of a group of reinsurance contracts held to reflect changes in the fulfillment cash flows by applying the approach applied for issued insurance contracts, excluding:

- Revenues recognized to cover losses from initial recognition of onerous underlying contracts adjusts the CSM balance;
- Reversals of the loss recovery component, up to the amount at which these reversals are not changes in the fulfillment cash flows of the group of reinsurance contracts held, also adjust the CSM; and

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Reinsurance contracts held measured under the GMM model (cont.)

Subsequent measurement (cont.)

- Changes in the fulfillment cash flows relating to future services adjust the CSM provided that changes in fulfillment cash flows relating to a group of underlying insurance contracts also adjust the CSM.

When a loss component is recognized after initial recognition of a group of underlying insurance contracts, the recognized reinsurance income adjusts the loss recovery component of the reinsurance asset for the remaining coverage. The balance of the Loss Recovery Component may not exceed that portion of the balance of the Loss Component of the onerous group of underlying insurance contracts, which the Company expects to recover from the group of reinsurance contracts. Accordingly, the Loss Recovery Component is reduced to zero when the Loss Component of the underlying insurance contracts is reduced to zero.

Reinsurance contracts held measured under the PAA model

Reinsurance contracts held may be measured under the PAA model if they meet the criteria for applying the model, which are similar to the criteria for issued insurance contracts.

The Companies measure reinsurance contracts held for which the PAA model is applied on the same basis as issued insurance contracts, with adjustments reflecting the features of reinsurance contracts held, which vary from those of issued insurance contracts. If the Loss Recovery Component is recognized for a group of reinsurance contracts measured according to the PAA model, the Companies adjust the ARC balance since under the PAA model there is no CSM.

Derecognition and modifications to the terms of an insurance contract

The Companies derecognize an insurance contract when it is extinguished, i.e., when the obligation specified in the insurance contract expires or is discharged or cancelled.
Furthermore, if a modification is made to the terms of the insurance contract, which would have substantially changed the accounting treatment applied to the insurance contract had the modified terms existed on initial recognition date (hereinafter - "**Material Modification of Terms**"), the Companies derecognize the original insurance contract and recognizes the modified contract as a new insurance contract.
If an immaterial modification is made in the terms of the insurance contract, the Companies treat changes in the cash flows arising from the modification of terms as changes in the estimated fulfillment cash flows.

Disclosure and presentation

The Companies presented separately in the statement of financial position the balances of insurance contract portfolios which constitute assets, and the balances of insurance contract portfolios which constitute liabilities, portfolios of reinsurance contracts which constitute assets and portfolios of reinsurance contracts held which constitute liabilities.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Disclosure and presentation (cont.)

Any asset in respect of insurance acquisition cash flow recognized before the respective insurance contracts were recognized is included in the related portfolio balance of the issued insurance contracts.

The Companies divide the amounts recognized in the statement of income into:

A. Insurance service results, comprising insurance revenues and insurance service expenses; and
B. Finance income or finance expenses from insurance.

IFRS 17 does not require disaggregation of the RA between insurance service results and finance income or finance expenses from insurance. The Companies opted not to apply this expedient and to disaggregate the RA between insurance service results and finance income or finance expenses from insurance.

The Companies present separately revenues or expenses from reinsurance contracts held and revenues or expenses from insurance contracts issued.

Insurance service results

Revenues from insurances services reflect the amount to which the Companies expect to be entitled in exchange for providing the services arising from a group of insurance contracts. For contracts measured in accordance with the GMM or VFA model, insurance revenues during the period is measured in accordance with the change in the LRC which relates to insurance services for which the Company expects to receive a consideration. Revenues from insurance services include:

(a) Claims and other expected insurance service expenses incurred, excluding repayments of investment components/ premium repayment and excluding amounts allocated to the loss component;
(b) Changes in RA excluding amounts allocated to the Loss Component;
(c) CSM release based on the coverage units;
(d) Other amounts including experience adjustments in respect of premiums relating to current or past service; and
(e) A portion of the premiums which relate to the recovery of insurance acquisition cash flows.

For contracts measured in accordance with the PAA model, insurance revenues for each period is the amount of expected premiums receivable for the insurance services provided during the period, including fees and credit fees. The Companies allocate the amount of premiums expected to be received in each period based on the passage of time.

Insurance service expenses arising from insurance contracts are generally recognized in profit or loss as incurred and do not include repayments of investment/premium components. Expenses from insurance services include:

A. Claims and other insurance service expenses incurred;

B. Losses and reversal of losses for groups of onerous insurance contracts

C. Adjustments for LIC;

D. Amortization of insurance acquisition cash flows; and

E. Impairment losses and reversals of impairment losses on assets for insurance acquisition cash flows.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

B. Insurance contracts (cont.)

Disclosure and presentation (cont.)

Insurance service results (cont.)

Amortization of the insurance acquisition cash flows, which constitutes part of the insurance service expenses, is identical to the recovery of the insurance acquisition cash flows, which constitutes part of insurance revenues for contracts measured under the GMM or VFA model. Amortization of the acquisition costs for the period is calculated based on the coverage units.

Expenses in respect of reinsurance contracts held include the allocation of premiums paid to the reinsurer. Revenues in respect of reinsurance contracts held includes amounts, which the Companies expect to recover from the reinsurer, including recognition of the Loss Recovery Component in respect of onerous groups of insurance contracts. Reinsurance cash flows, which are contingent on claims on the underlying contracts, are treated as part of the claims, which the Companies expect to recover from the reinsurer, while reinsurance cash flows, which are not contingent on claims of the underlying contracts (for example, ceding commissions) are treated as a reduction in the premium paid to the reinsurer. For reinsurance contracts measured under the GMM model, the allocation of premiums paid to the reinsurer represents the total changes to the asset for the remaining coverage relating to the services for which the Companies expect to pay consideration. For insurance contracts measured under the PAA model, the allocation of premiums paid to the reinsurer is the expected amount of premium payments for receiving service during the period.

Finance income or finance expenses from insurance

Finance income or finance expenses from insurance include the change in the balance of a group of insurance contracts arising from:

A. From the effect of the time value of money and changes in the time value of money; and
B. The effect of financial risk and changes in financial risk, including the effect of the change in the Consumer Price Index; but
C. Excluding any such changes for groups of insurance contracts with direct participation features, which were carried to the Loss Component and included in insurance service expenses.

For all insurance portfolios, the Companies recognize in profit or loss insurance finance income or expenses for the period.

C. Financial instruments

Financial assets

Financial assets are measured at initial recognition at fair value plus transaction costs that are directly attributable to the purchase of the financial asset, except for financial assets that are measured at fair value through profit or loss, for which transaction costs are carried to profit or loss.

The Companies classify and measure the debt instruments in their financial statements based on the following criteria:

(a) The business model for managing financial assets, and

(b) Contractual cash flow characteristics of the financial asset.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Financial instruments (cont.)

Financial assets (cont.)

The Companies measure debt instruments at amortized cost when:

The Company's financial model is to hold the financial assets in order to collect contractual cash flows; furthermore, the contractual terms and conditions of the financial assets provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount, unless at the initial recognition date, the Company opted to designate the assets to the fair value group through profit and loss, in order to reverse or significantly reduce measurement or recognition inconsistencies.

Debt instruments at fair value through profit or loss:

Financial assets in this category are those, which IFRS 9 requires that they are measured at fair value or which were designated to be measured at fair value through profit or loss upon initial recognition to prevent an accounting mismatch. This category includes debt instruments, the features of the cash flows of which do not meet the Principal and Interest Test or are not held under a business model whose objective is to collect contractual cash flows, or to collect contractual cash flows and to sell financial assets. Subsequent to initial recognition, the financial asset is measured at fair value; gains or losses arising from fair value adjustments are charged to profit or loss. This group mainly includes the debt assets in the Participating Portfolio managed on a fair value basis and debt assets, which back the insurance contracts (including designated bonds), and managed on a of fair value basis or designated to the fair value through profit and loss category to prevent an accounting mismatch against the insurance liabilities.

Equity instruments and other financial assets held for trading

Investments in equity instruments do not meet the projected contractual cash flow characteristics criterion and are therefore measured at fair value through profit or loss.

Other financial assets held-for-trading, including derivatives, are measured at fair value through profit or loss.

Impairment of financial assets

At each reporting date, the Companies test the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss should be estimated.
The Companies differentiate between two situations of recognition of a provision for loss:

a) Debt instruments with no significant impairment in credit quality since the initial recognition date or with a low credit risk - the provision for loss recognized for this debt instrument will take into account current expected credit losses in the 12 months period after the reporting date, or;
b) debt instruments with significant deterioration in credit quality since initial recognition and their credit risk is not low, the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument.

The Group has credit facilities, which are not designated to be measured at fair value through profit or loss. These credit facilities constitute commitments to advance a loan, which are accounted for as off-balance sheet liabilities, but are subject to the impairment requirements of IFRS 9.
In estimating the expected credit losses in respect of a commitment to advance a loan, the Companies estimate the expected credit facility to be utilized over the expected life of the commitment. The ECL is based on the present value of the expected cash flows, which will not be received, based on a probability-weighted average of reasonably possible scenarios. The estimated expected cash flows, which will not be received, are discounted at the expected effective interest rate on the loan.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Financial instruments (cont.)

Impairment of financial assets (cont.)

The Companies have financial assets with short credit periods, to which they apply the expedient set forth in IFRS 9, i.e., the Companies measure the impairment provision at an amount equal to current expected credit losses throughout the entire life of the instrument.

The Companies apply the relief provided in IFRS 9, according to which they assume that the credit risk of a debt instrument has not increased significantly since its initial recognition date if it is determined, at the reporting date, that the instrument has low credit risk, for example - if the instrument has an external "investment grade" rating.

Furthermore, the Companies estimate that when contractual payments for a debt instrument are past due, a significant increase in credit risk occurred, unless there is reasonable and supportable information proving that credit risk has not increased substantially.

The Companies deem a financial asset to have defaulted when contractual payments for the financial asset are past due. However, there are situations in which the Companies deem a financial asset to have defaulted when external or internal information is received whereby the Companies are not expected to receive all contractual payments.

The Companies consider a financial asset not measured at fair value through profit or loss as a credit-impaired financial asset, when one or more events which have a detrimental impact on the estimated future cash flows of that financial asset have occurred. The Companies take into account the following events as evidence that a financial asset is impaired:

A. A significant financial difficulty of the issuer or the borrower
B. A breach of a contract such as a failure event, or a payment delay.
C. A concession granted to the borrower due to its financial difficulties, which the lender would not otherwise grant.
D. It is becoming probable that the borrower will enter bankruptcy or other financial restructuring.
E. The disappearance of an active market for that financial asset because of financial difficulties.
F. The acquisition or origination of a financial asset at a deep discount, which reflects the incurred credit losses.

Derecognition of financial assets

The Companies derecognize a financial asset if and only if:

A. The contractual rights to the cash flows from the financial asset have expired, or

B. The Companies transfer substantially all the risks and rewards arising from the contractual rights to receive the cash flows from the financial asset or when some of the risks and rewards upon the transfer of the financial asset remain in the hands of the Company but the Company can be said to have transferred control over the asset, or

C. The Companies retain the contractual rights to receive the cash flows arising from the financial asset, but assume a contractual obligation to pay these cash flows in full to a third party, without any substantial delay.

If the Companies transfer their rights to receive cash flows from an asset but did not transfer nor retain substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Companies’ continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay (the guarantee amount).

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Financial instruments (cont.)

Derecognition of financial assets (cont.)

When the Companies continue to recognize an asset to the extent of their continuing involvement, the Companies also recognize an associated liability. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

A. The amortized cost of the rights and obligations retained by the Companies, if the transferred asset is measured at amortized cost; or

B. Equal to the fair value of the rights and obligations retained by the Companies when measured on a stand-alone basis, if the transferred asset is measured at fair value.

Financial liabilities

Financial liabilities measured at amortized cost

At initial recognition, the Companies measure the financial liabilities at fair value net of transaction costs that are directly attributable to the issue of the financial liability.
Subsequent to initial recognition, the Companies measure all financial liabilities at amortized cost using the effective interest method, except for:

A. Financial liabilities measured at fair value through profit or loss
B. Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or the continuing involvement approach applies;
C. Financial guarantee contracts:
D. Commitment to advance a loan at an interest rate which is lower than the market interest rate;
E. Contingent consideration recognized by an acquirer in a business combination that falls within the scope of IFRS 3.

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held-for-trading - including derivatives, liabilities for short sale and financial liabilities that meet certain criteria, and which are designated, upon initial recognition, to be presented at fair value through profit or loss.

Upon initial recognition, the Companies measure these financial liabilities at fair value, and transaction costs are stated in profit or loss. Subsequent to initial recognition, changes in fair value are charged to profit or loss.

Derecognition of financial liabilities

The Companies derecognize a financial liability if and only if it is settled - that is to say, when the obligation established in a contract is repaid or canceled or expires.

A financial liability is extinguished when the debtor repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

If the terms of an existing financial liability change, the Companies assess whether the terms of the liability are materially different than the existing terms, taking into account qualitative and quantitative considerations.

When a material change has been made to the terms of an existing financial liability or a liability has been replaced with another liability between the Companies and the same lender with materially different terms, the transaction is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balances of the above two liabilities in the financial statements is recognized in profit or loss.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

C. Financial instruments (cont.)

Derecognition of financial liabilities (cont.)

In the event that a non-material change is made to the terms of an existing liability or a liability has been replaced with another liability between the Company and the same lender with terms that do not differ materially, the Companies update the liability amount, that is to say, discounts the new cash flows at the original effective interest rate, and the difference is recognized in profit or loss.

Embedded derivatives

In accordance with the provisions of IFRS 9, derivatives embedded into financial assets shall not be separated from a host contract. These hybrid contracts shall be measured as a whole at amortized cost or at fair value, in accordance with the criteria of the business model and the contractual cash flows.

When a host contract does not falls within the scope of the definition of financial asset, an embedded derivative is separated from the host contract and is accounted for as a derivative, if the economic characteristics and risks of an embedded derivative are not closely related to the economic characteristics and risks of the host contract, the embedded instrument meets the definition of a derivative, and the hybrid instrument is not measured at fair value with changes in fair value recognized in profit or loss.

The need to bifurcate an embedded derivative is only reassessed if there is a change in the terms and conditions of the contract that significantly modifies the cash flows from the contract.

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments*

In May 2017, the International Accounting Standards Board (IASB) published IFRS 17 - Insurance Contracts (hereinafter - “**IFRS 17**”). Furthermore, in June 2020 and December 2021, the IASB published amendments to the standard (hereinafter - “**IFRS 17**”).

IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue under IFRS 4 and the Commissioner’s Directives.
The first-time application date set in IFRS 17 is January 1, 2023; however, in accordance with the requirements of the Commissioner, which were published as part of the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts” (hereinafter - the “**Roadmap**”), the first-time application date of IFRS 17 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025, and the transition date is January 1, 2024.

In July 2014, the IASB published IFRS 9 regarding Financial Instruments (hereinafter - “**IFRS 9**”), which supersedes IAS 39 and sets new rules for classification and measurement of financial instruments, with an emphasis on financial assets. The first-time application date set in IFRS 9 is January 1, 2018. In September 2016, an amendment to IFRS 4 was published, which allowed entities which issue insurance contracts and meet certain prescribed criteria to postpone the adoption of IFRS 9 to January 1, 2023 (the first-time application date of IFRS 17), in order to eliminate the accounting mismatch which may arise from the application of IFRS 9 prior to the application of IFRS 17. The Company complied with the abovementioned criteria and postponed the application of IFRS 9 accordingly. Upon the deferral of the first-time application date of IFRS 17 to January 1, 2025, the Commissioner also postponed the first-time application date of IFRS 9 to January 1, 2025, accordingly.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* (cont.)

Due to the deferral of the first-time application date of IFRS 17 and IFRS 9 in Israel to quarterly and annual reporting periods beginning on January 1, 2025 (instead of January 1, 2023), the Company is effectively deemed a first-time adopter of International Financial Reporting Standards as defined in IFRS 1 in its quarterly financial statements and its 2025 annual financial statements; therefore, IFRS 1 applies to these financial statements. In accordance with IFRS 1, IFRS must be applied retrospectively, excluding exceptions for which specific provisions have been set. The provisions of IFRS 1 stipulate that IFRS 17's transitional provisions should be applied upon first-time adoption. Furthermore, IFRS 1 includes provisions with respect to the classification of financial assets, the calculation of the provision for expected credit losses and the designation of financial assets and liabilities to fair value through profit or loss upon first-time adoption.

(1) Main changes resulting from application of IFRS 17:

Recognition, measurement and presentation of insurance contracts

IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. The standard presents a model that measures groups of contracts based on the Company's estimates of the present value of future cash flows expected to arise from the fulfillment of the contracts, explicit risk adjustment with respect to non-financial risk and CSM.

Under IFRS 17, insurance revenues (long-term life and health insurance products) in each reporting period represent the changes in liability for the remaining coverage relating to the services for which the Company expects to receive consideration and allocation of premiums relating to the recovery of insurance acquisition cash flows instead of revenues recognition based on the premiums charged during the period (gross premiums). Furthermore, investment components are no longer included in revenues from insurances services and insurance service expenses. These components represent amounts, which will be refunded to the policyholder in any case, even if an insured event did not take place, and constitute a kind of a deposit deposited by the policyholder. Therefore, this amount does not constitute a part of the consideration received by the Company in respect of the service, and its refund does not constitute part of the Company's expenses.

Insurance finance income or expenses, which are included in profit or loss, are presented separately from revenues from insurances services and insurance service expenses. The above disaggregation shall increase transparency as to the Company's sources of income.

The Companies apply the PAA model to simplify the measurement of contracts in the P&C Insurance Segment and in some short-term health insurance products, except for groups of insurance contracts, which do not qualify for application of the PAA model. The measurement of the liability with respect to the remaining coverage under the PAA model is similar to the Company's previous accounting treatment under IFRS 4. However, in its measurement of liability for incurred claims, the Companies include an explicit risk adjustment for non-financial risk. In addition, the Commissioner's Directives, which cap the discount rates applicable to acquisition costs regarding insurance premium do not apply under the New Standard. Furthermore, the level of aggregation of insurance contracts for the purpose of calculating premium deficiency varies from the one applied under IFRS 4.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* (cont.)

(1) Main changes resulting from application of IFRS 17: (cont.)

Recognition, measurement and presentation of insurance contracts (cont.)

Previously, all acquisition expenses were recognized and presented as separate assets from the related insurance contracts ('deferred acquisition expenses') until these costs were recognized in profit or loss. Under IFRS 17, only insurance acquisition cash flows arising prior to the recognition of the associated insurance contracts are recognized as separate assets and tested for recoverability. These assets are presented in the balance of the associated portfolio of insurance contracts and derecognized when the associated contracts are recognized.

For the Company's accounting policies with respect to insurance contracts and reinsurance contracts under IFRS 17, see Note 2B above.

Transitional Provisions

Changes in accounting policies arising from the application of IFRS 17 were applied retrospectively using the full retrospective application approach to the extent possible. In applying the Full Retrospective Application approach, the Companies shall identify, recognize and measure each group of insurance contracts and any assets with respect to insurance acquisition cash flows as if IFRS 17 is applied retrospectively. Furthermore, the Companies shall derecognize any existing balances, which would not exist had IFRS 17 been applied retrospectively. Any resulting net difference will be recognized in equity.

The transition date is January 1, 2024, such that upon initial application the Companies have restated the comparative figures for 2024.

If Full Retrospective Application for a group of insurance contracts and/or an asset in respect of insurance acquisition cash flows is impractical, the Company shall apply one of the following approaches:

a) The modified retrospective approach - to achieve the closest outcome to Full Retrospective Application possible using reasonable and supportable information available without undue cost or effort; or

b) The fair value approach - in this approach the Company shall determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the fulfilment cash flows measured at that date.

The Companies will apply the retrospective application approach to the short-term P&C and Health insurance portfolios.

Menora Insurance is of the opinion that it is impractical to apply IFRS 17 retrospectively to groups of life and health insurance contracts, for the following reasons:

- The effects of a full retrospective application cannot be determined since the required information (for example, expectations as to an insurance contract’s profitability and the risk of its becoming onerous, information regarding historical cash flows and discount rates, information regarding changes in assumptions and assessments, etc.) is not collected nor available due to changing of a system, data retention requirements or other reasons.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* (cont.)

(1) Main changes resulting from application of IFRS 17: (cont.)

Transitional Provisions (cont.)

- The retrospective application approach requires assumptions regarding Company management’s intentions in previous periods or material accounting estimates, which cannot be made without using hindsight (for example, assumptions regarding the discount rates and RA for previous periods where these assumptions were not required by the Company).

The modified retrospective application approach (MRA)

Menora Insurance applied the modified retrospective approach to the following portfolio groups (gross): life, critical illness and personal accidents, which are not measured using the premium allocation approach in respect of underwriting years 2018-2023 inclusive, and to the individual long-term care reinsurance and individual medical expenses reinsurance portfolios in respect of underwriting years 2005-2023 inclusive and 2009-2023, respectively.

In applying this approach, Menora Insurance made the following permitted adjustments for the purpose of setting the CSM on the transition date:

a) The future cash flows of each group of insurance contracts are estimated on the initial recognition date as the amount of the future cash flows on the Group's transition date, adjusted to reflect the cash flows already known to have occurred between the initial recognition date of the said group and the transition date (including with respect to the cash flows actually incurred in respect of insurance contracts that ceased to exist before the transition date).

b) Risk adjustment for non-financial risk (RA) is determined as of the Group’s initial recognition date as the RA amount on the transition date adjusted to reflect the expected release from the risk prior to the transition date. The expected release from risk is determined with respect to the release from risk of similar insurance contracts, which the Company issues on the transition date.

c) The CSM determined as of the initial recognition date as described above is reduced as of the transition date by comparing the coverage units provided as of the transition date and the expected remaining coverage units as of the transition date.

Menora Insurance’s remaining insurance contracts groups will be measured in accordance with the fair value approach (FVA).

The fair value approach - FVA

In accordance with the Commissioner’s Directive, the assessment of the fair value of the liabilities and the reinsurance assets was carried out using the Appraisal Value method (hereinafter - “**AV**”). The calculations under this method were based - to the extent possible - on calculations of IFRS 17 and Solvency 2-based economic solvency regime.

In accordance with the AV approach, the fair value is calculated as the consideration that a market participant will agree to pay (or receive) for the insurance portfolio, such that the forecast of cash flows released from the capital, which the market participant is required to hold in each period until the portfolio is extinguished, will yield the required return on equity of the market participant.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* (cont.)

(1) Main changes resulting from application of IFRS 17: (cont.)

Transitional Provisions (cont.)

The fair value approach – FVA (cont.)

Following are the main assumptions underlying the valuation:

A. Required capital: The capital requirements are based on the provisions of Solvency II in Israel. For the purpose of assessing the compensation for the Menora Insurance's diversification, it is assumed that the market participant has an existing business mix similar to that of the Company. When calculating the compensation for diversification until the extinguishment of the portfolio, the Company takes into account new future sales in accordance with its current sales mix. Furthermore, the appraisal assumes that 40% of the capital requirements are financed through Tier 2 capital instruments.

B. Minimum economic solvency ratio target - The assumption underlying the model is that a market participant will hold capital in accordance with the minimum economic solvency ratio target set for dividend distribution. In accordance with the Commissioner's Directives, the initial economic solvency ratio target required from the market participant will be based on the average of the current capital targets for dividend distribution purposes of the five largest insurance companies in Israel plus a 10% margin, and the final economic solvency ratio target required from the market participant will be based on the average of the future capital targets for dividend distribution purposes of the five largest insurance companies in Israel. Accordingly, the appraisal assumes an initial capital target of 121% in the year following the transition date, which will rise to 135% at the end of 2032 and then remain constant.

C. Target Return on Equity (TRE) The appraisal assumes a 13.6% return on equity based on the CAPM model with adjustments to reflect level of inherent risk in Menora Insurance's insurance portfolio mix.

D. Assumption of return on the assets backing the insurance portfolio: The appraisal model assumes that the backing assets will generate a return at a risk-free interest rate plus an illiquidity premium.

E. Expenses forecast: The cash flows in respect of the expenses allocated to the insurance portfolio for the purpose of calculating the fair value are based on the expenses included in the cash flows forecast in the Company's Solvency II calculations.

The fair value of a reinsurance portfolio is calculated as the difference between the fair value of the (gross) portfolios included in the reinsurance portfolio and the fair value of those portfolios net of reinsurance.

In applying the fair value approach, Menora Insurance may include in a group contracts issued more than one year apart. The Company opted to apply this expedient, rather than to divide groups into those, which include only contracts issued one year or less apart.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

(2) Main changes resulting from application of IFRS 9:

Classification of financial assets and financial liabilities

To determine the classification and measurement group, IFRS 9 requires that all financial assets be evaluated based on the Companies' business model for managing the assets and the characteristics of the instrument's contractual cash flows. IAS 39's financial asset measurement categories (fair value through profit or loss, available for sale, held to maturity and loans and receivables) have been replaced by the following measurement categories:

- Financial assets at fair value through profit or loss, including equity instruments and derivatives
- Debt instruments at amortized cost

Under IFRS 9, derivatives embedded in a host contract, which constitutes a financial asset within the scope of IFRS 9 are not separated. Instead, the financial instrument in question is assessed in its entirety for classification purposes.

For an explanation of how the Companies classify and measure financial assets and account for related gains or losses under IFRS 9, see Note 2C above.

IFRS 9 did not have a material effect on the Companies' accounting policies regarding the classification of financial liabilities.

Impairment of financial assets

IFRS 9 supersedes IAS 39's impairment model with a forward-looking 'expected credit losses' model. The new impairment model is applied to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income and lease receivables. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Transitional Provisions

Changes in accounting policies resulting from first-time application of IFRS 9 were applied retrospectively, including presentation of comparative figures as of the transition date, except as specified below.

- The following assessments were made based on the facts and circumstances as of the transition date:
  - Assessment of the business model
  - Simple debt test/ SPPI test
  - Designation of financial instruments to measurement at fair value through profit or loss due to recognition or measurement inconsistency.
- If a financial asset had a low credit risk on the transition date, the Company concludes that there was no substantial increase in credit risk since initial recognition.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position

Following is the effect of the first-time application on Statement of Financial Position line items as of January 1, 2024:

	As of December 31, 2023 as previously reported	Effect of first-time application of IFRS 17 and IFRS 9	Pro forma balance sheet as of the transition date - January 1, 2024
	Audited		
	NIS thousand		
Assets			
Cash and cash equivalents for yield-dependent contracts	2,080,711	-	2,080,711
Other cash and cash equivalents	1,324,214	-	1,324,214
Financial investments for yield-dependent contracts	31,077,288	-	31,077,288
Other financial investments measured at fair value (1)	9,179,805	6,318,181	15,497,986
Other financial investments measured at depreciated cost (1)	14,689,853	(5,855,483)	8,834,370
Receivables and debit balances	524,638	(52,422)	472,216
Collectible premium (2)	1,030,293	(1,030,293)	-
Current tax assets	119,148	(531)	118,617
Insurance contract assets (3)	-	705,986	705,986
Reinsurance contract assets (4)	3,628,513	(379,450)	3,249,063
Equity-accounted investments	542,907	-	542,907
Investment property for yield-dependent contracts	102,961	-	102,961
Investment property - other	651,862	-	651,862
Property, plant, and equipment measured at fair value	852,054	-	852,054
Other property, plant and equipment	165,264	-	165,264
Intangible assets and goodwill	1,795,069	(1,059)	1,794,010
Costs of obtaining investment management service contracts	653,398	-	653,398
Deferred acquisition costs (5)	1,535,028	(1,535,028)	-
Deferred tax assets	24,348	-	24,348
Total assets	69,977,354	(1,830,099)	68,147,255
Total assets for yield-dependent contracts	33,559,357	(164,710)	33,394,647
Liabilities			
Loans and credit	4,489,126	-	4,489,126
Liabilities for derivative instruments	265,770	-	265,770
Payables and credit balances	2,587,938	(1,536,256)	1,051,682
Liability for current taxes	8,500	-	8,500
Liabilities for yield-dependent investment contracts	4,836,939	-	4,836,939
Liabilities for non-yield-dependent investment contracts (6)	5,065,602	-	5,065,602
Labilities for insurance contracts (3)	45,512,058	5,300	45,517,358
Labilities for reinsurance contracts (4)	-	94,497	94,497
Liabilities for employee benefits, net	127,019	-	127,019
Liabilities for deferred taxes	466,400	(134,935)	331,465
Total liabilities	63,359,352	(1,571,394)	61,787,958
Equity			
Share capital	99,429	-	99,429
Share premium	332,985	-	332,985
Treasury share	(100,200)	-	(100,200)
Capital reserves (7)	804,046	(483,312)	320,734
Retained earnings	5,294,577	224,607	5,519,184
Total equity attributable to Company's shareholders	6,430,837	(258,705)	6,172,132
Non-controlling interests	187,165	-	187,165
Total equity	6,618,002	(258,705)	6,359,297
Total current liabilities and equity	69,977,354	(1,830,099)	68,147,255

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position (cont.)

Following is the effect of the first-time application on Statement of Financial Position line items as of January 1, 2024: (cont.)

(1) As a result of the transition to IFRS 9, some illiquid debt assets measured at amortized cost - including Hetz bonds - are measured at fair value through profit and loss. In addition, of which: The credit loss provision balance for the debt assets at depreciated cost totaling NIS 210,564 thousand.
Under the line item “Other financial investments measured at fair value” most of the change arises from revaluation to fair value of designated bonds instead of measurement at adjusted cost.

(2) In accordance with IFRS 17, the collectible premium balance is included in the estimated future cash flows in respect of insurance contracts and therefore it was included in the liabilities for insurance contracts line item.

(3) The revision of the insurance contract assets and liabilities arises mainly from the recognition of the asset in respect of life, critical illness and medical expenses insurance portfolios, which are measured in accordance with the present value of the estimated future cash flows, which constitutes an asset, less the RA and CSM representing an unrecognized future income. On the other hand, the Company increased the liabilities, mainly in respect of the guaranteed-return long-term care insurance portfolios, and insurance contracts with yield-dependent savings component and variable management fees as a result of recognition of an additional liability in respect of CSM and RA and transition to discounting based on risk-free interest. For details regarding the measurement method, see Note 2B.

Of which: For contractual service margin (CSM) - a total of NIS 2,588,050 thousand and NIS 4,500,889 thousand for life insurance and savings segment and health insurance segment, and for the risk adjustment (RA) - a total of NIS 369,716 thousand, NIS 1,286,171 thousand and NIS 266,268 million for the life insurance and savings segment, health insurance segment and property and casualty insurance segment, respectively.

(4) Of which: For contractual service margin (CSM) - a total of NIS 80,521 thousand and NIS 556,456 thousand for the life insurance and long-term savings segment and the health insurance segment, respectively. Furthermore, for risk adjustment (RA) - a total of NIS 42,659 thousand, NIS 357,939 thousand and NIS 100,267 thousand for the life insurance and long-term savings segment, the health insurance segment and the property and casualty insurance segment, respectively. Most of the contribution to CSM reinsurance arises from the medical expenses, critical illness and long-term care health insurance portfolios of the health insurance segment.

In accordance with IFRS 17, reinsurers' deposits are included in the estimated future cash flows in respect of the reinsurance contracts and therefore are included in the reinsurance assets line item.

(5) In accordance with IFRS 17, deferred acquisition costs attributable to life and health insurance contracts were derecognized on transition date against capital reduction. As from 2024, deferred acquisition costs are included in the measurement of insurance contracts and reduce CSM.

(6) This line item also includes liabilities for contracts for the management of guaranteed return provident funds.

(7) Capital reserve for available-for-sale financial assets were classified to retained earnings at the transition date.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position (cont.)

Following is the effect of the first-time application on Statement of Financial Position line items as of March 31, 2024:

	As of March 31, 2024, as previously reported	Effect of first-time application of IFRS 17 and IFRS 9	As of March 31, 2024, according to IFRS
	Unaudited		
	NIS thousand		
Assets			
Cash and cash equivalents for yield-dependent contracts	2,686,100	-	2,686,100
Other cash and cash equivalents	1,420,807	-	1,420,807
Financial investments for yield-dependent contracts	31,618,311	-	31,618,311
Other financial investments measured at fair value (1)	9,108,555	6,461,737	15,570,292
Other financial investments measured at depreciated cost (1)	14,889,249	(5,929,891)	8,959,358
Receivables and debit balances	490,360	(123,043)	367,317
Collectible premium (2)	1,226,554	(1,226,554)	-
Current tax assets	85,569	(2,863)	82,706
Insurance contract assets (3)	-	833,416	833,416
Reinsurance contract assets (4)	3,634,653	(369,132)	3,265,521
Equity-accounted investments	552,710	-	552,710
Investment property for yield-dependent contracts	104,415	-	104,415
Investment property - other	656,001	-	656,001
Property, plant, and equipment measured at fair value	846,162	-	846,162
Other property, plant and equipment	169,859	-	169,859
Intangible assets and goodwill	1,811,447	(981)	1,810,466
Costs of obtaining investment management service contracts	683,765	-	683,765
Deferred acquisition costs (5)	1,586,522	(1,586,522)	-
Deferred tax assets	22,796	-	22,796
Total assets	71,593,835	(1,943,833)	69,650,002
Total assets for yield-dependent contracts	34,658,834	(168,080)	34,490,754
Liabilities			
Loans and credit	4,610,939	-	4,610,939
Liabilities for derivative instruments	312,061	-	312,061
Payables and credit balances	2,624,372	(1,486,081)	1,138,291
Liability for current taxes	3,541	-	3,541
Liabilities for yield-dependent investment contracts	5,052,624	-	5,052,624
Liabilities for non-yield-dependent investment contracts (6)	5,065,192	-	5,065,192
Labilities for insurance contracts (3)	46,641,405	(331,910)	46,309,495
Labilities for reinsurance contracts (4)	-	90,949	90,949
Liabilities for employee benefits, net	127,321	-	127,321
Liabilities for deferred taxes	475,704	(77,708)	397,996
Total liabilities	64,913,159	(1,804,750)	63,108,409
Equity			
Share capital	99,429	-	99,429
Share premium	332,215	-	332,215
Treasury share	(95,207)	-	(95,207)
Capital reserves (7)	789,132	(472,554)	316,578
Retained earnings	5,361,980	333,471	5,695,451
Total equity attributable to Company's shareholders	6,487,549	(139,083)	6,348,466
Non-controlling interests	193,127	-	193,127
Total equity	6,680,676	(139,083)	6,541,593
Total current liabilities and equity	71,593,835	(1,943,833)	69,650,002

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position (cont.)

Following is the effect of the first-time application on Statement of Financial Position line items as of March 31, 2024: (cont.)

(1) As a result of the transition to IFRS 9, some illiquid debt assets measured at amortized cost - including Hetz bonds - are measured at fair value through profit and loss. In addition, of which: The credit loss provision balance for the debt assets at depreciated cost totaling NIS 178,321 thousand.
Under the line item “Other financial investments measured at fair value” most of the change arises from revaluation to fair value of designated bonds instead of measurement at adjusted cost.

(2) In accordance with IFRS 17, the collectible premium balance is included in the estimated future cash flows in respect of insurance contracts and therefore it was included in the liabilities in respect of insurance contracts line item.

(3) Of which: For contractual service margin (CSM) - a total of NIS 2,585,819 thousand and NIS 4,480,801 thousand, and for the risk adjustment (RA) - a total of NIS 354,444 thousand, NIS 1,291,545 thousand and NIS 263,196 million for the life insurance and savings segment, health insurance segment and property and casualty insurance segment, respectively. In accordance with IFRS 17, the collectible premium balance is included in the estimated future cash flows in respect of insurance contracts and therefore it was included in the liabilities for insurance contracts line item. In the life insurance segment, the main contribution to CSM arises from the life insurance segment and in the health insurance segment - from the medical expenses and critical illness portfolios.

(4) Of which: For contractual service margin (CSM) - a total of NIS 81,726 thousand and NIS 552,602 thousand, and for the risk adjustment (RA) - a total of NIS 43,205 thousand, NIS 371,703 thousand and NIS 96,173 million for the life insurance and savings segment, health insurance segment and property and casualty insurance segment, respectively. In accordance with IFRS 17, reinsurers' deposits are included in the estimated future cash flows in respect of the reinsurance contracts and therefore are included in the reinsurance assets line item. Most of the contribution to CSM reinsurance arises from the medical expenses, critical illness and long-term care health insurance portfolios of the health insurance segment.

(5) In accordance with IFRS 17, deferred acquisition costs attributable to life and health insurance contracts were derecognized on transition date against capital reduction. As from 2024, deferred acquisition costs are included in the measurement of insurance contracts and reduce CSM.

(6) This line item also includes liabilities for contracts for the management of guaranteed return provident funds.

(7) Capital reserve for available-for-sale financial assets were classified to retained earnings at the transition date.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position (cont.)

Following is the effect of the first-time application on Statement of Financial Position line items as of December 31, 2024:

	As of December 31, 2024 as previously reported	Effect of first-time application of IFRS 17 and IFRS 9	As of December 31, 2024, according to IFRS
		Unaudited	
		NIS thousand	
Assets			
Cash and cash equivalents for yield-dependent contracts	2,526,357	-	2,526,357
Other cash and cash equivalents	1,456,969	-	1,456,969
Financial investments for yield-dependent contracts	33,101,222	-	33,101,222
Other financial investments measured at fair value (1)	9,440,798	6,454,749	15,895,547
Other financial investments measured at depreciated cost (1)	15,263,779	(6,007,754)	9,256,025
Receivables and debit balances	624,615	(97,811)	526,804
Collectible premium (2)	1,089,038	(1,089,038)	-
Current tax assets	17,399	(89)	17,310
Insurance contract assets (3)	-	1,272,967	1,272,967
Reinsurance contract assets (4)	3,867,297	(549,255)	3,318,042
Equity-accounted investments	632,243	-	632,243
Investment property for yield-dependent contracts	168,294	-	168,294
Investment property - other	685,729	-	685,729
Property, plant, and equipment measured at fair value	897,247	-	897,247
Other property, plant and equipment	156,803	-	156,803
Intangible assets and goodwill	1,842,808	(748)	1,842,060
Costs of obtaining investment management service contracts	748,182	-	748,182
Deferred acquisition costs (5)	1,647,283	(1,647,283)	-
Deferred tax assets	10,414	-	10,414
Total assets	74,176,477	(1,664,262)	72,512,215
Total assets for yield-dependent contracts	36,142,945	(156,049)	35,986,896
Liabilities			
Loans and credit	4,502,552	-	4,502,552
Liabilities for derivative instruments	294,717	-	294,717
Payables and credit balances	2,448,242	(1,541,456)	906,786
Liability for current taxes	76,636	3,043	79,679
Liabilities for yield-dependent investment contracts	5,602,407	-	5,602,407
Liabilities for non-yield-dependent investment contracts (6)	5,176,010	-	5,176,010
Labilities for insurance contracts (3)	47,898,549	(554,690)	47,343,859
Labilities for reinsurance contracts (4)	-	99,067	99,067
Liabilities for employee benefits, net	130,261	-	130,261
Liabilities for deferred taxes	634,027	112,129	746,156
Total liabilities	66,763,401	(1,881,907)	64,881,494
Equity			
Share capital	99,429	-	99,429
Share premium	326,460	-	326,460
Treasury share	(84,019)	-	(84,019)
Capital reserves (7)	958,533	(611,280)	347,253
Retained earnings	5,913,802	828,925	6,742,727
Total equity attributable to Company's shareholders	7,214,205	217,645	7,431,850
Non-controlling interests	198,871	-	198,871
Total equity	7,413,076	217,645	7,630,721
Total current liabilities and equity	74,176,477	(1,664,262)	72,512,215

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments (cont.)*

3. Effect of first-time application on the line items of the Statements of Financial Position (cont.)

Following is the effect of the first-time application on Statement of Financial Position line items as of December 31, 2024: (cont.)

(1) As a result of the transition to IFRS 9, some illiquid debt assets measured at amortized cost - including Hetz bonds - are measured at fair value through profit and loss. In addition, of which: The credit loss provision balance for the debt assets at depreciated cost totaling NIS 188,110 thousand. Under the line item “Other financial investments measured at fair value” most of the change arises from revaluation to fair value of designated bonds instead of measurement at adjusted cost.

(2) In accordance with IFRS 17, the collectible premium balance is included in the estimated future cash flows in respect of insurance contracts and therefore it was included in the liabilities in respect of insurance contracts line item.

(3) Of which: For contractual service margin (CSM) - a total of NIS 1,928,024 thousand and NIS 4,697,782 thousand, and for the risk adjustment (RA) - a total of NIS 323,370 thousand, NIS 1,434,249 thousand and NIS 262,414 million for the life insurance and savings segment, health insurance segment and property and casualty insurance segment, respectively. In accordance with IFRS 17, the collectible premium balance is included in the estimated future cash flows in respect of insurance contracts and therefore it was included in the liabilities for insurance contracts line item. In the life insurance segment, the main contribution to CSM arises from the life insurance segment and in the health insurance segment - from the medical expenses and critical illness portfolios.

(4) Of which: For contractual service margin (CSM) - a total of NIS 82,590 thousand and NIS 320,849 thousand, and for the risk adjustment (RA) - a total of NIS 43,763 thousand, NIS 399,272 thousand and NIS 93,998 million for the life insurance and savings segment, health insurance segment and property and casualty insurance segment, respectively. . In accordance with IFRS 17, reinsurers' deposits are included in the estimated future cash flows in respect of the reinsurance contracts and therefore are included in the reinsurance assets line item. Most of the contribution to CSM reinsurance arises from the medical expenses, critical illness and long-term care health insurance portfolios of the health insurance segment.

(5) In accordance with IFRS 17, deferred acquisition costs attributable to life and health insurance contracts were derecognized on transition date against capital reduction. As from 2024, deferred acquisition costs are included in the measurement of insurance contracts and reduce CSM.

(6) This line item also includes liabilities for contracts for the management of guaranteed return provident funds.

(7) Capital reserve for available-for-sale financial assets were classified to retained earnings at the transition date.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

4. Effect of first-time application on the Statement of Comprehensive Income line items:

	Three months ended March 31, 2024	For the year ended December 31, 2024
	Unaudited	
	NIS thousand	
Comprehensive income as previously reported	239,893	1,276,971
Adjustments to comprehensive income under the transition to IFRS:		
Insurance contracts	110,441	741,440
Financial instruments	69,148	(15,114)
Tax effect of the above	(59,967)	(249,976)
Comprehensive income according to IFRS	359,515	1,753,321

Most of the adjustments to income under the transition to IFRS 17 arise from:

Insurance contracts

- Under IFRS 17, the long-term life and health insurance revenues recognized in the period are measured in accordance with the amount of decrease in the LRC arising from the service provided during the period instead of revenue recognition based on the premium and management fees effectively charged during the period.
- Under IFRS 17, the effect of studies and model revisions adjusts the contractual service margin (CSM) and their effect is recognized in the profit or loss under the release of CSM. Similarly, the effects of the change in rates of return, which affect the amount of management fees, adjust the CSM. In addition, the investment components/premium repayments in the savings policies, which are not recognized in insurance service expenses, changes in insurance reserves such as LAT reserve and reserve for fixed premium, which are no longer required under IFRS 17, financial effects on insurance liabilities, which are recognized in the insurance contract finance expenses line item in accordance with IFRS 17, presentation of expenses, which are not directly attributable to insurance contracts and expenses relating to non-insurance activities in the other operating expenses line item, and differences in the recognition insurance acquisition cash flows as an expense during the period.
- Under IFRS 17 the long-term life and health reinsurance expenses recognized during the period are measured in accordance with the amount of the decrease in the ARC arising from the service provided during the period instead of recognition of the expense based on the premium charged during the period and due to reinsurance commissions, whose amount is not derived from the claims for the underlying contracts, and which are presented as a decrease in expenses for reinsurance.
- Most of the adjustments to income from financial instruments in the transition to IFRS 17 arises from revaluation of designated bonds and other illiquid debt assets to fair value through profit or loss instead of measurement at amortized cost.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

5. Effect of first-time application on the financial investments line items

As of January 1, 2024

	Measurement in accordance with IAS 39			Remeasurement		Measurement in accordance with IFRS 9	
	Category	Amount	Reclas-sification	Expected credit losses	Other	Amount	Category
	Audited						
	NIS thousand						
Financial investments held against yield-dependent contracts	Fair value through profit or loss	30,767,646	-	-	-	30,767,646	Fair value through profit or loss
Financial investments held against yield-dependent contracts	Loans and receivables	309,642	-	-	-	309,642	Amortized cost
Other financial investments:							
Illiquid debt instruments, excluding designated bonds	Loans and receivables	4,413,958	-	(20,670)	-	4,393,288	Amortized cost
	Loans and receivables	3,260,331	-	-	(114,633)	3,145,698	Fair value through profit or loss
Treasury deposits	Loans and receivables	4,441,083	-	-	-	4,441,083	Amortized cost
Designated bonds	Loans and receivables	2,574,482	-	-	598,000	3,172,482	Fair value through profit or loss
Liquid debt instruments	Fair value through profit or loss	797,834	-	-	-	797,834	Fair value through profit or loss
	Available-for-sale	4,039,164	-	-	-	4,039,164	Fair value through profit or loss
	Fair value through profit or loss	36,670	-	-	-	36,670	Fair value through profit or loss
Capital instruments	Available-for-sale	1,079,268	-	-	-	1,079,268	Fair value through profit or loss
	Fair value through profit or loss	172,285	-	-	-	172,285	Fair value through profit or loss
Other investments	Available-for-sale	3,054,583	-	-	-	3,054,583	Fair value through profit or loss

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

D. First-time application of IFRS 17, *Insurance Contracts*, and IFRS 9, *Financial Instruments* *(cont.)*

5. Effect of first-time application on the financial investments line items (cont.)

As of December 31, 2024

	Measurement in accordance with IAS 39			Remeasurement		Measurement in accordance with IFRS 9	
	Category	Amount	Reclas-sification	Expected credit losses	Other	Amount	Category
	Unaudited						
	NIS thousand						
Financial investments held against yield-dependent contracts	Fair value through profit or loss	32,982,930	-	-	-	32,982,930	Fair value through profit or loss
Financial investments held against yield-dependent contracts	Loans and receivables	118,292	-	-	-	118,292	Amortized cost
Other financial investments:							
Illiquid debt instruments, excluding designated bonds	Loans and receivables	4,747,464	-	(29,462)	-	4,718,002	Amortized cost
	Loans and receivables	3,358,478	-	-	(47,660)	3,310,818	Fair value through profit or loss
Treasury deposits	Loans and receivables	4,538,023	-	-	-	4,538,023	Amortized cost
Designated bonds	Amortized cost	2,619,814	-	-	524,117	3,143,931	Fair value through profit or loss
	Fair value through profit or loss	791,021	-	-	-	791,021	Fair value through profit or loss
Liquid debt instruments	Available-for-sale	3,733,163	-	-	-	3,733,163	Fair value through profit or loss
	Fair value through profit or loss	42,751	-	-	-	42,751	Fair value through profit or loss
Capital instruments	Available-for-sale	1,116,299	-	-	-	1,116,299	Fair value through profit or loss
	Fair value through profit or loss	255,347	-	-	-	255,347	Fair value through profit or loss
Other investments	Available-for-sale	3,502,217	-	-	-	3,502,217	Fair value through profit or loss

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments

1. Insurance contracts

Fulfillment cash flows

Fulfillment cash flows include:

- Estimated future cash flows;
- An adjustment to reflect the time value of money and the financial risks related to the future cash flows, as applicable; and
- Risk adjustment for non-financial risk

Menora Insurance aims to determine a best estimate of the Company's future insurance liabilities including risk margin. The calculation method is based on a deterministic cash flow approach, which takes into account both revenues and expenses over the life of the policy. In addition, the model takes into account a range of financial and actuarial components such as: premiums, claims, fees and commissions, reinsurance cost and investment components, etc.

Estimated future cash flows

In estimating future cash flows Menora Insurance makes unbiased use of all reasonable and supportable information available at the reporting date without undue cost or effort. This information includes internal and external historical data regarding claims and other experience, revised to reflect current expectations regarding future events.

The estimated future cash flows reflect Menora Insurance's perspective regarding current conditions as of the reporting date, provided that the estimates of relevant market variables are consistent with observable market prices.

When estimating the future cash flows, Menora Insurance takes into account current expectations of future events, which may affect those cash flows. However, the Company shall not take into account current expectations of future changes in legislation, which would change or discharge the present obligation or create new obligations under existing insurance contracts until the change in legislation is virtually certain.

Cash flows within the boundary of an insurance contract are those that relate directly to the fulfilment of the contract. These cash flows include payments to (or on behalf of) a policyholder, insurance acquisition cash flows and other costs incurred in the fulfillment of the contract.

Insurance acquisition cash flows arise from selling, underwriting and starting a group of insurance contracts, which are directly attributable to the portfolio of insurance contracts to which the group belongs. Other costs incurred in the fulfillment of the contracts include:

- Claims handling costs, policy management and maintenance costs;
- Current commissions to agents received on the basis of premium collection (recurring commissions);
- Costs incurred by Menora Insurance for the provision of investment management services;

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance contracts (cont.)

Estimated future cash flows (cont.)

- Costs, which Menora Insurance will incur in performing investment activities to the extent that it performs them to enhance benefits from insurance coverage for policyholders. Investment activities enhance benefits from insurance coverage if the entity performs those activities expecting to generate an investment return from which policyholders will benefit if an insured event occurs;
- And insurance acquisition cash flows and other costs incurred in the fulfillment of the contract include direct costs and an allocation of fixed and variable overheads.

Contract boundary

The assessment of the contract boundary, which defines which cash flows are included in the measurement of a contract, requires the exercising of judgment and taking into consideration the Company's substantive rights and obligations under the contract. Following are the contract boundary of material policies identified by Menora Insurance:

1. Individual health insurance policies issued from 2016 and thereafter

   As part of the reform, which came into effect on February 1, 2016 it was stipulated that the insurance period in individual health insurance policies will be two years, and the policy will be renewed every two years on a fixed renewal date, without the need to undergo a medical assessment or a further qualification period. Changes to the policy's tariffs and/or terms and conditions shall be made subject to the approval of The Commissioner. By virtue of Insurance Circular 2022-1-13 regarding "Tariff Updating in Renewable Health Insurance Policies", which was published on September 20, 2022, the insurance companies may - subject to compliance with certain conditions - revise the premium in renewable health insurance policies without being required to receive the Commissioner's approval. Through the publication date of the circular, the Commissioner did not grant approvals for changes in tariffs for existing coverages. In addition, the circular caps the rate of premium revision at the rate of the loss ratio (LR), which ranges between 75% to 85%, depending on the calculation method and the size of the Company. Therefore, it is impossible to say that there is a practical ability to reassess the portfolio's risks and accordingly to set a new price, which fully reflects those risks. Accordingly, the periods subsequent to fixed renewal date are included in the contract's boundary.

2. Life insurance policies, which include a savings component without a guaranteed annuity conversion factor on the policy issuance date

   Life insurance policies, which include a savings component to the retirement age and permanent health insurance and/or life insurance coverage are insurance contracts, which often also provide an additional pension insurability (hereinafter - the "**annuity option**"). The Annuity Option is not included in the contract boundary, since the Company has the practical ability to reassess the contract's risks and to set an annuity conversion factor, which reflects those risks. Subsequent to its exercise, the Annuity Option shall be recognized as a new insurance contract in accordance with IFRS 17's recognition rules.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance contracts (cont.)

Contract boundary (cont.)

Following are details of the key assumptions used in the Life and Health Segment:

1. Mortality and morbidity rates

a) Active mortality - based on data from reinsurers, adjusted according to the Menora Insurance's claims history based on mortality studies for the relevant products that are carried out periodically.

b) Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities, including the Amendment to the Consolidated Circular on Measurement of Liabilities - Updating the Demographic Assumptions in Life Insurance and Updating the Mortality Improvements Model for Insurance Companies and Pension Funds of July 27, 2024.

An increase in the mortality rate assumption, due to an increase in actual mortality rates to a level, which is higher than the current level, will result in an increase in the estimated future cash flows in respect of the policyholders' death before they reach retirement age and a decrease in the estimated future cash flows in respect of lifetime annuities. It should be noted that in recent decades, there has been a reversal of the trajectory – of increasing life expectancy and lower mortality rates. The mortality assumption used to calculate the estimated future cash flows takes into account an assumption in respect of a future increase in life expectancy.

c) Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, PHI, long-term care, medical expenses products, accidental disability, etc. These rates are determined based on Menora Insurance's experience and/or in combination of studies by reinsurers. In the long-term care and PHI Subsegments, the annuity payment period is based on Menora Insurance's experience and/or studies of reinsurers.
The higher the assumption regarding the morbidity rate, the higher the estimated future cash flows due to morbidity from critical illnesses, permanent health insurance, long-term care, medical expenses, accidental disability insurance, etc.

2. Annuity takeup rate

In respect of funds deposited through 2008, life insurance contracts, which include a savings component, were managed under two tracks: equity or annuity - with a guaranteed annuity conversion factor. Regarding premiums which were contributed through May 2000, the policyholder may select, on retirement date, his/her preferred track. Since the insurance liability amount differs in each of these two tracks, the Company is required to estimate the rate of policies in which the policyholders will select the annuity track due to the effect on the reserve required in respect of such liabilities. This rate was set based on the Company's past experience in accordance with the Commissioner's Directives, in view of the reliability of the Company's past experience. It is noted that as from 2008, most provident funds plans and contributions towards the old plans are designated to annuity. Furthermore, Menora Insurance updates - according to past experience - the mix of the annuity tracks to be selected by the policyholders. The pension uptake rate is calculated separately for yield-dependent policies and non-yield-dependent policies.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

Contract boundary (cont.)

Following are details of the key assumptions used in the Life and Health Segment: (cont.)

3. Cancellation rates

The cancellation rate discount reflects the discontinuation of premium payment, settlement of policies, payment of redemption value - in accordance with Menora Insurance's experience with the various products as observed in periodic cancellation studies, while making adjustments in accordance with Menora Insurance's estimates in cases where past experience does not faithfully represent Menora Insurance's expectations as to future changes.

Estimated future cash flows for P&C claims

The ultimate cost of claims is estimated using a range of actuarial claim prediction techniques, such as the Chain-Ladder and Bornhuetter-Ferguson methods.

The key underlying assumption of these techniques is that past development of the Companies' claims can be used to predict the development of future claims and consequently the ultimate cost of claims.

The choice of the appropriate actuarial method for each insurance subsegment and for each event or underwriting year is determined by exercising judgment on the degree of the method's suitability to the subsegment, and sometimes the various methods are combined. The assessments are mainly based on past experience in the development of claim payouts and/or development of the amount of specific payments and estimates. The assessments include assumptions about the average claim cost, claims handling costs, and prevalence of claims. Additional assumptions may take into account changes in interest rates, foreign exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.

The use of actuarial methods based on the development of claims is particularly appropriate when there is concrete and satisfactory information on claim payouts and/or individual assessments to estimate the total expected cost of claims. When the information available in the actual claim history is insufficient, the actuary, at times, uses a calculation which weights a known estimate (in the Company and/or industry) such as LR and the claims' actual development. Greater weight can be estimated based on experience as time goes on and further information about the claims accumulates.

In addition, qualitative assessments and judgment are included regarding the extent to which past trends will not continue in the future. For example, due to a one-time event, internal changes such as a change in the portfolio mix, underwriting policies and claims handling procedures, as well as the effect of external factors such as court rulings, legislation, etc. When such changes were not fully reflected in past experience, the actuary updates the models and/or makes specific provisions based on statistical and/or legal assessments, as applicable.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

***Estimated future cash flows for P&C claims* (cont.)**

The actuarial assessment is based on statistical estimates that include a component of uncertainty. The statistical estimate is based on various assumptions, which will not necessarily materialize, such that the actual cost of claims may be higher or lower than the statistical estimate.

In large claims, which are not based on statistical estimates, and in segments, which do not have an appropriate statistical model, the assumptions are based on the opinion of the Companies experts and the recommendations of their legal counsel.

The estimate of the contingent claims in the Compulsory Motor Subsegment for the Companies share in the Pool is based on a calculation carried out by the Pool's actuary with the necessary adjustments.

The share of reinsurers in the contingent claims is estimated by taking into account the type of agreement (proportional or non-proportional) and the actual claims data and premium transferred to the reinsurer.

Discount rates

The Companies determine the interest rate curves for all groups of insurance contracts using the bottom-up approach. In this approach, the discount rate is obtained by adding the illiquidity premium (which reflects the liability's illiquidity) to the risk-free interest rate curve. The risk-free interest rate curve is based on yields to maturity of liquid bonds of the Israeli government. The last liquid point is the 25th year. Beyond this point, the Companies set the risk-free interest rate curves by way of extrapolation - in accordance with the Smith-Wilson method - up to the ultimate forward rate, which will be set at 60 years.

The full illiquidity premium is set based on the average spread of the bonds included in the Tel-Bond 60 Index. This premium is added in full or in part to the risk-free interest rate curve in accordance with the illiquidity characteristics of the relevant cash flows.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

Discount rates (cont.)

Following are the discount rates (real spot interest including illiquidity premium) used by the Company:

	As of March 31, 2025								
	The portfolio's duration								
	One year	3 years	5 years	10 years	15 years	25 years	35 years	45 years	60 years
	Unaudited								
Policies with a non-yield-dependent savings component and annuity policies	2.4%	2.4%	2.4%	2.5%	2.6%	2.6%	2.7%	2.8%	2.8%
Policies that include a yield-dependent savings component and include variable management fees, individual long-term care and compulsory motor	2.4%	2.3%	2.3%	2.5%	2.5%	2.6%	2.6%	2.7%	2.7%
Policies that include a yield-dependent savings component and include fixed management fees	2.3%	2.2%	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%	2.6%
Remaining portfolios	2.2%	2.2%	2.2%	2.3%	2.4%	2.4%	2.5%	2.5%	2.6%

	As of March 31, 2024								
	The portfolio's duration								
	One year	3 years	5 years	10 years	15 years	25 years	35 years	45 years	60 years
	Unaudited								
Policies with a non-yield-dependent savings component and annuity policies	1.8%	1.8%	2.0%	2.2%	2.3%	2.5%	2.6%	2.7%	2.8%
Policies that include a yield-dependent savings component and include variable management fees, individual long-term care and compulsory motor	1.7%	1.7%	1.8%	2.1%	2.2%	2.4%	2.5%	2.6%	2.7%
Policies that include a yield-dependent savings component and include fixed management fees	1.6%	1.5%	1.7%	2.0%	2.1%	2.3%	2.4%	2.5%	2.6%
Remaining portfolios	1.5%	1.5%	1.7%	2.0%	2.1%	2.2%	2.3%	2.4%	2.5%

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

Discount rates (cont.)

Following are the discount rates (real spot interest including illiquidity premium) used by the Company: (cont.)

	As of December 31, 2024								
	The portfolio's duration								
	One year	3 years	5 years	10 years	15 years	25 years	35 years	45 years	60 years
	Unaudited								
Policies with a non-yield-dependent savings component and annuity policies	2.1%	2.2%	2.2%	2.4%	2.4%	2.5%	2.6%	2.6%	2.7%
Policies that include a yield-dependent savings component and include variable management fees, individual long-term care and compulsory motor	2.0%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.6%	2.7%
Policies that include a yield-dependent savings component and include fixed management fees	2.0%	2.0%	2.1%	2.2%	2.3%	2.3%	2.4%	2.5%	2.6%
Remaining portfolios	1.9%	2.0%	2.0%	2.2%	2.2%	2.3%	2.3%	2.4%	2.5%

Risk adjustment for non-financial risk

The RA represents the compensation, which Menora Insurance demands for bearing the uncertainty regarding the amount and timing of the cash flows arising from non-financial risks, which include insurance risk and other non-financial risks, such as lapse risk, and expenses risk. The RA reflects the amount that the insurer will rationally pay to be relieved of the uncertainty that future cash flows will exceed the present value of the estimated future cash flows.

In life and health insurance, the risk adjustment is determined according to the value at risk (VaR) technique, which reflects the expected loss due to the materialization of negative scenarios relevant to the risk characteristics of the various coverages. Similarly to the solvency principles, the scenarios reflect events, which may occur in the forthcoming year (one-year time horizon), and may affect the cash flow both during and after the year. The confidence interval determined for the purpose of calculating the VaR at the level of the life and health insurance segments is 75% except for a long-term care insurance portfolio for which a 90% confidence interval was determined in accordance with the Commissioner's Directives and in order to reflect its inherent risk characteristics. For Property and Casualty Insurance, the Companies implement principles of the "best practice" approach, which is an approach based on the VaR technique with a long horizon. The confidence interval determined for the calculation of the VaR at the level of Property and Casualty Insurance Subsegments is 75%.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

Risk adjustment for non-financial risk (cont.)

In determining the non-financial risk adjustment at the portfolio level, Menora Insurance takes into account the compensation for diversification between the various portfolios and segments. For reinsurance contracts held, the Companies calculate the non-financial risk adjustment in the manner detailed above, on a gross (without the effect of reinsurance) and retention (after the effect of reinsurance) basis, and sets the non-financial risk adjustment transferred to the reinsurer as the amount of the difference between gross and retention as detailed above.

The contractual service margin (CSM) and setting the coverage units

The CSM is a component of the asset or liability in respect of a group of insurance contracts representing the unrealized gain, which Menora Insurance will recognize when it will provide services in the future. A proportionate share of the CSM amount in respect of a group of insurance contracts is recognized in profit or loss as insurance revenues in each period to reflect the insurance services provided within the group of insurance contracts during that period. This amount is determined as follows:

- Identification of the coverage units in a group
- The Company allocates the CSM at the end of the period equally to any coverage unit provided in the current period and those expected to be provided in the future (before any amount is recognized in profit or loss to reflect the insurance services provided during the period)
- The Company recognizes in profit or loss the amount allocated to the coverage units provided during the period

The number of coverage units in a group is the quantity of coverage services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. The total amount of the coverage units of each group of insurance contracts is revalued at the end of each reporting period.

The insurance contract services include:

A. Coverage for an insured event (insurance coverage);

B. Management of the underlying items on behalf of the policyholder in contracts with direct participation features (hereinafter - “**Investment-Related Service**"); and

C. Generation of an investment return for the policyholder in contracts without direct participation features (hereinafter - “**Investment-Return Service**").

Insurance contracts without direct participation features may provide an Investment-Return Service if, and only if:

A. An investment component exists, or the policyholder has a right to withdraw an amount;

B. The entity expects the investment component or amount the policyholder has a right to withdraw to include an investment return (an investment return could be below zero, for example, in a negative interest rate environment); and

C. The entity expects to perform investment activity to generate an investment return.

Menora Insurance has identified an Investment-Return Service in policies, which include a non-yield-dependent savings component.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

1. Insurance Contracts (cont.)

The contractual service margin (CSM) and setting the coverage units (cont.)

IFRS 17 does not determine whether the time value of money should be taken into consideration when allocating the contractual service margin to the coverage units, such that the allocation will reflect the expected timing of the coverage units, which will be provided.
For the purpose of allocating the contractual service margin to the coverage units, Menora Insurance discounts the coverage units.

When a group of insurance contracts includes several types of insurance coverages and/or investment services, the Menora Insurance weights the various coverage units on the basis of the expected amount of benefits for the policyholder from each type of coverage or service.

The coverage units of reinsurance contracts held are consistent with the coverage units of the underlying contracts with adjustments in respect of the differences in the services provided.

In insurance products without a savings component, the coverage units are usually insurance amounts, the number of coverages and/or monthly compensation amounts if the products in question are products with periodic payments.

For insurance products, which include a savings component - during the accrual period, the coverage units are accrual amounts or amounts at risk. During the annuity period, if the products in question are products with direct participation features (yield-dependent), the coverage units are investment revenues for the entire annuity period (guaranteed and non-guaranteed) plus the amounts of the annuity during the non-guaranteed period. In products without direct participation features (non-yield-dependent), the coverage units are investment revenues for the guaranteed period plus the amount of the annuity during the non-guaranteed period.

Investment component

Menora Insurance identifies an investment component of a contract by determining the amount to be paid to the policyholder in all scenarios that have a commercial substance. These scenarios include situations where the insured event has occurred or the contract expires or terminated without the occurrence of an insured event. Investment components are not included in insurance revenues and insurance service expenses.

Policies with a savings component without an annuity conversion factor include an investment component. These policies have explicit redemption values. The investment component, which is not included in investment revenues and insurance service expenses, is set as the policy’s cash surrender value.

Policies, which include a savings component with a guaranteed annuity conversion factor, do not include an investment component, since Menora Insurance is not committed to pay any amount if the policyholder does not redeem the contract until the first annuity payment date. However, all reimbursements of the cash surrender value (including in case of death) are treated as reimbursements of premiums for unutilized coverage and will not be recognized in insurance revenues and insurance service expenses. In addition, if at the beginning of the pension period the policyholder opted for a pension track, which includes a guaranteed period of payments, these amounts will also be treated as reimbursement of premium for unutilized coverage and will not be recognized in insurance revenues and insurance service expenses.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONT.)

E. Significant estimates and judgments *(cont.)*

2. Financial assets

Impairment of financial assets

At each reporting date, the Companies assess whether the credit risk of a financial instrument has increased substantially since the initial recognition date. The Companies measure the provision for credit losses in accordance with forecasts. The possible implications for the financial statements are an increase or decrease in the amount of the provision for impairment, which will be recognized in profit or loss.

F. Details of the change rates in the Consumer Price Index and USD representative exchange rate

	Consumer Price Index		USD representative exchange rate
	In lieu CPI	Known CPI	
	%	%	%
For the three months ended:			
March 31, 2025	1.1	0.3	1.9
March 31, 2024	1.0	0.3	1.5
For the year ended December 31, 2024	3.2	3.4	0.6

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS

The operating segments were determined based on the information assessed by the chief operating decision maker for the purpose of making decisions regarding the allocation of resources and the assessment of performance.

The assets and liabilities of each segment include items that are directly attributable to the segment, and items that may be attributed on a reasonable basis. Insofar as a segment's assets are managed separately from those of another segment and there is no regulatory restriction, the assets and results are presented according to the specific accounts managed for that segment; otherwise, the results are attributed according to the rate of insurance liabilities.

The accounting principles applied in segment reporting correspond to the generally accepted accounting principles applied in the preparation and presentation of the Group's consolidated financial statements.

Inter-company movements take place between the segments, which include, among other things, interest calculated in accordance with the provisions of the law.

Subordinated notes that serve Menora Insurance's capital requirements and finance expenses in respect thereof are presented in the "not attributed to the operating segments" column.

1. <u>Life Insurance and Long-Term Savings Segment</u>

   The Life Insurance and Long-Term Savings Segment includes the life insurance, pension and provident funds subsegments and focuses mainly on long-term savings (in the framework of various types of insurance policies and investment contracts, pension and provident funds including advanced education funds), as well as insurance coverage for various risks such as: death, disability, permanent health insurance, etc.
   In accordance with the directives of the Insurance Commissioner, the life insurance and long-term savings segment is broken down into life insurance, pension funds and provident funds.

2. <u>Health Insurance Segment</u>

   The Health Insurance Segment includes long-term care, medical expenses, critical illness, surgery and transplants, dental, foreign workers insurance, etc..

3. <u>Property and Casualty Insurance Segment</u>

   The Property and Casualty Insurance Segment includes the liability and property subsegments.

4. The activity, which is not attributed to operating segments, includes investments in real estate, solar activity, the provision of underwriting obligations, insurance brokerage, financing and credit to SMEs, and provision of an undertakings for repayment of means of payment, and investment revenues and finance expenses that were not attributed to the other operating segments.

<u>Seasonality</u>

Expenses components, such as claims, and other revenue components, such as investment revenues, do not have significant seasonality, and therefore there is no significant seasonality in the income. However, it should be noted that a severe winter may trigger an increase in claims, mainly in the motor property subsegments, in the first and fourth quarters of the year, and as a consequence, a decrease in the reported income.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (CONT.)

	For the 3 months ended March 31, 2025					
	Life Insurance and Long-Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited					
	NIS thousand					
Revenues from insurance services	403,807	507,969	1,126,098	-	-	2,037,874
Expenses from insurance services	348,985	385,559	969,323	-	(6,124)	1,697,743
Income from insurance services before reinsurance policies held	54,822	122,410	156,775	-	6,124	340,131
Reinsurance expenses	31,031	79,408	275,508	-	-	385,947
Reinsurance revenues	32,132	65,887	284,915	-	-	382,934
Revenues (expenses), net from reinsurance contracts held	1,101	(13,521)	9,407	-	-	(3,013)
Income from insurance services	55,923	108,889	166,182	-	6,124	337,118
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	(5,694)	6,995	-	-	-	1,301
Other investment gains (losses), net:						
Interest revenues calculated using the effective interest method	59,147	-	8,118	28,606	-	95,871
Decrease in net losses (losses) from impairment of financial assets	(439)	-	1,460	(2,430)	-	(1,409)
Other investment gains, net	29,801	20,852	42,437	61,512	(3,506)	151,096
Share in profits of equity-accounted subsidiaries closely related to the investing activity	44	19	332	214	-	609
Total income from other investments, net	88,553	20,871	52,347	87,902	(3,506)	246,167
Total investment income, net	82,859	27,866	52,347	87,902	(3,506)	247,468
Finance expenses, net arising from insurance contracts	7,894	62,094	19,664	-	-	89,652
Finance income (expenses), net arising from reinsurance contracts	691	(8,677)	5,932	-	-	(2,054)
Increase in liabilities for investment contracts due to the yield component	(65,379)	-	-	-	-	(65,379)
Income (loss) from investments and financing, net	10,277	(42,905)	38,615	87,902	(3,506)	90,383
Income, net from insurance and investment	66,200	65,984	204,797	87,902	2,618	427,501
Revenues from management fees	266,028	15,130	-	2,740	(2,383)	281,515
Revenues from fees and commissions of agencies	-	-	-	34,880	(17,145)	17,735
Other operating expenses	181,200	13,560	9,336	67,309	(15,098)	256,307
Other revenues (expenses), net	(456)	-	-	62,203	(576)	61,171
Other finance income (expenses)	(949)	-	314	32,449	1,395	33,209
Share in profits of equity-accounted subsidiaries which are not closely related to the investing activity	-	-	-	10,053	-	10,053
Income before income tax	149,623	67,554	195,775	162,918	(993)	574,877
Other comprehensive income before income tax:						
Other	991	629	300	6,202	-	8,122
Total comprehensive income before income tax	150,614	68,183	196,075	169,120	(993)	582,999

	As of March 31, 2025					
	Unaudited					
	NIS thousand					
Total segment assets	50,537,140	6,302,131	7,848,146	10,686,587	(2,570,243)	72,803,761
Total segment assets for yield-dependent contracts	33,582,414	1,501,502	-	-	-	35,083,916
Total segment liabilities	46,908,938	5,360,737	7,227,080	8,003,805	(2,576,303)	64,924,257

NOTE 3 - OPERATING SEGMENTS (CONT.)

	For the 3 months ended March 31, 2024					
	Life Insurance and Long-Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited					
	NIS thousand					
Revenues from insurance services	406,601	508,985	1,019,805	-	-	1,935,391
Expenses from insurance services	300,913	395,883	772,314	-	(4,706)	1,464,404
Income from insurance services before reinsurance policies held	105,688	113,102	247,491	-	4,706	470,987
Reinsurance expenses	30,925	96,340	239,253	-	-	366,518
Reinsurance revenues	30,398	81,562	141,718	-	-	253,678
Net expenses from reinsurance contracts held	(527)	(14,778)	(97,535)	-	-	(112,840)
Income from insurance services	105,161	98,324	149,956	-	4,706	358,147
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	1,340,039	72,676	-	-	-	1,412,715
Other investment gains (losses), net:						
Interest revenues calculated using the effective interest method	57,358	-	9,584	28,333	-	95,275
Decrease in net losses from impairment of financial assets	-	-	656	1,076	-	1,732
Other investment gains (losses), net	120,315	21,752	77,332	82,145	(5,588)	295,956
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(138)	(5)	784	(4)	-	637
Total income from other investments, net	177,535	21,747	88,356	111,550	(5,588)	393,600
Total investment income, net	1,517,574	94,423	88,356	111,550	(5,588)	1,806,315
Finance expenses, net arising from insurance contracts	1,232,484	146,753	52,796	-	-	1,432,033
Finance income, net arising from reinsurance contracts	1,302	13,952	18,682	-	-	33,936
Increase in liabilities for investment contracts due to the yield component	(285,936)	-	-	-	-	(285,936)
Income (loss) from investments and financing, net	456	(38,378)	54,242	111,550	(5,588)	122,282
Income, net from insurance and investment	105,617	59,946	204,198	111,550	(882)	480,429
Revenues from management fees	236,904	8,900	-	2,877	(2,520)	246,161
Revenues from fees and commissions of agencies	-	-	-	28,744	(14,625)	14,119
Other operating expenses	168,350	9,528	8,408	50,998	(15,891)	221,393
Other revenues (expenses), net	(2,915)	(23)	-	(1,172)	(525)	(4,635)
Other finance income (expenses)	(2,629)	-	(241)	18,241	1,481	16,852
Share in profits of equity-accounted subsidiaries which are not closely related to the investing activity	-	-	-	7,488	-	7,488
Income before income tax	168,627	59,295	195,549	116,730	(1,180)	539,021
Other comprehensive income (loss) before income tax:						
Other	724	34	234	(1,989)	-	(997)
Total comprehensive income before income tax	169,351	59,329	195,783	114,741	(1,180)	538,024

	As of March 31, 2024					
	Unaudited					
	NIS thousand					
Total segment assets	47,221,329	6,037,903	7,136,333	10,430,523	(1,176,086)	69,650,002
Total segment assets for yield-dependent contracts	32,588,369	1,902,385	-	-	-	34,490,754
Total segment liabilities	45,593,191	6,108,319	6,691,901	5,896,634	(1,181,636)	63,108,409

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (CONT.)

	For the year ended December 31, 2024					
	Life Insurance and Long-Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited					
	NIS thousand					
Revenues from insurance services	1,595,742	2,042,135	4,389,472	-	-	8,027,349
Expenses from insurance services	1,245,123	1,536,924	3,332,722	-	(19,456)	6,095,313
Income from insurance services before reinsurance policies held	350,619	505,211	1,056,750	-	19,456	1,932,036
Reinsurance expenses	130,856	348,866	1,006,261	-	-	1,485,983
Reinsurance revenues	96,788	306,282	656,775	-	-	1,059,845
Net expenses from reinsurance contracts held	(34,068)	(42,584)	(349,486)	-	-	(426,138)
Income from insurance services	316,551	462,627	707,264	-	19,456	1,505,898
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	3,589,802	190,883	-	-	-	3,780,685
Other investment gains (losses), net:						
Interest revenues calculated using the effective interest method	243,057	-	48,155	174,470	-	465,682
Net losses from impairment of financial assets	-	-	(3,133)	(5,658)	-	(8,791)
Other investment gains, net	553,415	151,173	286,420	307,160	(28,197)	1,269,971
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(474)	(160)	(6,120)	680	-	(6,074)
Total income from other investments, net	795,998	151,013	325,322	476,652	(28,197)	1,720,788
Total investment income, net	4,385,800	341,896	325,322	476,652	(28,197)	5,501,473
Finance expenses, net arising from insurance contracts	3,285,431	337,109	229,669	-	-	3,852,209
Finance income (expenses), net arising from reinsurance contracts	(361)	77,636	79,094	-	-	156,369
Increase in liabilities for investment contracts due to the yield component	(977,992)	-	-	-	-	(977,992)
Net investment and finance income	122,016	82,423	174,747	476,652	(28,197)	827,641
Income, net from insurance and investment	438,567	545,050	882,011	476,652	(8,741)	2,333,539
Revenues from management fees	1,009,045	32,813	-	10,470	(9,041)	1,043,287
Revenues from fees and commissions of agencies	-	-	-	112,612	(54,423)	58,189
Other operating expenses	699,694	36,424	36,046	230,427	(55,275)	947,316
Other revenues (expenses), net	(10,956)	(118)	-	5,756	(2,260)	(7,578)
Other finance income (expenses)	(10,260)	-	4,469	63,578	5,819	63,606
Share in profits of equity-accounted subsidiaries which are not closely related to the investing activity	-	-	-	31,119	-	31,119
Income before income tax	726,702	541,321	850,434	469,760	(13,371)	2,574,846
Other comprehensive income (loss) before income tax:						
Other	(120)	33	114	31,163	14,223	45,413
Total comprehensive income before income tax	726,582	541,354	850,548	500,923	852	2,620,259

	As of December 31, 2024					
	Unaudited					
	NIS thousand					
Total segment assets	49,994,944	6,062,873	8,179,760	10,632,070	(2,357,432)	72,512,215
Total segment assets for yield-dependent contracts	34,222,111	1,764,785	-	-	-	35,986,896
Total segment liabilities	47,614,982	5,910,777	6,976,913	6,742,228	(2,363,406)	64,881,494

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS

A. Life insurance and long-term savings segment

	For the 3 months ended March 31, 2025				
	Provident	Pension	Investment contracts	(*) Life insurance	Total
	Unaudited				
	NIS thousand				
Revenues from insurance services	-	-	-	403,807	403,807
Expenses from insurance services	-	-	-	348,985	348,985
Income from insurance services before reinsurance policies held	-	-	-	54,822	54,822
Reinsurance expenses	-	-	-	31,031	31,031
Reinsurance revenues	-	-	-	32,132	32,132
Net expenses from reinsurance contracts held	-	-	-	1,101	1,101
Income from insurance services	-	-	-	55,923	55,923
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	-	-	(8,019)	2,325	(5,694)
Other investment gains (losses), net:					
Interest revenues calculated using the effective interest method	59,147	-	-	-	59,147
Decrease in net losses from impairment of financial assets	(439)	-	-	-	(439)
Other investment gains, net	14,180	1,710	-	13,911	29,801
Share in profits of equity-accounted subsidiaries closely related to the investing activity	-	-	-	44	44
Total income from other investments, net	72,888	1,710	-	13,955	88,553
Total investment gains (losses), net	72,888	1,710	(8,019)	16,280	82,859
Finance expenses, net arising from insurance contracts	-	-	-	7,894	7,894
Finance income, net arising from reinsurance contracts	-	-	-	691	691
Decrease (increase) in liabilities for investment contracts due to the yield component	(73,398)	-	8,019	-	(65,379)
Income (loss) from investments and financing, net	(510)	1,710	-	9,077	10,277
Income (loss), net from insurance and investment	(510)	1,710	-	65,000	66,200
Revenues from management fees	55,570	199,537	10,921	-	266,028
Other operating expenses	40,366	125,757	10,140	4,937	181,200
Other expenses, net	(456)	-	-	-	(456)
Other finance expenses	(4)	(945)	-	-	(949)
Income before income tax	14,234	74,545	781	60,063	149,623
Other comprehensive income before income tax:					
Other	-	5	-	986	991
Total comprehensive income before income tax	14,234	74,550	781	61,049	150,614
Additional information regarding investment contracts (*)					
Proceeds from investment contracts			342,905	-	342,905
Annualized receipts for investment contracts - new business			5,703	-	5,703
One-off proceeds for investment contracts			301,737	-	301,737

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

A. Life insurance and long-term savings segment (cont.)

Gross data, for the 3 months ended March 31, 2025 (unaudited)	**Policies with a non-yield-dependent savings component;**	**Policies with a yield-dependent savings component**	**Policies without a savings component**	**Total**
Gross premiums for insurance contracts net of reimbursement of premiums (***)	15,586	311,661	224,901	552,148
(***) Of which: Savings component	14,611	262,494	-	277,105
Variable management fees	-	-	-	-
Fixed management fees	-	51,329	-	51,329
Annualized premium for insurance contracts - new business	-	1,195	18,991	20,186
One-off premium for insurance contracts	6,812	61,922	-	68,733
Acquisition expenses for insurance contracts	72	1,292	35,018	36,382

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

A. Life insurance and long-term savings segment (cont.)

	For the 3 months ended March 31, 2024				
	Provident	Pension	Investment contracts	Life Insurance	Total
	Unaudited				
	NIS thousand				
Revenues from insurance services	-	-	-	406,601	406,601
Expenses from insurance services	-	-	-	300,913	300,913
Income from insurance services before reinsurance policies held	-	-	-	105,688	105,688
Reinsurance expenses	-	-	-	30,925	30,925
Reinsurance revenues	-	-	-	30,398	30,398
Net expenses from reinsurance contracts held	-	-	-	(527)	(527)
Income from insurance services	-	-	-	105,161	105,161
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	-	-	213,685	1,126,354	1,340,039
Other investment gains (losses), net:					
Interest revenues calculated using the effective interest method	57,358	-	-	-	57,358
Other investment gains, net	20,198	3,997	-	96,120	120,315
Share in losses of equity-accounted subsidiaries closely related to the investing activity	-	-	-	(138.0)	(138)
Total income from other investments, net	77,556	3,997	-	95,982	177,535
Total investment income, net	77,556	3,997	213,685	1,222,336	1,517,574
Finance expenses, net arising from insurance contracts	-	-	-	1,232,484	1,232,484
Finance income, net arising from reinsurance contracts	-	-	-	1,302	1,302
Increase in liabilities for investment contracts due to the yield component	(72,251)	-	(213,685)	-	(285,936)
Income (loss) from investments and financing, net	5,305	3,997	-	(8,846)	456
Income, net from insurance and investment	5,305	3,997	-	96,315	105,617
Revenues from management fees	48,084	178,054	10,766	-	236,904
Other operating expenses	38,388	115,658	10,142	4,162	168,350
Other expenses, net	(465)	(2,450)	-	-	(2,915)
Other finance expenses	(120)	(2,509)	-	-	(2,629)
Income before income tax	14,416	61,434	624	92,153	168,627
Other comprehensive income before income tax:					
Other	2	4	-	718	724
Total comprehensive income before income tax	14,418	61,438	624	92,871	169,351
Additional information regarding investment contracts (*)					
Proceeds from investment contracts			236,670	-	236,670
Annualized receipts for investment contracts – new business			3,676	-	3,676
One-off proceeds for investment contracts			192,189	-	192,189

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

A. Life insurance and long-term savings segment (cont.)

Gross data, for the 3 months ended March 31, 2024 (unaudited)	Policies with a non-yield-dependent savings component;	Policies with a yield-dependent savings component	Policies without a savings component	Total
Gross premiums for insurance contracts net of reimbursement of premiums (***)	16,682	330,377	212,012	559,071
(***) Of which: Savings component	15,459	274,927	-	290,386
Variable management fees	-	-	-	-
Fixed management fees	-	47,049	-	47,049
Annualized premium for insurance contracts - new business	-	969	23,419	24,388
One-off premium for insurance contracts	8,941	45,195	-	54,135
Acquisition expenses for insurance contracts	13	1,551	50,028	51,592

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

A. Life insurance and long-term savings segment (cont.)

	For the year ended December 31, 2024				
	Provident	Pension	Investment contracts	Life Insurance	Total
	Unaudited				
	NIS thousand				
Revenues from insurance services	-	-	-	1,595,742	1,595,742
Expenses from insurance services	-	-	-	1,245,123	1,245,123
Income from insurance services before reinsurance policies held	-	-	-	350,619	350,619
Reinsurance expenses	-	-	-	130,856	130,856
Reinsurance revenues	-	-	-	96,788	96,788
Net expenses from reinsurance contracts held	-	-	-	(34,068)	(34,068)
Income from insurance services	-	-	-	316,551	316,551
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	-	-	570,719	3,019,083	3,589,802
Other investment gains (losses), net:					
Interest revenues calculated using the effective interest method	243,057	-	-	-	243,057
Other investment gains, net	172,062	16,810	-	364,543	553,415
Share in losses of equity-accounted subsidiaries closely related to the investing activity	-	-	-	(474)	(474)
Total income from other investments, net	415,119	16,810	-	364,069	795,998
Total investment income, net	415,119	16,810	570,719	3,383,152	4,385,800
Finance expenses, net arising from insurance contracts	-	-	-	3,285,431	3,285,431
Finance expenses, net arising from reinsurance contracts	-	-	-	(361)	(361)
Increase in liabilities for investment contracts due to the yield component	(407,273)	-	(570,719)	-	(977,992)
Net investment and finance income	7,846	16,810	-	97,360	122,016
Income, net from insurance and investment	7,846	16,810	-	413,911	438,567
Revenues from management fees	203,565	762,127	43,353	-	1,009,045
Other operating expenses	156,454	484,451	41,268	17,521	699,694
Other expenses, net	(2,143)	(8,813)	-	-	(10,956)
Other finance expenses	(523)	(9,737)	-	-	(10,260)
Operating income	52,291	275,936	2,085	396,390	726,702
Income before income tax	52,291	275,936	2,085	396,390	726,702
Other comprehensive income (loss) before income tax:					
Other	(14)	(379)	-	273	(120)
Total comprehensive income before income tax	52,277	275,557	2,085	396,663	726,582
Additional information regarding investment contracts (*)					
Proceeds from investment contracts			1,092,658	-	1,092,658
Annualized receipts for investment contracts – new business			15,940	-	15,940
One-off proceeds for investment contracts			992,396	-	992,396

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

A. Life insurance and long-term savings segment (cont.)

Gross data, for the 3 months ended December 31, 2024 (unaudited)	**Policies with a non-yield-dependent savings component;**	**Policies with a yield-dependent savings component**	**Policies without a savings component**	**Total**
Gross premiums for insurance contracts net of reimbursement of premiums (***)	102,145	1,625,023	873,743	2,600,911
(***) Of which: Savings component	97,664	1,414,689	-	1,512,354
Variable management fees	-	-	-	-
Fixed management fees	-	236,698	-	236,698
Annualized premium for insurance contracts - new business	-	2,819	92,917	95,736
One-off premium for insurance contracts	71,228	549,264	-	620,492
Acquisition expenses for insurance contracts	35	2,365	156,992	159,392

B. Health insurance segment

	For the 3 months ended March 31, 2025				
	LTC		**Health Insurance - other**		
	Individual	**Collective**	**Medical expenses and disabilities - individual;**	**Other**	**Total**
	Unaudited				
	NIS thousand				
Gross data for the three-month period ended March 31, 2025					
Gross premiums net of reimbursement of premiums	31,247	31,402	229,234	199,293	491,176
Annualized premium for insurance contracts - new business	-	-	15,221	14,985	30,206

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

B. Health insurance segment (cont.)

	For the 3 months ended March 31, 2024				
	LTC		Health Insurance - other		
	Individual	Collective	Medical expenses and disabilities - individual;	Other	Total
	Unaudited				
	NIS thousand				
Gross data for the three-month period ended March 31, 2024					
Gross premiums net of reimbursement of premiums	30,373	169,293	202,634	179,295	581,595
Annualized premium for insurance contracts - new business	-	-	8,200	11,767	19,967

	For the 3 months ended December 31, 2024				
	LTC		Health Insurance - other		
	Individual	Collective	Medical expenses and disabilities - individual;	Other	Total
	Unaudited				
	NIS thousand				
Gross data for the year ended December 31, 2024					
Gross premiums net of reimbursement of premiums	123,426	547,784	853,044	694,547	2,218,801
Annualized premium for insurance contracts – new business	-	-	52,991	53,503	106,494

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

C. Property and casualty insurance segment

	For the 3 months ended March 31, 2025			
	Compulsory Motor	Motor Property	Other	Total
	Unaudited			
	NIS thousand			
(1) Details of the results by main portfolio groups				
Amounts recognized in profit or loss:				
Revenues from insurance services	233,952	458,983	433,163	1,126,098
Expenses from insurance services (*)	219,344	351,118	398,861	969,323
Income from insurance services before reinsurance policies held	14,608	107,865	34,302	156,775
Reinsurance expenses	8,624	1,654	265,230	275,508
Reinsurance revenues	13,645	1,563	269,707	284,915
Revenues (expenses), net from reinsurance contracts held	5,021	(91)	4,477	9,407
Income from insurance services	19,629	107,774	38,779	166,182
Total investment income, net	27,872	13,173	11,302	52,347
Finance income, net arising from insurance contracts	9,907	2,869	6,888	19,664
Finance income, net arising from reinsurance contracts	1,515	58	4,359	5,932
Net investment and finance income	19,480	10,362	8,773	38,615
Income, net from insurance and investment	39,109	118,136	47,552	204,797
(*) Of which:				
Claims and other insurance service expenses incurred	129,489	212,115	376,705	718,309
Changes relating to past service - adjustment for liabilities for incurred claims	70,445	49,032	(48,348)	71,129
(2) Details of assets and by main portfolio groups				
Gross and reinsurance data, as of March 31, 2025				
Liabilities, net for insurance contracts	3,430,721	1,082,909	3,071,552	7,585,182
Balances of accounts receivable and payable, net				(583,064)
Total liabilities, net for insurance contracts (**)				7,002,117
(**) Of which: Insurance contract assets				
Assets, net for reinsurance contracts	290,183	8,315	2,233,238	2,531,736
Balances of accounts receivable and payable, net				(545,764)
Assets, net for reinsurance contracts				1,985,972
(3) Additional information				
Gross data				
Gross premiums for insurance contracts net of reimbursement of premiums	300,660	649,562	478,627	1,428,849

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

C. Property and casualty insurance segment (cont.)

	For the 3 months ended March 31, 2024			
	Compulsory Motor	Motor Property	Other	Total
	Unaudited			
	NIS thousand			
(1) Details of the results by main portfolio groups				
Amounts recognized in profit or loss:				
Revenues from insurance services	200,482	436,788	382,535	1,019,805
Expenses from insurance services (*)	184,564	347,794	239,956	772,314
Income from insurance services before reinsurance policies held	15,918	88,994	142,579	247,491
Reinsurance expenses	8,364	1,618	229,271	239,253
Reinsurance revenues	13,879	(5,426)	133,265	141,718
Revenues (expenses), net from reinsurance contracts held	5,515	(7,044)	(96,006)	(97,535)
Income from insurance services	21,433	81,950	46,573	149,956
Total investment income, net	47,732	21,837	18,787	88,356
Finance expenses, net arising from insurance contracts	29,348	3,651	19,797	52,796
Finance income, net arising from reinsurance contracts	5,310	200	13,172	18,682
Net investment and finance income	23,694	18,386	12,162	54,242
Income, net from insurance and investment	45,127	100,336	58,735	204,198
(*) Of which:				
Claims and other insurance service expenses incurred	107,179	227,732	348,872	683,783
Changes relating to past service - adjustment for liabilities for incurred claims	62,715	34,709	(165,222)	(67,798)
(2) Details of assets and by main portfolio groups				
Gross and reinsurance data, as of March 31, 2024				
Liabilities, net for insurance contracts	3,227,819	1,034,330	2,829,975	7,092,124
Balances of accounts receivable and payable, net				(549,337)
Total liabilities, net for insurance contracts (**)				6,542,787
(**) Of which: Insurance contract assets				
Assets, net for reinsurance contracts	320,440	22,700	1,977,358	2,320,498
Balances of accounts receivable and payable, net				(528,541)
Assets, net for reinsurance contracts				1,791,957
(3) Additional information				
Gross data				
Gross premiums for insurance contracts net of reimbursement of premiums	323,773	621,912	450,377	1,396,062

Notes to the Consolidated Interim Financial Statements

NOTE 4 - ADDITIONAL INFORMATION REGARDING THE COMPANY'S ACTIVITIES BY MAIN PORTFOLIO GROUPS (CONT.)

C. Property and casualty insurance segment (cont.)

	For the year ended December 31, 2024			
	Compulsory Motor	Motor Property	Other	Total
	Unaudited			
	NIS thousand			
(1) Details of the results by main portfolio groups				
Amounts recognized in profit or loss:				
Revenues from insurance services	896,881	1,826,319	1,666,272	4,389,472
Expenses from insurance services (*)	836,526	1,462,902	1,033,294	3,332,722
Income from insurance services before reinsurance policies held	60,355	363,417	632,978	1,056,750
Reinsurance expenses	36,861	8,035	961,365	1,006,261
Reinsurance revenues	35,295	(4,661)	626,141	656,775
Net expenses from reinsurance contracts held	(1,566)	(12,696)	(335,224)	(349,486)
Income from insurance services	58,789	350,721	297,754	707,264
Total investment income, net	156,127	98,209	70,986	325,322
Finance expenses, net arising from insurance contracts	107,324	21,085	101,260	229,669
Finance income, net arising from reinsurance contracts	14,527	1,040	63,527	79,094
Net investment and finance income	63,330	78,164	33,253	174,747
Income, net from insurance and investment	122,119	428,885	331,007	882,011
(*) Of which:				
Claims and other insurance service expenses incurred	490,898	995,815	1,374,325	2,861,038
Changes relating to past service - adjustment for liabilities for incurred claims	264,008	95,980	(606,303)	(246,315)
(2) Details of assets and by main portfolio groups				
Gross and reinsurance data, as of December 31, 2024				
Liabilities, net for insurance contracts	3,403,479	980,841	2,940,757	7,325,077
Balances of accounts receivable and payable, net				(530,476)
Total liabilities, net for insurance contracts (**)				6,794,601
(**) Of which: Insurance contract assets				
Assets, net for reinsurance contracts	242,805	10,851	2,131,365	2,385,021
Balances of accounts receivable and payable, net				(515,198)
Assets, net for reinsurance contracts				1,869,822
(3) Additional information				
Gross data				
Gross premiums for insurance contracts net of reimbursement of premiums	981,112	1,893,899	1,750,798	4,625,809

Notes to the Consolidated Interim Financial Statements

NOTE 5 - FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS

A. Financial investments held against yield-dependent contracts - breakdown by type of asset

	As of March 31		As of December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	85,658	290,433	118,353
Illiquid corporate bonds	178,469	205,227	179,097
Loans (including investees)	3,076,764	3,509,229	3,108,759
Other illiquid debt instruments	164,531	156,534	163,102
Total illiquid debt instruments *)	3,505,422	4,161,423	3,569,311
Liquid debt instruments:			
Government Bonds	4,385,573	4,424,954	4,618,330
Liquid corporate bonds	4,677,742	4,935,857	4,774,636
Total liquid debt instruments	9,063,315	9,360,811	9,392,966
Total debt instruments	12,568,737	13,522,234	12,962,277
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	513,808	520,854	505,592
Liquid equity instruments:			
Liquid shares	8,650,132	8,768,866	9,137,491
Total equity instruments	9,163,940	9,289,720	9,643,083
Other investments:			
Other investments	10,910,902	8,749,075	10,464,137
Derivative instruments	34,786	57,282	31,725
Total other financial investments	10,945,688	8,806,357	10,495,862
Total financial investments	32,678,365	31,618,311	33,101,222
Liabilities for derivative instruments	420,803	237,984	242,449
*) Including assets measured based on amortized cost	118,322	308,344	118,292
Fair value of said debt assets	117,110	305,248	116,257

Notes to the Consolidated Interim Financial Statements

NOTE 5 - FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS (CONT.)

B. Other financial investments (not for yield-dependent contracts)

	As of March 31, 2025		
	Financial investments measured at fair value through profit or loss	Financial investments measured at amortized cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	67,064	178,243	245,307
Treasury deposits	-	4,540,925	4,540,925
Designated bonds	3,128,611	-	3,128,611
Illiquid corporate bonds	266,231	254,812	521,043
Loans (including investees)	2,880,636	4,405,255	7,285,891
Total illiquid debt instruments	6,342,542	9,379,235	15,721,777
Liquid debt instruments:			
Government Bonds	2,937,533	-	2,937,533
Liquid corporate bonds	2,051,547	-	2,051,547
Other liquid debt instruments	17,387	-	17,387
Total liquid debt instruments	5,006,467	-	5,006,467
Total debt instruments	11,349,009	9,379,235	20,728,244
Balance of credit loss provision	-	206,849	206,849
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	331,813	-	331,813
Liquid equity instruments:			
Liquid shares	798,869	-	798,869
Total equity instruments	1,130,682	-	1,130,682
Other investments:			
Other investments	3,831,185	-	3,831,185
Derivative instruments	15,099	-	15,099
Total other financial investments	3,846,284	-	3,846,284
Total financial investments	16,325,975	9,379,235	25,705,210
Liabilities for derivative instruments	186,914		

Notes to the Consolidated Interim Financial Statements

NOTE 5 - FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS (CONT.)

B. Other financial investments (not in respect of yield-dependent contracts) (cont.)

	As of March 31, 2024		
	Financial investments measured at fair value through profit or loss	Financial investments measured at amortized cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	124,981	324,594	449,575
Treasury deposits	-	4,434,212	4,434,212
Designated bonds	3,238,206	-	3,238,206
Illiquid corporate bonds	289,012	226,334	515,346
Loans (including investees)	2,809,537	3,974,218	6,783,755
Total illiquid debt instruments	6,461,736	8,959,358	15,421,094
Liquid debt instruments:			
Government Bonds	2,390,777	-	2,390,777
Liquid corporate bonds	2,352,794	-	2,352,794
Other liquid debt instruments	21,166	-	21,166
Total liquid debt instruments	4,764,737	-	4,764,737
Total debt instruments	11,226,473	8,959,358	20,185,831
Balance of credit loss provision	-	210,112	210,112
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	326,925	-	326,925
Liquid equity instruments:			
Liquid shares	794,039	-	794,039
Total equity instruments	1,120,964	-	1,120,964
Other investments:			
Other investments	3,211,779	-	3,211,779
Derivative instruments	11,076	-	11,076
Total other financial investments	3,222,855	-	3,222,855
Total financial investments	15,570,292	8,959,358	24,529,650
Liabilities for derivative instruments	74,077		

Notes to the Consolidated Interim Financial Statements

NOTE 5 - FINANCIAL INVESTMENTS AND DERIVATIVE INSTRUMENTS (CONT.)

B. Other financial investments (not in respect of yield-dependent contracts) (cont.)

	As of December 31, 2024		
	Financial investments measured at fair value through profit or loss	Financial investments measured at amortized cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	128,008	181,494	309,502
Treasury deposits	-	4,538,024	4,538,024
Designated bonds	3,143,931	-	3,143,931
Illiquid corporate bonds	275,058	253,516	528,574
Loans (including investees)	2,907,752	4,282,991	7,190,743
Total illiquid debt instruments	6,454,749	9,256,025	15,710,774
Liquid debt instruments:			
Government Bonds	2,390,994	-	2,390,994
Liquid corporate bonds	2,117,341	-	2,117,341
Other liquid debt instruments	15,849	-	15,849
Total liquid debt instruments	4,524,184	-	4,524,184
Total debt instruments	10,978,933	9,256,025	20,234,958
Balance of credit loss provision	-	219,720	219,720
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	317,036	-	317,036
Liquid equity instruments:			
Liquid shares	842,014	-	842,014
Total equity instruments	1,159,050	-	1,159,050
Other investments:			
Other investments	3,709,949	-	3,709,949
Derivative instruments	47,615	-	47,615
Total other financial investments	3,757,564	-	3,757,564
Total financial investments	15,895,547	9,256,025	25,151,572
Liabilities for derivative instruments	52,269		

Notes to the Consolidated Interim Financial Statements

NOTE 6 - LOANS AND CREDIT

		As of March 31		As of December 31
		2025	2024	2024
		Unaudited		
		NIS thousand		
1.	Financial liabilities presented at amortized cost:			
	Loans from banking corporations	1,603,860	1,432,398	1,573,578
	Non-convertible bonds	2,310,325	2,247,021	1,911,513
	Liabilities for financial guarantee contracts	12,691	13,435	12,986
	Liabilities to pay standing orders	782,127	668,753	753,319
	Lease liabilities	59,247	73,207	65,320
	Total loans and credit presented at amortized cost	4,768,250	4,434,814	4,316,716
2.	Liabilities presented at fair value through profit or loss (excluding derivatives)			
	Liabilities for options granted to non-controlling interests	186,994	176,125	185,836
	Total financial liabilities	4,955,244	4,610,939	4,502,552
	Of which subordinated notes that constitute capital for Tier 2 capital purposes	1,603,860	1,432,398	1,573,578

Issuing subordinated notes

On March 24, 2025, following the publication of the rating report for the Subordinated Notes (Series I), which were rated Aa3 (with a stable outlook) by Midroog Ltd., and subsequent to the publication of the Shelf Offering Report, a sub-subsidiary of Menora Mivtachim Gius Hon Ltd. (hereinafter – "**Menora Gius Hon**"), raised NIS 400,000,000, through the allocation to the public of Subordinated Notes (Series I) totaling NIS 400,000,000 of NIS 1 p.v. each of Menora Gius Hon.

The principal of the Subordinated Notes (Series I) is repayable in one lump sum on September 30, 2035 and is unlinked. The outstanding balance of the principal shall bear an annual fixed interest of 5.02%. The interest in respect of the Subordinated Notes (Series I) shall be paid twice a year on March 31 of each of the years 2026 through 2035 and on September 30 of each of the years 2025 through 2035, such that the first interest payment date shall be September 30, 2025 and the last interest payment date shall be September 30, 2035. Each interest payment will be paid for a period of six months, beginning on the date of the previous interest payment and ending on the last day before the date of the current interest payment except for the first interest payment payable on September 30, 2025; this payment will be calculated for the period beginning on the first trading day after the time of closing of the subscriptions list and ending on the last day before the date of the first interest payment, i.e. the period ending on September 29, 2025 in accordance with the number of days in the abovementioned period (hereinafter - the "**First Interest Period**").

Notes to the Consolidated Interim Financial Statements

NOTE 6 - LOANS AND CREDIT (CONT.)

Issuing subordinated notes (cont.)

The interest rate for the First Interest Period shall be calculated in accordance with the number of days in the First Interest Period on the basis of 365 days per year. The first date for full or partial early redemption of the Subordinated Notes (Series I) will be approx. 5 years from the date of their issuance, i.e., March 31, 2030. Subsequent to this date, Menora Capital Raising will be allowed to execute early redemption of the Subordinated Notes (Series I) at any time subject to the TASE Rules and Regulations and guidance arising therefrom. If Menora Capital Raising will not exercise its early redemption right until September 30, 2032, additional interest will be paid to holders of the Subordinated Notes (Series I) in addition to the interest payable on the Subordinated Notes (Series I) at that time, starting from the interest payment on March 31, 2033 in respect of the remaining period (i.e., from the effective redemption date for additional interest and through the actual repayment date of the Subordinated Notes (whether on the early redemption date or on the final repayment date of the Subordinated Notes)), at the rate of 50% of the original risk margin. The rate of additional interest as stated above shall be 0.36473%.

Furthermore, with respect to the Subordinated Notes (Series I), principal and interest payments will be deferred, which on their payment effective date, will be subject to "suspending circumstances", as defined in the Solvency Circular and the Commissioner's position.

The proceeds of the issuance of the Subordinated Notes were deposited with Menora Insurance as tier 2 capital, for it to use, in accordance with its considerations and at its discretion. Menora Insurance undertook to pay all the amounts required to repay the Subordinated Notes to holders thereof. Menora Insurance’s abovementioned undertaking to pay all the amounts has the following characteristics: (1) It has priority over Menora Insurance's undertakings towards the rights of creditors in accordance with components and instruments included in Tier 1 capital; (2) it has equal precedence with that of Menora Insurance's undertaking with respect to the Subordinated Notes, which Menora Insurance has issued and/or will issue, and which will be recognized as Tier 2 capital; and (3) it is subordinate to the other undertakings of Menora Insurance towards its creditors. The consulting services in respect of the abovementioned issuance were carried out under market conditions by a sub-subsidiary Menora Mivtachim Management and Underwriting Ltd.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - EQUITY AND CAPITAL REQUIREMENTS

Capital policy and requirements

A. It is management's policy to maintain a strong capital base in order to retain Group's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. Menora Insurance and Shomera Insurance (hereinafter - the "**Consolidated Insurance Companies**") are subject to the capital requirements set by the Commissioner.

As part of the implementation of the solvency regime, the Consolidated Insurance Companies are required to conduct own risk assessment. The Boards of Directors of the Consolidated Insurance Companies are required to set a capital target that will reflect what is in their opinion an adequate solvency ratio for the purpose of dividend distribution.

The target capital set by the consolidated insurance companies for the purpose of dividend distribution was formed gradually. In November 2021, Shomera Insurance updated the target capital for dividend distribution purposes, such that it will increase gradually until reaching 113% (in lieu of 110%) by approx. 2.1% per year through the end of the Transitional Period in 2024. Menora Insurance's target capital was set at 115% through the end of 2024. In November 2023, Menora Insurance updated the target capital, such that as from the end of 2024 the target capital will increase linearly from 115% as stated above to 130% in 2032. As of December 31, 2024, the target capital stands at approx. 115% and approx. 113% in Menora Insurance and Shomera Insurance. It is hereby clarified that there is no certainty that the Consolidated Insurance Companies will meet this solvency ratio at each point in time.

Menora Mivtachim Pension and Provident Funds Ltd. (hereinafter - "**Mivtachim Pension and Provident**") and Menora Mivtachim and The Association of Engineers Provident Funds Management Ltd. (hereinafter - "**Menora Engineers**") are required to comply with the Supervision of Financial Services Supervision Regulations (Provident Funds) (Minimum Capital Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012.

B. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies

The Consolidated Insurance Companies are subject to the Solvency II-based Economic Solvency Regime in accordance with implementation provisions as published in June 2017 and revised in October 2020 (hereinafter - the "**Solvency Circular**").

Risk-based solvency ratio

A risk-based solvency ratio is calculated as the ratio between the economic shareholders' equity of the insurance company and the solvency capital requirement. The economic shareholders' equity is determined as the sum of the economic balance sheet (see below) and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and a Tier 2 capital instrument).

Economic balance sheet items are calculated based on economic value, with insurance liabilities calculated on the basis of a best estimate of all expected future cash flows from existing businesses, without conservatism margins, and plus a risk margin.

The solvency capital requirement (SCR) is designed to estimate the economic shareholders' equity's exposure to a series of scenarios set out in the Solvency Circular, and which reflect insurance risks, market risks and credit risks as well as operating risks.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - EQUITY AND CAPITAL REQUIREMENTS (CONT.)

Capital policy and requirements (cont.)

B. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies (cont.)

Risk-based solvency ratio (cont.)

The Solvency Circular includes, among other things, Transitional Provisions in connection with compliance with capital requirements, as follows:

a) Selecting one of the following alternatives as from the Solvency Ratio Report as of December 31, 2019:

1) Gradual transition to the capital requirement until 2024, such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The required capital as of December 31, 2024 – 100% of the SCR amount (as of December 31, 2023 – 95%); it should be noted that this was the only alternative through the Solvency Ratio Report as of December 31, 2019.

2) Increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Solvency Circular (hereinafter - the "**Deduction**"). The Deduction will decrease gradually until 2032 (hereinafter - the "**Transitional Period**").

Shomera Insurance selected the first alternative, and Menora Insurance selected the second alternative, after receipt of the Commissioner's approval.

b) A reduced capital requirements, which increased gradually until 2023, in respect of certain investment types.

Solvency ratio of the Consolidated Insurance Companies

According to the Solvency Ratio Reports as of December 31, 2024, which were published on May 28, 2025, Menora Insurance and Shomera Insurance (hereinafter - the "**Consolidated Insurance Companies**") have excess capital without applying the Transitional Provisions.

The calculation made by the consolidated insurance companies was examined by the Companies' independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. This standard is relevant to audits of solvency calculations and does not constitute part of the auditing standards that apply to financial statements. It should be emphasized that the projections and assumptions on the basis of which the Economic Solvency Ratio Report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may substantively vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - EQUITY AND CAPITAL REQUIREMENTS (CONT.)

Capital policy and requirements (cont.)

B. Solvency II-based economic solvency regime applicable to the Consolidated Insurance Companies (cont.)

Solvency ratio of the Consolidated Insurance Companies (cont.)

In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction During the Transitional Period as of December 31, 2024, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the capital required for solvency in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as detailed in the provisions on calculation of risk margin. Furthermore, attention is drawn to that which is stated in the economic solvency ratio report regarding the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Furthermore, attention is drawn to that which is stated in the economic solvency ratio reports regarding the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

C. Solvency ratio for the purpose of dividend distribution by the Consolidated Insurance Companies

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Letter**") an insurance company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the transitional provisions and subject to the solvency ratio target set by the Company's Board of Directors. In addition, the letter set out provisions for reporting to the Commissioner.

The Consolidated Insurance Companies' calculation as of December 31, 2024, which is based on the investments mix and insurance liabilities as of the calculation date, and taking into account equity transactions after the calculation date, reflects an economic solvency ratio, which is higher than the solvency ratio required according to the Letter.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - EQUITY AND CAPITAL REQUIREMENTS (CONT.)

Capital policy and requirements (cont.)

D. Following are data regarding Mivtachim Pension and Provident's required and existing capital in accordance with the Supervision of Financial Services Regulations (Provident Funds) (Minimum Capital Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012 (hereinafter - the "**Capital Regulations**") and the Commissioner's directives:

	As of March 31, 2025	As of December 31, 2024
	Unaudited	Audited
	NIS thousand	
The amount required according with the Capital Regulations of management companies	303,599	299,039
Existing shareholders' equity	872,945	815,669
Surplus	569,346	516,630
Equity transaction subsequent to the reporting date:		
Declared dividend *)	(50,000)	-
Surplus taking into account an event occurring subsequent to the reporting date	519,346	516,630
The required amount includes capital requirements for:		
Total assets under management	162,929	160,778
Annual expenses	141,448	139,037
Expedients according to the Commissioner's circular	(778)	(776)
	303,599	299,039

*) Subsequent to the reporting date, on May 22, 2025, the Board of Directors of Mivtachim Pension and Provident declared the distribution of a NIS 50 million dividend. The dividend was paid on April May 24, 2025.

E. The capital requirement in Menora Engineers stands at NIS 10 million. As of March 31, 2025, the shareholders' equity of Menora Engineers amounts to approx. NIS 11.3 million, and the surplus capital amounts to approx. NIS 1.3 million. Subsequent to the reporting date, on May 12, 2025, the Board of Directors of Menora Engineers declared a dividend distribution of approx. NIS 0.8 million to the shareholders. The dividend was paid on April May 13, 2025.

F. On March 13, 2025, the Company's Board of Directors declared the distribution of a dividend to the Company's shareholders on March 24, 2025 totaling NIS 150 million, which constitute NIS 2.4 per each share of NIS 1 par value. The dividend was paid on April 1, 2025.

G. In March 2025, Menora Insurance distributed a NIS 250 million dividend to the Company.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE

	For the 3 months ended March 31, 2025			
	Life Insurance	Health Insurance	Property and Casualty Insurance	Total
	Unaudited			
	NIS thousand			
Revenues from insurance services				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in liability for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services provided	76,182	111,985	-	188,167
Change in risk adjustment (RA) for non-financial risk resulting from past risks	7,679	13,760	-	21,439
Claims and other expected insurance service expenses incurred	278,516	320,868	-	599,384
Other	18,849	3,589	-	22,438
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	22,581	17,956	-	40,537
Total contracts to which the Premium Allocation Approach (PAA) was not applied	403,807	468,158	-	871,965
Contracts to which the Premium Allocation Approach (PAA) was applied	-	39,811	1,126,098	1,165,909
Total revenues from insurance services	403,807	507,969	1,126,098	2,037,874
Expenses from insurance services				
Claims and other insurance service expenses incurred	317,631	388,282	718,309	1,424,222
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	7,721	(21,462)	71,129	57,388
Losses for groups of onerous insurance contracts	1,052	783	3,403	5,238
Amortization of insurance acquisition cash flows	22,581	17,956	176,482	217,019
Total expenses from insurance services	348,985	385,559	969,323	1,703,867
Income from insurance services before reinsurance policies held	54,822	122,410	156,775	334,007
Revenues (expenses), net for reinsurance contracts held				
Reinsurance expenses:				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in assets for remaining coverage (ARC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	3,695	8,459	-	12,154
Change in risk adjustment (RA) for non-financial risk resulting from past risks	1,675	1,954	-	3,629
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	21,199	58,329	-	79,528
Other	3,605	10,666	-	14,271
Total contracts to which the Premium Allocation Approach (PAA) was not applied	30,174	79,408	-	109,582
Contracts to which the Premium Allocation Approach (PAA) was applied	857	-	275,508	276,365
Total reinsurance expenses	31,031	79,408	275,508	385,947
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	27,633	76,440	175,024	279,097
Changes relating to past service - adjustment for assets for incurred claims	4,499	(10,553)	109,891	103,837
Total reinsurance revenues	32,132	65,887	284,915	382,934
Total revenues (expenses) for reinsurance contracts held	1,101	(13,521)	9,407	(3,013)
Income from insurance services	55,923	108,889	166,182	330,994

Note: Insurance service expenses are after deducting fees and commission expenses to the agencies in the Group.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE (CONT.)

	For the 3 months ended March 31, 2024			
	Life Insurance	Health Insurance	Property and Casualty Insurance	Total
	Unaudited			
	NIS thousand			
Revenues from insurance services				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in liability for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services provided	96,631	111,322	-	207,953
Change in risk adjustment (RA) for non-financial risk resulting from past risks	7,468	12,237	-	19,705
Claims and other expected insurance service expenses incurred	264,208	322,700	-	586,908
Other	18,862	7,706	-	26,568
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	19,432	12,570	-	32,002
Total contracts to which the Premium Allocation Approach (PAA) was not applied	406,601	466,535	-	873,136
Contracts to which the Premium Allocation Approach (PAA) was applied	-	42,450	1,019,805	1,062,255
Total revenues from insurance services	406,601	508,985	1,019,805	1,935,391
Expenses from insurance services				
Claims and other insurance service expenses incurred	249,366	391,733	683,778	1,324,877
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	29,317	(11,876)	(67,798)	(50,357)
Losses for groups of onerous insurance contracts	2,798	3,456	490	6,744
Amortization of insurance acquisition cash flows	19,432	12,570	155,844	187,846
Total expenses from insurance services	300,913	395,883	772,314	1,469,110
Income from insurance services before reinsurance policies held	105,688	113,102	247,491	466,281
Revenues (expenses), net for reinsurance contracts held				
Reinsurance expenses:				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in assets for remaining coverage (ARC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	3,553	13,020	-	16,573
Change in risk adjustment (RA) for non-financial risk resulting from past risks	1,615	1,894	-	3,509
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	19,512	72,374	-	91,886
Other	5,377	9,052	-	14,429
Total contracts to which the Premium Allocation Approach (PAA) was not applied	30,057	96,340	-	126,397
Contracts to which the Premium Allocation Approach (PAA) was applied	868	-	239,253	240,121
Total reinsurance expenses	30,925	96,340	239,253	366,518
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	26,096	88,606	143,058	257,760
Changes relating to past service - adjustment for assets for incurred claims	2,397	(7,044)	(1,252)	(5,899)
Recoveries of reversal of losses for groups of onerous underlying insurance contracts	1,905	-	(88)	1,817
Total reinsurance revenues	30,398	81,562	141,718	253,678
Total expenses, net for reinsurance contracts held	(527)	(14,778)	(97,535)	(112,840)
Income from insurance services	105,161	98,324	149,956	353,441

Note: Insurance service expenses are after deducting fees and commission expenses to the agencies in the Group.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE (CONT.)

	For the year ended December 31, 2024			
	Life Insurance	Health Insurance	Property and Casualty Insurance	Total
	Unaudited			
	NIS thousand			
Revenues from insurance services				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in liability for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services provided	342,595	455,374	-	797,969
Change in risk adjustment (RA) for non-financial risk resulting from past risks	32,023	50,914	-	82,937
Claims and other expected insurance service expenses incurred	1,075,560	1,305,892	-	2,381,452
Other	62,431	5,040	-	67,471
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	83,133	60,693	-	143,826
Total contracts to which the Premium Allocation Approach (PAA) was not applied	1,595,742	1,877,913	-	3,473,655
Contracts to which the Premium Allocation Approach (PAA) was applied	-	164,222	4,389,472	4,553,694
Total revenues from insurance services	1,595,742	2,042,135	4,389,472	8,027,349
Expenses from insurance services				
Claims and other insurance service expenses incurred	1,087,830	1,476,655	2,861,017	5,425,502
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	71,563	(3,982)	(246,315)	(178,734)
Losses for groups of onerous insurance contracts	2,597	3,558	6,708	12,863
Amortization of insurance acquisition cash flows	83,133	60,693	711,312	855,138
Total expenses from insurance services	1,245,123	1,536,924	3,332,722	6,114,769
Income from insurance services before reinsurance policies held	350,619	505,211	1,056,750	1,912,580
Revenues (expenses), net for reinsurance contracts held				
Reinsurance expenses:				
Contracts to which the Premium Allocation Approach (PAA) was not applied:				
Amounts relating to changes in assets for remaining coverage (ARC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	14,849	42,638	-	57,487
Change in risk adjustment (RA) for non-financial risk resulting from past risks	6,578	7,516	-	14,094
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	83,033	271,436	-	354,469
Other	31,947	27,276	-	59,223
Total contracts to which the Premium Allocation Approach (PAA) was not applied	136,407	348,866	-	485,273
Contracts to which the Premium Allocation Approach (PAA) was applied	(5,551)	-	1,006,261	1,000,710
Total reinsurance expenses	130,856	348,866	1,006,261	1,485,983
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	80,094	320,170	676,314	1,076,578
Changes relating to past service - adjustment for assets for incurred claims	13,913	(13,888)	(19,481)	(19,456)
Recoveries of reversal of losses for groups of onerous underlying insurance contracts	2,781	-	(58)	2,723
Total reinsurance revenues	96,788	306,282	656,775	1,059,845
Total expenses, net for reinsurance contracts held	(34,068)	(42,584)	(349,486)	(426,138)
Income from insurance services	316,551	462,627	707,264	1,486,442

Note – Insurance service expenses are after deducting fees and commission expenses to the agencies in the Group.

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET

Income (loss) from investments and financing, net, by operating segments

	For the 3 months ended March 31, 2025				
	Life Insurance	Health Insurance	Property and Casualty Insurance	Other	Total
	Unaudited				
	NIS thousand				
Investment gains (losses), net:					
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	(5,694)	6,995	-	-	1,301
Other investment gains (losses), net:					
Interest revenues calculated using the effective interest method	59,147	-	8,118	28,606	95,871
Reversal of net losses (losses) from impairment of financial assets	(439)	-	1,460	(2,430)	(1,409)
Other investment gains, net	29,801	20,852	42,437	58,006	151,096
Share in profits of equity-accounted subsidiaries closely related to the investing activity	44	19	332	214	609
Total income from other investments, net	88,553	20,871	52,347	84,396	246,167
Total investment income, net	82,859	27,866	52,347	84,396	247,468
Finance expenses, net arising from insurance contracts:					
Change in liabilities for insurance contracts arising from changes in the fair value of underlying items of VFA contacts	(10,440)	(7,402)	-	-	(17,842)
Effects of the risk mitigation option for VFA contracts	1,809	-	-	-	1,809
Interest accrued (a)	(41,366)	(22,050)	(10,496)	-	(73,912)
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	32,325	(32,584)	(9,168)	-	(9,427)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	9,778	(58)	-	-	9,720
Total finance expenses, net arising from insurance contracts *	(7,894)	(62,094)	(19,664)	-	(89,652)
* Represented by:					
Amounts recognized in profit or loss					
Finance income, net arising from reinsurance contracts insurance contracts:					
Interest accrued	305	8,186	7,838	-	16,329
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	420	(16,952)	(1,906)	-	(18,438)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	(34)	89	-	-	55
Total finance income (expenses), net arising from reinsurance contracts *	691	(8,677)	5,932	-	(2,054)
* Represented by:					
Amounts recognized in profit or loss	(295)	(9,306)	5,932	-	(3,669)
Increase in liabilities for investment contracts due to the yield component	(65,379)	-	-	-	(65,379)
Total income (loss) from investments and financing, net	10,277	(42,905)	38,615	84,396	90,383

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET (CONT.)

(a) In the GMM model, accrued interest includes interest accrued on the CSM balance in accordance with the nominal interest rate curve on the initial recognition date. In addition, the accrued interest includes interest accrued on BE and RA balances in accordance with the real interest rate curve at the initial recognition date.

Under the PAA Model, the accrued interest includes interest accrued on BE and RA balances which are included in the LIC in accordance with the real interest rate curve at the beginning of the period.

(b) The effect of the change in interest rate in this line item includes both the replacement of the curve in relation to the beginning of the period and the difference between the interest accrual on the remaining BE and RA according to the curve at the beginning of the period for accrual in accordance with the curve as of the date of initial recognition.

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET (CONT.)

Income (loss) from investments and financing, net, by operating segments

	For the 3 months ended March 31, 2024				
	Life Insurance	Health Insurance	Property and Casualty Insurance	Other	Total
	Unaudited				
	NIS thousand				
Investment gains (losses), net:					
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	1,340,039	72,676	-	-	1,412,715
Other investment gains (losses), net:					-
Interest revenues calculated using the effective interest method	57,358	-	9,584	28,333	95,275
Reversal of net losses from impairment of financial assets	-	-	656	1,076	1,732
Other investment gains, net	120,315	21,752	77,332	76,557	295,956
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(138)	(5)	784	(4)	637
Total income from other investments, net	177,535	21,747	88,356	105,962	393,600
Total investment income, net	1,517,574	94,423	88,356	105,962	1,806,315
Finance expenses, net arising from insurance contracts:					
Change in liabilities for insurance contracts arising from changes in the fair value of underlying items of VFA contacts	(1,063,034)	(67,042)	-	-	(1,130,076)
Effects of the risk mitigation option for VFA contracts	(26,407)	-	-	-	(26,407)
Interest accrued (a)	(46,457)	(45,672)	(6,583)	-	(98,712)
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	(102,396)	(3,187)	(46,213)	-	(151,796)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	5,810	(30,852)	-	-	(25,042)
Total finance expenses, net arising from insurance contracts *	(1,232,484)	(146,753)	(52,796)	-	(1,432,033)
* Represented by:					
Amounts recognized in profit or loss					
Finance income, net arising from reinsurance contracts insurance contracts:					
Interest accrued	459	10,366	6,112	-	16,937
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	819	3,461	12,570	-	16,850
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	24	125	-	-	149
Total finance income, net arising from reinsurance contracts*	1,302	13,952	18,682	-	33,936
* Represented by:					
Amounts recognized in profit or loss	584	13,808	18,682	-	33,074
Increase in liabilities for investment contracts due to the yield component	(285,936)	-	-	-	(285,936)
Total income (loss) from investments and financing, net	456	(38,378)	54,242	105,962	122,282

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET (CONT.)

(a) In the GMM model, accrued interest includes interest accrued on the CSM balance in accordance with the nominal interest rate curve on the initial recognition date. In addition, the accrued interest includes interest accrued on BE and RA balances in accordance with the real interest rate curve at the initial recognition date.

Under the PAA Model, the accrued interest includes interest accrued on BE and RA balances which are included in the LIC in accordance with the real interest rate curve at the beginning of the period.

(b) The effect of the change in interest rate in this line item includes both the replacement of the curve in relation to the beginning of the period and the difference between the interest accrual on the remaining BE and RA according to the curve at the beginning of the period for accrual in accordance with the curve as of the date of initial recognition.

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET (CONT.)

Income (loss) from investments and financing, net, by operating segments

	For the year ended December 31, 2024				
	Life Insurance	Health Insurance	Property and Casualty Insurance	Other	Total
	Unaudited				
	NIS thousand				
Investment gains (losses), net:					
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	3,589,802	190,883	-	-	3,780,685
Other investment gains (losses), net:					-
Interest revenues calculated using the effective interest method	243,057	-	48,155	174,470	465,682
Net losses from impairment of financial assets	-	-	(3,133)	(5,658)	(8,791)
Other investment gains (losses), net	553,415	151,173	286,420	278,963	1,269,971
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(474)	(160)	(6,120)	680	(6,074)
Total income from other investments, net	795,998	151,013	325,322	448,455	1,720,788
Total investment income, net	4,385,800	341,896	325,322	448,455	5,501,473
Finance expenses, net arising from insurance contracts:					
Change in liabilities for insurance contracts arising from changes in the fair value of underlying items of VFA contacts	(2,863,541)	(172,629)	-	-	(3,036,170)
Effects of the risk mitigation option for VFA contracts	(69,396)	-	-	-	(69,396)
Interest accrued (a)	(180,616)	(181,818)	(18,117)	-	(380,551)
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	(244,138)	103,814	(211,552)	-	(351,876)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	72,260	(86,476)	-	-	(14,216)
Total finance expenses, net arising from insurance contracts *	(3,285,431)	(337,109)	(229,669)	-	(3,852,209)
* Represented by:					
Amounts recognized in profit or loss					
Finance income, net arising from reinsurance contracts insurance contracts:					
Interest accrued	1,716	39,619	23,200	-	64,535
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	(2,345)	35,308	55,894	-	88,857
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	268	2,709	-	-	2,977
Total finance income (expenses), net arising from reinsurance contracts *	(361)	77,636	79,094	-	156,369
* Represented by:					
Amounts recognized in profit or loss	(634)	77,603	79,094	-	156,063
Increase in liabilities for investment contracts due to the yield component	(977,992)	-	-	-	(977,992)
Total net investment and finance income	122,016	82,423	174,747	448,455	827,641

Notes to the Consolidated Interim Financial Statements

NOTE 9 - INCOME (LOSS) FROM INVESTMENTS AND FINANCING, NET (CONT.)

(a) In the GMM model, accrued interest includes interest accrued on the CSM balance in accordance with the nominal interest rate curve on the initial recognition date. In addition, the accrued interest includes interest accrued on BE and RA balances in accordance with the real interest rate curve at the initial recognition date.

Under the PAA Model, the accrued interest includes interest accrued on BE and RA balances which are included in the LIC in accordance with the real interest rate curve at the beginning of the period.

(b) The effect of the change in interest rate in this line item includes both the replacement of the curve in relation to the beginning of the period and the difference between the interest accrual on the remaining BE and RA according to the curve at the beginning of the period for accrual in accordance with the curve as of the date of initial recognition.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The different fair value levels were defined as follows:

- Level 1 - fair value measured using quoted prices (unadjusted) in an active market for identical instruments.
- Level 2 - fair value measured using observable inputs, either directly or indirectly, that are not included in Level 1 above.
- Level 3 - fair value measured using inputs that are not based on observable market inputs.

<u>The methods and assumptions used to determine fair value</u>

<u>Valuation techniques</u>

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. With respect to investments for which there is no active market. Fair value is determined using valuation techniques. Such techniques include using transactions which were recently made at fair market value, reference to the current market value of another instrument which is substantially the same, discounted cash flows, or other valuation methods.

<u>Illiquid debt assets (excluding designated bonds)</u>

The fair value of illiquid debt assets, which are measured at fair value through profit and loss, and the fair value of illiquid financial debt assets, for which fair value information is provided solely for disclosure purposes, is determined by discounting the estimated future cash flows from those assets. The discount rates are based primarily on yields on government bonds and spreads of corporate bonds as measured on the Tel Aviv Stock Exchange. The quoted prices and interest rates used for discounting purposes are determined by a company which won the tender, published by the Ministry of Finance, for the setting up and operating a database of quoted prices and interest rates for institutional entities. On March 2, 2025, the Capital Markets, Insurance and Savings Authority published a press release in which it announced that it selected Ness Fair Value Ltd. as a supplier for the revaluation of illiquid debt assets of the institutional entities.
Ness Fair Value Ltd. (hereinafter - "**Ness**") will replace Fair Spread Ltd., which has been carrying out the revaluation since 2011, covering only non-complex illiquid debt assets issued in Israel. Under the new tender, the winning bidder will revalue all illiquid debt assets - issued both in and outside Israel - including complex debt assets. Furthermore, and in order to encourage trading in the institutional trading system (TASE-UP platform), "Ness Fair Value Ltd." will issue specific quotation regarding investment instruments traded in this platform, provided that these investment instruments are held by institutional entities. Preparations by "Ness Fair Value Ltd." are expected to take several months, during which the Company will receive both the details of the assets, which are the subject matter of the revaluation, which are currently revalued by Fair Spread, and of those, which were not included in the existing 3-2012 tender, but are included in the 3-2022 tender.

The Group is studying the implications of the decision and is preparing to implement the change in accordance with the guidelines to be received from the Capital Market Authority.

<u>Designated bonds</u>

Designated Hetz bonds (hereinafter – “**Hetz Bonds**") are illiquid and non-transferable bonds, which are issued (and repaid) by virtue of a series of agreements signed between the insurance companies and the State of Israel, and allocated at a certain rate of the insurance liabilities for insurance contracts, which include a guaranteed return savings component.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

Designated bonds (cont.)

The Company calculates the fair value in accordance with the indirect approach, according to which the fair value calculation is based on the amortized cost of Hetz Bonds plus the excess value arising from the difference between the nominal interest on Hetz Bonds and the risk-free interest rate curve plus the illiquidity premium used in the financial statements. Financial statements. This calculation is similar to the method of calculation used in Solvency II-based economic solvency regime. The estimated cash flows of Hetz Bonds are based on expected cash flows in respect of insurance liabilities and therefore include assumptions regarding non-observable inputs, such as cancellation rate, annuity uptake rate, retirement age, etc.

Investment in illiquid shares

The fair value of shares for which there is no quoted market price, is determined by the discounted cash flow model. The valuation requires the Company to make certain assumptions regarding non-observable inputs included in the model.

A. Financial instruments held against yield-dependent contracts

Fair value of financial instruments by level

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt assets	-	3,357,146	29,954	3,387,100
Liquid debt assets	8,227,946	835,369	-	9,063,315
Capital instruments	8,641,217	8,915	513,808	9,163,940
Other investments	5,162,297	933,450	4,849,941	10,945,688
Total financial assets	22,031,460	5,134,880	5,393,703	32,560,043
Financial liabilities:				
Derivative instruments	32,874	387,929	-	420,803

In the three-month period ended March 31, 2025 there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

A. Financial instruments held against yield-dependent contracts (cont.)

Fair value of financial instruments by level (cont.)

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt assets	-	3,818,432	34,647	3,853,079
Liquid debt assets	8,200,709	1,160,102	-	9,360,811
Capital instruments	8,755,210	13,656	520,854	9,289,720
Other investments	3,232,929	1,196,140	4,377,288	8,806,357
Total financial assets	20,188,848	6,188,330	4,932,789	31,309,967
Financial liabilities:				
Derivative instruments	9,016	228,969	-	237,984

In the three-month period ended March 31, 2024 there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt assets	-	3,421,118	29,901	3,451,019
Liquid debt assets	8,436,880	956,086	-	9,392,966
Capital instruments	9,123,897	13,594	505,592	9,643,083
Other investments	4,660,084	1,132,348	4,703,430	10,495,862
Total financial assets	22,220,861	5,523,146	5,238,923	32,982,930
Financial liabilities:				
Derivative instruments	32,230	210,219	-	242,449

In 2024, there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

A. Financial instruments held against yield-dependent contracts (cont.)

Financial instruments measured at fair value - Level 3

	As of March 31, 2025			
	Financial assets			
	Unaudited			
	NIS thousand			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2025 (unaudited)	29,901	505,592	4,703,430	5,238,923
Total gains recognized in profit or loss *)	1,394	3,232	81,598	86,224
Acquisitions	-	4,984	145,710	150,694
Sales	-	-	(80,797)	(80,797)
Discharges	(1,341)	-	-	(1,341)
Balance as of March 31, 2025	29,954	513,808	4,849,941	5,393,703
Investment gains, net from assets held against insurance contracts and yield-dependent investment contracts	1,394	11,689	81,995	95,078

	As of March 31, 2024			
	Financial assets			
	Unaudited			
	NIS thousand			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2024 (audited)	36,228	517,739	4,304,283	4,858,250
Total gains (losses) recognized in profit or loss *)	233	(6,703)	2,778	(3,692)
Acquisitions	-	9,818	157,090	166,908
Sales	-	-	(86,863)	(86,863)
Discharges	(1,814)	-	-	(1,814)
Balance as of March 31, 2024	34,647	520,854	4,377,288	4,932,789
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	233	(6,703)	2,786	(3,684)

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

A. Financial instruments held against yield-dependent contracts (cont.)

Financial instruments measured at fair value - Level 3 (cont.)

	As of December 31, 2024			
	Financial assets			
	Unaudited			
	NIS thousand			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2024 (audited)	36,228	517,739	4,304,283	4,858,250
Total gains (losses) recognized in profit or loss *)	(211)	(50,476)	1,142	(49,545)
Acquisitions	-	38,329	709,274	747,603
Sales	-	-	(311,269)	(311,269)
Discharges	(6,116)	-	-	(6,116)
Balance as of December 31, 2024	29,901	505,592	4,703,430	5,238,923
Investment gains (losses), net from assets held against insurance contracts and yield-dependent investment contracts	(211)	(50,427)	39,631	(11,007)

B. Other financial instruments not held against yield-dependent contracts

Fair value of financial instruments by level

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	3,168,547	45,384	3,213,931
Designated bonds	-	-	3,128,611	3,128,611
Liquid debt instruments	4,886,350	120,117	-	5,006,467
Capital instruments	794,634	4,235	331,813	1,130,682
Other investments	384,522	17,515	3,444,247	3,846,284
Total financial assets	6,065,506	3,310,414	6,950,055	16,325,975
Financial liabilities:				
Derivative instruments	2,115	184,798	-	186,914

In the three-month period ended March 31, 2025 there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Fair value of financial instruments by level (cont.)

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	3,181,637	41,893	3,223,530
Designated bonds	-	-	3,238,206	3,238,206
Liquid debt instruments	4,545,761	218,976	-	4,764,737
Capital instruments	792,325	1,714	326,925	1,120,964
Other investments	248,941	7,074	2,966,840	3,222,855
Total financial assets	5,587,027	3,409,401	6,573,864	15,570,292
Financial liabilities:				
Derivative instruments	250	73,827	-	74,077

In the three-month period ended March 31, 2024 there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	3,267,101	43,717	3,310,818
Designated bonds	-	-	3,143,931	3,143,931
Liquid debt instruments	4,370,349	153,835	-	4,524,184
Capital instruments	840,489	1,525	317,036	1,159,050
Other investments	396,712	50,457	3,310,395	3,757,564
Total financial assets	5,607,550	3,472,918	6,815,079	15,895,547
Financial liabilities:				
Derivative instruments	41,075	11,194	-	52,269

In 2024, there were no material transfers between Level 1 and Level 2 to Level 3, nor there were transfers from or to Level 3.

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value - Level 3

	As of March 31, 2025				
	Financial assets				
	Unaudited				
	NIS thousand				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2025 (unaudited)	43,717	3,143,931	317,036	3,310,395	6,815,079
Total gains (losses) recognized:					
In profit or loss (*)	2,282	(15,320)	10,205	90,908	88,075
Acquisitions	-	-	4,572	105,629	110,201
Sales	-	-	-	(62,685)	(62,685)
Discharges	(615)	-	-	-	(615)
Balance as of March 31, 2025	45,384	3,128,611	331,813	3,444,247	6,950,055
Investment gains, net from assets held against insurance contracts and non-yield-dependent investment contracts, equity and other liabilities	2,282	3,128,611	10,205	91,231	3,232,329

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value - Level 3 (cont.)

	As of March 31, 2024				
	Financial assets				
	Unaudited				
	NIS thousand				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2024 (audited)	42,652	3,172,482	314,183	2,868,956	6,398,273
Total realized gains:					
In profit or loss (*)	60	65,724	2,209	10,912	78,905
Acquisitions	-	-	10,533	130,169	140,702
Sales	-	-	-	(43,197)	(43,197)
Discharges	(819)	-	-	-	(819)
Balance as of March 31, 2024	41,893	3,238,206	326,925	2,966,840	6,573,864
Investment gains, net from assets held against insurance contracts and non-yield-dependent investment contracts, equity and other liabilities	15	65,724	8,322	3,905	77,966

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value - Level 3 (cont.)

	As of December 31, 2024				
	Financial assets				
	Unaudited				
	NIS thousand				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
Balance as of January 1, 2024 (audited)	42,652	3,172,482	314,183	2,868,956	6,398,273
Total gains (losses) recognized:					
In profit or loss (*)	(712)	12,642	(10,857)	41,212	42,285
Acquisitions	4,525	111,997	49,764	602,717	769,003
Sales	-	-	(36,054)	(202,490)	(238,544)
Discharges	(2,748)	(153,190)	-	-	(155,938)
Balance as of December 31, 2024	43,717	3,143,931	317,036	3,310,395	6,815,079
(*) Recognized in the 'Investment gains (losses), net' line item.					
Investment gains (losses), net from assets held against insurance contracts and non-yield-dependent investment contracts, equity and other liabilities	(858)	10,448	8,322	(51,434)	(33,522)

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

			2025		2024			
Financial instrument	**Valuation techniques**	**Significant non-observable inputs**	**Fair value (in NIS thousand)**	**Range (weighted average)**	**Fair value (in NIS thousand)**	**Range (weighted average)**	**Sensitivity of fair value to change in inputs**	**Interactions between significant non-observable inputs and fair other non-observable inputs**
Designated Hetz bonds	Expected discounted cash flows	Discount rate	3,128,611	2.09% - 2.55%	3,143,931	1.93% - 2.38%	A substantial increase in this data will lead to a substantial decrease in fair value	There were no significant interactions between the non-observable inputs
		Actuarial assumptions		Based on an actuarial model		Based on an actuarial model	A significant change in this data may lead to a substantial change in value	

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value for disclosure purposes only

	As of March 31, 2025	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial assets:		
Other financial investments measured at depreciated cost:		
Illiquid debt instruments:		
Deposits with banks and financial institutions	178,243	184,972
Treasury deposits	4,540,925	5,395,338
Illiquid corporate bonds	254,812	262,635
Loans (including investees)	4,405,255	4,404,559
Total illiquid debt instruments	9,379,235	10,247,504
Total financial assets	9,379,235	10,247,504
Financial liabilities:		
Loans from banking corporations	1,603,860	1,603,860
Non-convertible bonds	2,310,325	2,264,729
Liabilities for financial guarantee contracts	12,691	12,691
Liabilities to pay standing orders	782,127	782,127
Lease liabilities	59,247	
Total financial liabilities	4,768,250	4,663,407

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value for disclosure purposes only (cont.)

	As of March 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial assets:		
Other financial investments measured at depreciated cost:		
Illiquid debt instruments:		
Deposits with banks and financial institutions	324,594	340,082
Treasury deposits	4,434,212	5,425,224
Illiquid corporate bonds	226,334	238,936
Loans (including investees)	3,974,218	3,991,519
Total illiquid debt instruments	8,959,358	9,995,761
Total financial assets	8,959,358	9,995,761
Financial liabilities:		
Loans from banking corporations	1,432,398	1,432,398
Non-convertible bonds	2,247,021	2,199,994
Liabilities for financial guarantee contracts	13,435	13,435
Liabilities to pay standing orders	668,753	668,753
Lease liabilities	73,207	
Total financial liabilities	4,434,814	4,314,580

Notes to the Consolidated Interim Financial Statements

NOTE 10 - FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT.)

B. Other financial instruments not held against yield-dependent contracts (cont.)

Financial instruments measured at fair value for disclosure purposes only (cont.)

	As of December 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
Financial assets:		
Other financial investments measured at depreciated cost:		
Illiquid debt instruments:		
Deposits with banks and financial institutions	181,494	189,786
Treasury deposits	4,538,024	5,431,775
Illiquid corporate bonds	253,516	264,388
Loans (including investees)	4,282,991	4,302,890
Total illiquid debt instruments	9,256,025	10,188,839
Total financial assets	9,256,025	10,188,839
Financial liabilities:		
Loans from banking corporations	1,573,578	1,573,578
Non-convertible bonds	1,911,513	1,865,495
Liabilities for financial guarantee contracts	12,986	12,986
Liabilities to pay standing orders	753,319	753,319
Lease liabilities	65,320	
Total financial liabilities	4,316,716	4,205,378

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES

A. Class actions and motions to certify lawsuits as class actions

In recent years, there has been a significant increase in the number of motions to certify claims as class actions filed against the Group and in the number of lawsuits recognized as class actions. This is part of an overall increase in motions to certify claims as class actions in general, including against companies engaged in the Group's areas of activity, which stems mainly from the enactment of the Class Actions Law, 2006 (hereinafter - the “**Class Actions Law**”). This trend substantially increases the Group's potential exposure to losses in the event of the lawsuit being certified as a class action against it.

A motion to certify a class action lawsuit may be filed in a lawsuit of a type as detailed in the abovementioned law, or in a matter with respect to which another statutory provision explicitly stipulates that a class action lawsuit may be filed. It is noted that, since 2006, the definition of a claim in which a class action certification motion may be filed against group companies has become an extremely broad definition, including any issue arising between a company and a customer, regardless of whether or not the parties have engaged in a transaction. In order for a motion to certify a class action lawsuit to be granted, the lead plaintiff must prove, among other things: (1) the existence of a personal cause of action; (2) that the cause of action is sufficiently well established to give the plaintiff a prima facie chance to win the lawsuit; (3) that the cause of action raises a substantive question of fact or law that is common to all members of the represented class, and there is a reasonable possibility that the common questions would be decided in favor of the class; (4) that the dispute can be fairly and efficiently adjudicated as a class action lawsuit; (5) that the plaintiff and its counsel are suitable representatives of the represented class.

Motions to certify claims as class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings procedure for motions to certify claims as class actions is divided into two main stages: The first stage is the motion to certify (hereinafter - the “**motion to certify**" and the “**certification stage**”, respectively). If the motion to certify is rejected by the court - the hearing stage at the class action level ends. A ruling at the approval stage may be subject to a motion for leave to appeal to the appellate courts. In the second stage, if the motion to certify is accepted, the class action will be heard (hereinafter - the "**class action stage**"). A judgment at the class action stage can be appealed to the appellate courts.

Within the mechanism of the Class Actions Law, there are also, inter alia, specific settlement agreements, both in the certification stage and in the class action stage, as well as arrangements with regard to the plaintiff's withdrawal of the motion to certify or class action lawsuit.

For motions to certify claims as class actions in which the Company’s and/or the consolidated companies’ defense claims are “more likely than not” to be denied and the proceeding is “more likely than not” to be dismissed (on its merits, or – for a class action lawsuit – to not be certified as a class action lawsuit by the court), according to the management’s assessment, based (among other things) on legal opinions it has received – no provision was included in the Financial Statements. For proceedings where it is more likely than not that the defense claims of the Company and/or consolidated companies will be dismissed, in whole or in part, the Financial Statements include provisions to cover the exposure estimated by the Company and/or consolidated companies. For proceedings in preliminary stages whose odds cannot be estimated, no provision was included in the financial statements (see Section B, Subsections 4, 6, and 8-16, Section C, Subsections 2-8 and 10-27 below, and Section D, Subsections 1-3). For cases in which the company and/or any of the consolidated companies are willing to settle, a provision has been made according to the willingness to settle, even if it is “more likely than not” that the Company’s and/or the consolidated companies’ defense claims would be granted, or the proceeding is at a preliminary stage and it is impossible to estimate the proceeding’s odds.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

A. Class actions and motions to certify lawsuits as class actions (cont.)

With respect to the motions to certify claims as class actions described in Section B, Subsections 1-3, 5 and 7 and Section C, Subsections 1 and 9 below, that the District Court has certified as class action lawsuits – the financial statements include provisions to cover the exposure, as estimated by the Company and/or the consolidated companies, unless, according to the management's assessment, that is based, among other things, on legal opinions it has received, it is "more likely than not" that the Company's and/or the consolidated companies' defense claims on the substantive lawsuit would be accepted, and the lawsuit would be denied, even if it is adjudicated as a class action lawsuit.

It is noted that, for the purposes of this note, lawsuits and motions to certify them as class action lawsuits are deemed material if the amount claimed therein exceed NIS 15 million.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions:

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
1.	01/2008 District Court - Tel Aviv	Life insurance policyholders v. Menora Insurance and additional insurance companies.	The claim is of alleged unlawful overcharging with a payment component in the policies, known as the “sub-annuals” component. Causes of action: breach of the relevant statutory provisions, bad faith, and unjust enrichment. The main remedies being sought: refund of the total sub-annuals that were collected unlawfully, as well as a mandatory injunction ordering the defendants to change their modus operandi.	Any policyholder who has been charged due to the payment component of the policies known as the “sub-annuals,” in circumstances and at an amount that deviate from the provisions of the law.	On July 19, 2016, the District Court ruled in favor of certifying the lawsuit as a class action lawsuit. The main cause of action that has been approved is unjust enrichment, and other asserted causes of action were denied. The sought remedy is a refund of the sums that were collected unlawfully in the seven years preceding the day the lawsuit was filed, and a mandatory injunction ordering the defendant to rectify its conduct. On September 26, 2016, the plaintiff appealed the rejection of the individual claim against some of the respondents (including Menora Insurance) before the Supreme Court, concerning the collection of “sub-annuals” at a rate that is claimed to exceed the lawfully permitted rate. On December 15, 2016, Menora Insurance filed a motion for leave to appeal the decision to certify the lawsuit as a class action lawsuit. On May 31, 2018, a judgment was rendered that granted the motion for leave to appeal and denied the appeal; however, on June 26, 2018, the plaintiff filed a motion for a further hearing on the judgment. On July 2, 2019, the Supreme Court granted the motion for a further hearing. On July 4, 2021, a judgment was rendered in the petition for a further hearing, stating that the ruling that certified the lawsuit as a class action would be reinstated, such that the motion to certify would be granted and the case would be returned to the District Court to hear the class action lawsuit on its merits. The lawsuit is under a mediation procedure.	Approx. NIS 2.3 billion, for the last 7 years. Of which, approx. NIS 229 million are attributed to Menora Insurance.

(1) The date the lawsuits and the motions were filed is the original date on which they were filed. The indicated court is the court before which the proceeding had initially been brought.
(2) Based on the class the plaintiff sought to represent in accordance with the statement of claim, which is the basis for the estimated amount claimed.
(3) The claim amount stated above is the amount the plaintiff had estimated when the lawsuit was filed. The amounts specified in the lawsuits are the plaintiff's estimates, according to the estimated class the plaintiff seeks to represent. In some lawsuits, the plaintiff did not name the claimed amount, and therefore, it was not specified. To the extent that the plaintiff specified an amount that was attributed to the company, this is noted expressly.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
2.	07/2014 District Court - Central	NGOs and organizations that serve the pensioner population v. Mivtachim Pension and Provident and additional management companies.	Raising the management fees pensioners pay to the maximum management fees permitted by law (0.5% of the accrued balance), while taking advantage of the pensioners' status as a "captive audience" that is barred from moving its accrual to other pension funds, while active colleagues pay significantly lower management fees on average (approx. 0.3% of their accrued balance and approx. 2% of their current contributions). It was further claimed that the respondents do not disclose to their planholders that when they become pensioners, the management fees they pay the defendants would immediately be raised to the maximum management fees. Causes of action: bad faith misuse of a contractual right, the respondents' cartelistic conduct, breach of the fiduciary duties and the duties of care towards the respondents' planholders, breach of the duty of disclosure towards the planholders, an unduly disadvantageous condition in a standard contract, unjust enrichment, breach of statutory duty, and an unlawful failure to notify the planholders of the increased management fees on the eve of their retirement. Main remedies requested: (a) to return the excess management fees unlawfully charged from the class members with interest and linkage; (b) to require the respondents to lower the management fees charged to the pensioners, such that they do not exceed the management fees it charged before each one of them retired; (c) to prohibit the respondents from raising each planholder's management fees immediately before their retirement.	Anyone who is a planholder of a comprehensive new pension fund and is entitled to be paid an old-age pension and/or will be entitled to be paid an old-age pension in the future.	Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. Further to the parties' announcement that the mediation process had failed, the lawsuit was returned to the court for further adjudication. On March 18, 2022, the District Court (Central District) certified the lawsuit as a class action lawsuit. Pursuant to the court's recommendation, the parties entered a mediation proceeding.	Approx. NIS 48 million for all defendants

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
3.	09/2015 District Court - Tel Aviv	An insurance policyholder v. Menora Insurance	The defendant's (alleged) conscious and deliberate policy of disregard for its duty, as required by law and by decided case law, by paying insurance benefits without the lawful interest. Causes of action: unjust enrichment, breach of contract, deprivation, breach of the Commissioner's Directives, and breach of statutory duty. The main sought remedies: to declare and find that the defendant is in breach of its duty to add the lawful interest and linkage to the insurance benefits it pays, and ordering it to rectify its policy immediately and hereafter; to compel the defendant to pay the class members linked interest in accordance with the law, as defined in Section 1 of the Adjudication of Interest and Linkage Law, 1961, or in accordance with the contractual interest rate stipulated in the policy (whichever is higher), for the period commencing on the date of the occurrence of the insured event and ending on the actual insurance benefits payment date, and alternatively, for the period commencing 30 days from the date of delivery of the insurance claim to the defendant and until the actual insurance benefits payment date; to compel the defendant to pay the class members linkage differences and interest due to its underpayment, from the date of underpaying the insurance benefits and until the day the defendant pays the class members the linked interest; in addition and/or alternatively, should the court find that paying the class members damages is impractical – to order the defendant to compensate the general public.	Anyone who was paid insurance benefits from the defendants in the 7 years preceding the day the lawsuit had been filed and/or who will be paid insurance benefits by the respondent before a judgment is rendered in the lawsuit, without lawfully adding interest to the insurance benefits.	The lawsuit, as detailed below, was certified as a class action lawsuit. It is noted that a judgment has recently been rendered in a similar matter (hereinafter – the "**Barr Affair**") against other insurance companies, which stated that "the claim filing date" (within the meaning of Section 28A to the Insurance Contract Law) on which the 30-day race shall commence, and after which linked interest must be added to the insurance benefits, is the date the insurance company or the insurance agent, whichever is earlier, first received a communication indicating that the policyholder (or a third party or beneficiary) wishes to receive insurance benefits, without needing to attach any document. On May 18, 2021, the defendants in the Barr Affair appealed the judgment before the Supreme Court. At the same time, the District Court certified the lawsuit against Menora Insurance and Shomera on May 26, 2021 (Section 9 below) as a class action lawsuit. Menora Insurance filed its statement of defense on December 14, 2021. On March 13, 2022, the District Court stayed the proceedings in the case, pending a decision on the appeal in the Barr Affair. On November 9, 2022, a ruling was rendered on the Barr Affair, pursuant to which the motion for leave to appeal was denied. Accordingly, the adjudication of the lawsuit in the District Court was resumed.	At least approx. NIS 50 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
4.	09/2015 District Court - Tel Aviv	An insurance policyholder v. Menora Insurance and against 4 other management companies	Charging inappropriately excessive management fees, because the defendants share the management fees with the agents and because they allegedly put the agents in a conflict of interest when they pay the agents a portion of the management fees they charge, and thus, they are in breach of their fiduciary duty towards the class members. The causes of action: breach of their fiduciary duty pursuant to the Provident Funds Law; acting in a conflict of interest vis-à-vis the agents; breach of the fund's bylaws; negligence and conversion in accordance with the Torts Ordinance; unjust enrichment and bad faith in the fulfillment of a contract. The main remedies being sought: a declaratory remedy that states that the defendants must modify the compensation arrangement between them and the agents and adapt it to the law; determining the suitable management fees and the appropriate commission to be paid to the agents, and compelling the defendants to return the excessive management fees they charged.	Planholders of provident funds managed by the defendants, who were charged management fees from which the agents' commission is derived based on the management fees amount.	The lawsuit is at the stage of motion to certify as a class action. Menora Mivtachim Pension and Provident Funds filed a motion for dismissal in limine due to a lack of privity. The counsel for the plaintiffs announced that the motion was filed against Mivtachim Pension and Provident Funds and not against Menora Insurance "due to a slip of the pen and a scribal error". On April 3, 2017, the court held that the lawsuit against Menora Mivtachim Pension and Provident Funds would be stricken out, and Menora Insurance would take its place. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 22, 2022, a judgment was issued in favor of denying the motion to certify. On January 19, 2023, the movants submitted a statement of appeal on the judgment. On February 8, 2023, the Supreme Court ruled that the respondents shall file a written response to the appeal, which was filed on September 28, 2023.	According to an assessment, approx. NIS 2 billion for all the defendants

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
5.	10/2015 District Court - Tel Aviv	Insurance policyholders v. Shomera Insurance	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 3.	Anyone who received insurance benefits from the defendant in the 7 years prior to filing the lawsuit and/or at least during the 3 years prior to filing the lawsuit, and/or who will have received insurance benefits from the defendant by the time a judgment is rendered in the lawsuit, without the lawful interest being added to the insurance benefits.	The lawsuit was certified as a class action. See details in Section 3 above.	At least approx. NIS 20 million
6.	07/2018 District Court – Central	Motor insurance policyholders v. Menora Insurance	Failure to compensate policyholders who purchased “motor insurance policies for non-private vehicles and commercial vehicles weighing up to 3.5 tons” for impairment damage caused to their vehicles due to an insured accident. The main causes of action are: breach of contract, unjust enrichment, misleading, bad faith and exploitation of distress and an unduly disadvantageous condition in a standard contract. The main remedies being sought: to issue a mandatory injunction/declaratory remedy and order the defendant to recognize the impairment damage due to an accident as covered damage under the policy; to compensate its policyholders for impairment damage due to an accident, and to award any other remedy that the Honorable Court deems equitable under the circumstances.	All of the respondent’s policyholders who were insured under a ‘motor insurance policy for non-private vehicles and commercial vehicles weighing up to 3.5 tons,’ and whose vehicles had a traffic accident that resulted in their vehicles suffering impairment damage for which the respondent did not compensate them.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court. The lawsuit is at the summation stage.	NIS 63 million

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
7.	12/2018 District Court - Tel Aviv	A private dwelling insurance policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that superfluous and excessive insurance premiums were charged unlawfully for unnecessary insurance policies that had been issued to structure owners who had taken out a mortgage loan and had been required to insure the structure in favor of the lending bank, despite the fact that there was already a policy in place then they were issued, whether with the same insurer or with another insurer, that insured the same structure for the same period; the above – allegedly in breach of the provisions of the law and while misleading the policyholders. The main causes of action according to the motion are, inter alia: deception, breach of the duty of good faith, negligence, unjust enrichment, and breach of statutory duty. The main remedies the plaintiffs are petitioning for are: a refund of the excessive premium amounts they were unlawfully charged, allegedly, as well as a mandatory injunction compelling the respondents to change their modus operandi.	Anyone who took out a mortgage loan from one or more of Respondents 4-7 and was insured by one or more of Respondents 1-3 under a private dwelling insurance policy that is one of two or more policies in connection with the same structure during the same period.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 24, 2023, the Court approved the motion to certify the lawsuit as a class action lawsuit. On April 1, 2025, a motion was filed to approve a settlement agreement that is subject to the court's approval.	Approx. NIS 280 million for all defendants

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
8.	11/2019 District Court - Tel Aviv	A health insurance policyholder v. Menora Insurance	The motion concerns the claim that the defendant allegedly raises the insurance premiums in contrast with the insurance premiums variation table in the list of terms attached to the policy, and, furthermore, that it changes the insurance premiums during the insurance period, such that fixed insurance premiums become variable insurance premiums, unilaterally and – allegedly – against the law.	All the defendant's policyholders, including in health, long-term care, and life insurance policies of any kind, for whom the defendant raised the insurance premiums, at times and at rates that are not specified in the policy, in the 7 years prior to filing the lawsuit, and/or policyholders for whom the defendant raised the insurance premiums even though their policies are claimed to have clarified that their insurance premiums are fixed.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure. On March 10, 2021, the movant announced that the mediation process had ended without reaching a consensus, and the case was returned to the court. On August 2, 2021, there was a pre-trial hearing, in which the parties agreed to hold another mediation process. Further to the unsuccessful mediation and conciliation processes, the lawsuit is in the summation stage. Pursuant to the court hearing, the parties entered an additional mediation proceeding.	At least NIS 25 million
9.	04/2020 District Court - Haifa	A policyholder v. Menora Insurance et al.	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third party insurance policyholders during the "effective period" or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 132 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
10.	04/2020 District Court - Haifa	A policyholder v. Shomera Insurance et al.	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third party motor insurance policyholders during the "effective period" or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has yet to submit its response to the motion. The lawsuit is at the summation stage.	NIS 74 million
11.	04/2020 District Court - Central	A policyholder v. Menora Insurance et al.	The motion concerns the claim that the defendants do not reduce and do not refund their compulsory motor insurance and comprehensive and third party motor property insurance policyholders for the allegedly excessive insurance premiums they had paid, in light of the extremely reduced risk level to which the defendants are exposed following the dramatic reduction in economic activity due to Covid-19 outbreak and the reduced volumes of road traffic.	All the defendants' policyholders who held compulsory motor insurance or comprehensive property and third party motor insurance policies on March 12, 2020, and until the date the lawsuit was filed (hereinafter - the "**Relevant Period**") and who did not receive a refund or reduced insurance premiums with respect to this period, at a rate and at an amount that correspond to the reduction in the insurance risk.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 107 million
12.	08/2020 District Court - Central	A planholder v. Menora Insurance et al.	The lawsuit concerns the claim that when stipulating an exclusion in the policy due to the policyholder's medical condition, the defendants allegedly charge an excess premium, because the exclusion is claimed to reduce the insurer's insurance risk, compared with policies with no exclusions.	Anyone who was a policyholder in the period beginning 7 years before the day of filing the claim and ending on the day of its certification as a class action, under an insurance policy for disability, long-term care, life, disability, personal accidents, health (including critical illness, surgeries and transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	Approx. NIS 1.9 billion for all defendants, of which, an estimated 6% are against Menora Insurance.

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
13.	12/2020 District Court - Central	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant markets health insurance policies that include riders that are intended to provide the policyholders with medical services, but in practice, allegedly, the medical service is not provided, or it is provided only partially by the defendant or anyone on its behalf. The main causes of action according to the motion are, inter alia: breach of contract, breach of the duty of good faith in fulfilling a contract, unjust enrichment. The main remedies the plaintiffs are petitioning for are: reimbursement of the insurance premiums that were allegedly charged unlawfully, reimbursement of any amount the class members paid for treatment privately, and alternatively, the difference between any amount thus paid and the amount received from the defendant, and reimbursement of deductible amounts; the above – plus linkage differences and interest.	All the defendant's policyholders that have health insurance policies that include riders, to whom the service was not provided by the defendant or anyone on its behalf in practice, in the 3 years prior to filing the lawsuit (regarding payment of insurance benefits), and 7 years prior to filing the lawsuit (regarding the reimbursement of insurance premiums), as applicable.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure. The mediation process had failed, the lawsuit was returned to the court for further adjudication. The lawsuit is at the summation stage.	NIS 46.4 million
14.	07/2021 District Court - Tel Aviv	A policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that when paying pensions, the defendant reduces the accrued monthly return for the "cash surrender value" balance, at a rate of 2.5% (or any other rate), allegedly without a contractual basis in the policy's terms and in contravention of the law. The main causes of action are, inter alia: breach of contract, breach of statutory duty, breach of duty of disclosure, breach of fiduciary duty and the duty of good faith, and unjust enrichment. The main remedies are, inter alia: to issue a declaratory order stating that deducting the interest from the monthly return is a breach in accordance with the aforementioned causes of action, and to order the recovery of all amounts that were unlawfully withheld, plus linkage differences and interest, as well as to order the defendants to cease deducting interest from the monthly return.	All of the defendant's policyholders who purchased life insurance policies that include savings accrual from the defendant, issued between the years 1991 and 2004, from whom interest was and/or will be deducted at a rate that is not specified in the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	Much higher than NIS 2.5 million

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

B. Following is a breakdown of the motions with respect to material lawsuits and motions to certify them as class actions: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments, causes and remedies	Represented class (2)	Details	Claimed amount (3)
15.	10/2021 District Court - Central	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant is conditioning payment of coverage for accidental disability under personal accident policies on the disability arising during the insurance period, and in so doing, the defendant is allegedly denying its policyholders compensation in accordance with the provisions of the policy and the law, and in particular, with respect to individuals who are no longer insured under the insurance (whether they terminated the policy at their own initiative or because the policy was terminated due to their age).	Anyone who purchased a personal accidents insurance policy from the defendant and suffered an insured event in the past 7 years (hereinafter - the "**represented class**").	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure. A motion to approve a settlement agreement was filed with the court. The settlement agreement has been reached as a result of direct negotiations between the parties, rather than under the mediation process.	Much higher than NIS 31 million
16.	09/2022 District Court - Tel Aviv	A policyholder v. Menora Insurance and additional insurance companies	The lawsuit concerns the claim that the defendants violate the terms of the insurance contract between the parties by refusing to cover medical cannabis purchase expenses.	All of the defendants' policyholders who had purchased coverage for pharmaceuticals that are excluded from the Healthcare Services Basket, who were not reimbursed for their medical cannabis expenses.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	NIS 30 million (at least)

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits:

In addition to the material lawsuits and motions to certify them as class action lawsuits, as detailed above, that were certified or that are pending certification, there are other such lawsuits and motions to certify them as class action lawsuits, for which the claim amount in each of them is immaterial, and therefore, no detailed description of them is included in the financial statements:

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
1.	08/2019 District Court - Central	Israel Consumers Council v. Menora Insurance et al.	The lawsuit concerns the claim that when there is a total loss event following an accident or theft (hereinafter - the "**insured event**"), the defendants do not return the rate of the insurance premiums attributed to the policy's various riders (e.g., roadside repairs, towing, and windshield repair) for the remaining insurance period after the date of the aforementioned insured event.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. On December 5, 2023, the Court certified the lawsuit as a class action. on February 1, 2024, Menora Insurance filed a motion to appeal the decision to the Supreme Court. The hearing on the motion for leave to appeal took place on May 22, 2024, and Menora Insurance withdrew the motion for leave to appeal in accordance with the court's recommendation.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).
2.	08/2019 District Court - Central	Israel Consumers Council v. Shomera et al.	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 1.	The lawsuit is at the stage of certification as a class action. Shomera has submitted its response to the motion. See further details in Section 1 above.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
3.	05/2020 District Court - Tel Aviv	A planholder v. Menora Mivtachim Pension and Provident Funds and Menora Mivtachim Federation of Engineers et al.	The lawsuit concerns the claim that the defendants erroneously record some of the contributions into study funds as contributions that exceed the qualifying contribution ceiling, and therefore, the gains arising from these contributions are taxed with the capital gains tax.	The lawsuit is at the stage of certification as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The lawsuit is under a mediation procedure.	Not quantified.
4.	07/2020 District Court - Tel Aviv	A policyholder v. Menora Insurance	The lawsuit concerns the claim that when paying insurance benefits, the defendant allegedly violates the terms of the policy and indemnifies the policyholders for the nominal amount specified in the policies, without linking that amount to the consumer price index and, in particular, to the applicable index as of the date of entering the insurance contract.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	More than NIS 2.5 million (including non-pecuniary damage).

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
5.	02/2021 Lod District Court	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant interprets the provisions of the Supervision of Insurance Business Regulations, according to which only claims submitted by the policyholder and whose amount exceeds 35% of the annual premium paid by the policyholder may be included in the policyholder's claims report, in an arbitrary manner and in bad faith, in that its report also includes cases in which, within the defendant's independent treatment of and investigation into the policyholder's claim, it paid funds to various entities other than the policyholders.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	Not quantified.
6.	04/2021 District Court - Tel Aviv	A planholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that when the defendants' customers browsed their personal information section using the digital services on the defendants' website and/or mobile applications, the customers' personal and confidential information was transferred to third parties (without their consent), specifically to Google and its advertising service.	The lawsuit is at the stage of certification as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court. The lawsuit is at the summation stage.	Higher than NIS 2.5 million
7.	04/2022 District Court - Jerusalem	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not recognize a surgery that must be performed as an insured event, arguing that it is a preventive surgery that does not fall under the definition of "surgery" according to the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 3 million
8.	09/2022 District Court - Tel Aviv	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly discriminates against the insured men in its health insurance policies' ambulatory services appendix, by refusing to reimburse men for the cost they had incurred in pregnancy-related, childbirth-related and newborn care-related expenses.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
9.	11/2022 District Court - Central	A policyholder v. Shomera	The lawsuit concerns the claim that the defendant markets certain motor property insurance plans to its policyholders that include riders as an inherent part, allegedly without presenting the price of the rider to the customers in the marketing process and after it is complete, and without allowing them to waive the rider and in return, be offered a lower price that would reflect the excluded service cost, such that purchasing the riders allegedly becomes a condition for the insurance plan.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has yet to submit its response to the motion. On February 3, 2025, the court granted the motion to certify.	More than NIS 2.5 million
10.	12/2022 District Court - Tel Aviv	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly reduces the insurance benefits its policyholders are entitled to, for policyholders who are considered to suffer from work disability, by linking their payments from the 25th month and onward, to the consumer price index, which is lower than the investment profitability index, instead of linking them to the investment profitability index, and in so doing, the defendant is allegedly paying its policyholders lower amounts than the amounts it had committed to pay in accordance with the terms of the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
11.	7/2023 District Court - Tel Aviv	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not make adequate representations regarding the professional liability policies for lawyers that it has been marketing since it has won the Israel Bar Association's tender in 2016, and that when a policyholder seeks to realize their coverage under the aforementioned policy and/or under any other policy marketed by Menora Insurance and that covers legal expenses and/or defense expenses – Menora Insurance violates its obligations under the policy and acts unlawfully by impairing the policyholder's ability to be defended by an attorney who is not on Menora Insurance's list of service providers, including by limiting the attorney's fees payable to them.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
12.	10/2023 District Court - Tel Aviv	A policyholder v. Shomera et al.	The lawsuit concerns the claim that the defendants provide, along with motor insurance policies, riders for the provision of towing services for vehicles that allegedly do not provide a lift towing service for vehicles requiring this (as distinct from flat towing) and charges the vehicle owners an additional separate payment for the said service.	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion. On November 29, 2024, the court decided to strike the motion. On January 26, 2025, the movants appealed the judgment to the Supreme Court.	According to the plaintiff's estimate - NIS 80 million
13.	11/2023 District Court - Tel Aviv	A policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that following an extreme event, such as the Iron Swords War, the risk declines dramatically, which is expected to result in a substantial and unplanned profit for insurance companies. That at the time of purchasing the policies of any of the respondents by the movants and class members, the risk and/or odds of a sudden attack, as had occurred in the Iron Swords War, was not taken into account when the premiums had been set, and that not providing the service and/or full or partial insurance coverage is egregious in light of the substantially reduced risk, especially to those who had been conscripted in an emergency call-up of reservists.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	NIS 10 million.
14.	1/2024 Labor Court - Haifa	A policyholder v. Menora Mivtachim Pension and Provident Funds	The action involves the claim that the pension fund managed by the defendant unlawfully collects insurance coverage costs (insurance premiums), which are higher than those it was entitled to collect, while reducing the accumulation amount, for the following reasons: (a) The calculation of the determinative salary is too high in relation to the correct calculation and therefore the collection of insurance coverage costs are higher than the insurance coverage costs which should have been collected; (b) Collection of insurance coverage costs for a full month in relation to the month in which the planholder joined the pension fund (instead of only partial collection according to the part of the month in which the planholder was actually a planholder and received insurance coverage from the pension fund); (c) Collection of insurance coverage costs for a deposit received from the employer retroactively, even though according to the regulations, a retroactive deposit does not grant the planholder insurance coverage for the period preceding the date of its receipt.	The lawsuit is at the stage of certification as a class action. Menora Pension and Provident Funds has submitted its response to the motion. The lawsuit is under a mediation procedure.	More than NIS 2.5 million.

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
14.	1/2024 Labor Court - Haifa	A policyholder v. Menora Mivtachim Pension and Provident Funds	The action involves the claim that the pension fund managed by the defendant unlawfully collects insurance coverage costs (insurance premiums), which are higher than those it was entitled to collect, while reducing the accumulation amount, for the following reasons: (a) The calculation of the determinative salary is too high in relation to the correct calculation and therefore the collection of insurance coverage costs are higher than the insurance coverage costs which should have been collected; (b) Collection of insurance coverage costs for a full month in relation to the month in which the planholder joined the pension fund (instead of only partial collection according to the part of the month in which the planholder was actually a planholder and received insurance coverage from the pension fund); (c) Collection of insurance coverage costs for a deposit received from the employer retroactively, even though according to the regulations, a retroactive deposit does not grant the planholder insurance coverage for the period preceding the date of its receipt.	The lawsuit is at the stage of certification as a class action. Menora Pension and Provident Funds has submitted its response to the motion. The lawsuit is under a mediation procedure.	More than NIS 2.5 million.
15.	2/2024 District Court - Tel Aviv	A policyholder v. Shomera	The action involves the claim that the defendant reduces various amounts when paying insurance benefits as part of comprehensive motor insurance policies, based on “reducing variables" or "special variables," which were not specified to policyholders in the pre-contractual phase, contrary to the circular, “Motor Insurance (Property) - Insurance Benefits in Case of a Total Loss."	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.
16.	5/2024 District Court - Central	A policyholder v. Menora Insurance et al.	The claim alleges that the respondents violate the provision of the Supervision Law and Commissioner’s Circulars with respect to marketing and sale of riders for related services in motor comprehensive or third party insurance, such as: repair of windshields and headlights, towing and rescue, etc.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion. The lawsuit is under a mediation procedure.	More than NIS 2.5 million.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
17.	5/2024 District Court - Central	A policyholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that the defendant raised the management fees that the plaintiff paid in the investment provident fund due to the cessation of contributions to the investment provident fund, and this (according to the claim) is contrary to the provisions of the fund regulations (based on the Standard Policy that the Commissioner of the Capital Market, Insurance and Savings Authority published in 2016) and allegedly contrary to the provisions of the accession form that the planholder signed.	The lawsuit is at the stage of certification as a class action. Menora Pension and Provident Funds has submitted its response to the motion.	More than NIS 2.5 million.
18.	6/2024 District Court - Haifa	A policyholder v. Shomera	The lawsuit concerns the allegation that the windshield installers working on behalf of the respondents under a "windshield insurance" rider (hereinafter - the "**rider**") do not carry out an inspection and/or calibration of the safety system installed on the vehicle's front windshield when dismantling the broken windshield and installing the new (spare) windshield, and are thus in breach of the provisions of the law and its undertakings under the policy and the riders.	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
19.	6/2024 District Court - Central	A policyholder v. Menora Insurance	The lawsuit concerns the allegation of the respondent's allegedly wrongful and unlawful practice of automatically renewing home insurance policies, while raising insurance premiums, on the pretext of revoking a "special discount" that does not apply to renewals, without notice and without consent, in contravention of the law.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	More than NIS 2.5 million
20.	7/2024 Court - Haifa	A policyholder v. Menora Insurance et al.	The lawsuit concerns the allegation that the defendants allegedly breach the duty of good faith and the duty of disclosure to the policyholders, by not disclosing to them that the permanent health insurance does not cover them until the date the policyholders had specified in the insurance offer, claiming that the defendants allegedly did not pay the policyholders the monthly insurance benefits until the end of the insurance period, as requested in the offer; and claiming, moreover, that the defendants allegedly breach the directives issued by the Commissioner of the Capital Market in this regard, under which the insurance period in a plan that includes permanent health insurance coverage would continue at least until the policyholder reaches the mandatory retirement age, according to their calendar age.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
21.	7/2024 District Court - Lod	A policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant allegedly breaches the terms of the critical illness insurance policies and the Capital Market Commissioner's circular, in that, as alleged, the defendant allegedly denies cases that are medically diagnosed as severe heart attacks and does not define them as insured events under the policy, allegedly based on archaic laboratory-biochemical criteria.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
22.	7/2024 District Court - Lod	A policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant allegedly breaches the terms of its TOP Premium (Mushlemet TOP) health insurance policies, in that, according to the allegation, claims due to the medical procedure of ultrasound imaging-guided injections are allegedly denied by the defendant, unlawfully, due to an injection exception in the definition of "surgery" under the policy, and in that, according to the allegation, compensation claims for surgeries carried out overseas are allegedly denied unlawfully on the grounds that the coverage for private surgeries overseas does not include compensation for the surgery but indemnification for receipts and/or direct payment to the service providers, in accordance with the terms.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million
23.	12/2024 (Regional - Tel Aviv)	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant imposes on the policyholders in the disability policies a professional supplement due to a change in occupation in a manner that reduces the insurance benefits that it must pay and this is allegedly unlawful.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	NIS 10 million.
24.	01/2025 District Court - Central	A policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not compensate and/or indemnify the members of the Group as defined below, taking into account the costs of the actual surgery, but allegedly according to much lower amounts, and that the prices of the surgeries listed in the calculator are not based, according to the claim, on the real prices that the defendant pays in connection with the surgeries, contrary to the provisions of the law. Including a judgment given in the defendant's case in Class Action 564-04-09 Kidishman v. Menora.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 3.6 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claimed amount
25.	02/2025 District Court - Central	A policyholder v. ERN Israel Ltd.	The lawsuit concerns the allegation that the defendant collects fees - primarily a “collection fee” - from consumers who make payments to various businesses without having a contract in place and without sufficient disclosure of the amount of the fees (neither upon signing the letter of commitment signed by the movant nor afterwards). The alleged causes of action in the motion to certify are breach of the provisions of Section 13B2 to the Consumer Protection Law, breach of statutory duty (which is the duty set forth in section 13B2 to the Consumer Protection Law), breach of contract, breach of the duty to act in good faith and unjust enrichment. The main remedies claimed are: Compensation and restitution of the amounts allegedly collected unlawfully plus linkage differences and interest, and a permanent ordinance prohibiting the defendant from collecting any additional payment including a collection fee.	The lawsuit is at the stage of certification as a class action. ERN has yet to submit its response to the motion.	Higher than NIS 2.5 million
26.	02/2025 Labor Court - Tel Aviv	A planholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the allegation that the defendant collected management fees at a rate higher than 0.3% from holders of "dormant accounts" in a provident fund and from the accounts of deceased persons whose successors were not detected, without acting to renew contact with the members or to detect their successors as required under the regulations. The alleged causes of action include, among other things, breach of statutory duty, breach of the fiduciary duty, negligence, unjust enrichment, bad faith, breach of autonomy and equality, misrepresentation, and fraud. The main remedies claimed are: Compensation for the damage, including restitution of the management fees, which were allegedly collected at a rated higher than the rate set, mandatory injunction to the defendant requiring it to act to detect the account holders, contact with whom has been lost, and the successors/beneficiaries of deceased planholders.	The lawsuit is at the stage of certification as a class action. Menora Pension and Provident Funds has yet to submit its response to the motion.	More than NIS 2.5 million
27.	03/2025 District Court - Central	A policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant pays funds arising from insurance premium refunds by means of checks instead of bank transfer or crediting a credit card.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

D. Concluded lawsuits

Serial No.	Date and court	Parties	Main arguments, causes and remedies	Details	Claimed amount
1.	03/2016 District Court - Central	Motor insurance policyholders v. Menora Insurance	Deduction from insurance benefits of VAT amounts and/or compensation due to impairment, and alleged underpayment of appraiser's fees, in contravention of the law. The causes of action: breach of statutory duty, unjust enrichment, fraud, breach of the Financial Services Supervision Law (Insurance), 1981, breach of the Supervision of Insurance Business Regulations (Motor Insurance Contract Terms), 1986, and the Supervision of Insurance Business Regulations (Home and Belongings Insurance Contract Terms), 1986, breach of contract, and breach of the duty of good faith. The main remedies being sought: to compel the respondent to return the VAT amounts and the impairment amounts that were not paid to the class members, as well as the appraiser's fees reimbursement amounts that were never paid, in real values plus lawful linkage differences and interest; moreover, to find that the deduction method the respondent employs is unlawful and to order the respondent to cease using it.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The case was referred to mediation. On September 6, 2023, a motion was filed to approve a settlement agreement that is subject to the court's approval. On April 7, the court approved the settlement agreement, and thus the lawsuit was concluded.	Was not quantified. Estimated at approx. NIS 60 million per year
2.	03/2023 District Court - Central	A policyholder v. Shomera	The lawsuit concerns the claim that the defendant only pays partial appraiser's fees to injured parties in motor insurance claims, without justification and without explaining why the fees were reduced. According to the applicant, in so doing, the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion. On April 27, 2025, the movant filed a motion to withdraw. On April 27, 2025, the court granted a motion to withdraw, and thus the lawsuit was concluded.	More than NIS 2.5 million
3.	03/2023 District Court - Tel Aviv	A policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant has an improper and illegal practice whereby it partially repays the appraiser's fees to the injured parties, without justification, and without explaining why the fees were reduced. According to the applicant, in so doing. the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. On April 21, the parties filed a motion to withdraw the motion to certify a class action. On May 5, 2025, the court granted a motion to withdraw, and thus the lawsuit was concluded.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

Class actions and motions to certify lawsuits as class actions (cont.)

Summary table:

The following table summarizes the amounts claimed in pending motions to certify claims as class actions, claims certified as class actions and other material claims against the Group, as noted by the plaintiffs in the statements of claim filed on their behalf. It is hereby clarified that the amount claimed does not necessarily constitute a quantification of the exposure amount assessed by the Group, since these are assessments on behalf of the plaintiffs which will be litigated as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a settlement agreement was approved in respect thereof.

	No. of lawsuits	Amount claimed
	Unaudited	
		NIS thousand
Certified class actions:		
Stated amount attributed to the Group	4	301,500
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	2	328,000
No claim amount was specified	1	-
Pending motions to certify claims as class actions:		
Stated amount attributed to the Group	32	774,000
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	1	2,000,000
No claim amount was specified	3	-

As of the reporting date, the cumulative provision for lawsuits filed against the Company, as detailed above, totals approx. NIS 165 million (as of March 31, 2024 – NIS 162 million, and as of December 31, 2024 – NIS 179 million).

From time to time, the Commissioner issues position papers, principles for drafting insurance plans, papers on proper and improper practices and other documents or draft documents that are relevant to the Group’s areas of activity and which may have an effect on the rights of the policyholder/s and/or planholder/s and may create an exposure for the Group in certain cases with respect to both its period of operation prior to those documents coming into effect and the future.

It is impossible to predict in advance whether and to what extent the Group is exposed to allegations connected to and/or resulting from directives that may arise in part through the procedural mechanism set forth in the Class Actions Law. Similar circulars issued by the Commissioner with a future effective date may have such an effect.

From time to time complaints are filed against the Group, including complaints to the Commissioner with respect to rights of policyholders and/or planholders according to insurance plans and/or funds and/or the law. These complaints are handled regularly by the Group's Ombudsman. At times, the Commissioner's decisions (or draft decisions) on these complaints are rendered across the board for a class of policyholders.

Notes to the Consolidated Interim Financial Statements

NOTE 11 - CONTINGENT LIABILITIES (CONT.)

Class actions and motions to certify lawsuits as class actions (cont.)

Furthermore, from time to time, and also following policyholders' complaints, the Commissioner conducts audits on his behalf at the Group's institutional entities and/or sends requests to them to receive information on various issues of management of the institutional entities and management of the rights of the institutional entities' policyholders and planholders, as well as audits to verify the implementation of regulatory directives and/or lessons from previous audits, wherein, among others, demands are received to make changes in various products and instructions are given for implementing circulars and/or guidelines and/or for rectifying deficiencies or for the taking of actions by the institutional entities, including making refunds to policyholders and planholders. On the basis of the audit findings or the information provided, the Commissioner sometimes imposes financial sanctions pursuant to the Enforcement Authority Law.

There is an overall exposure, which cannot be assessed and/or quantified, due to, among other things, the complexity of the services provided by the Group to its policyholders. The complexity of these arrangements inevitably leads to interpretive claims and other claims due to information gaps between the Group and third parties to the insurance contracts in connection with a long list of commercial and regulatory terms. This exposure is expressed mainly in connection with pension savings and long-term insurance products, including health insurance, in which the Group operates, due to them being characterized by a prolonged lifespan and extreme complexity, particularly in view of the legislative arrangements relating both to management of the products and to taxation, including on issues concerning the contributions made by employers and policyholders, separation and attribution of the contributions to the various policy components, investment management, the policyholder's employment status, his contribution payments, etc. These products are managed over years during which there are changes in policy, regulatory requirements and legal trends, including in court rulings. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and application of changes with respect to many years creates increased operating exposure. Receipt of a new interpretation to insurance policies and long-term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is impossible to anticipate the types of claims that will be raised in this area or the exposure arising from these and other claims in connection with insurance contracts - claims which are raised through, among other things, the procedural mechanism set forth in the Class Actions Law.

Furthermore, the insurance domain in which the Group companies operate is high in detail and circumstances, and has an inherent risk that cannot be quantified as to the occurrence of an error or series of mechanical or human errors, in both structured work processes and when handling a specific customer, and which may cause expansive consequences as to both the effect on a large number of customers or cases and the relevant monetary effect concerning an individual customer. The Group's institutional entities regularly cleanse the rights of policyholders, in all that concerns management of the products at institutional entities, according to gaps that are discovered from time to time.

The Group is exposed to claims and allegations on the level of contract laws and fulfillment of the insurance liabilities in the policy, deficient consultation, breach of fiduciary duty, conflict of interests, duty of care, negligence as part of the professional liability of the professional entities in the Group including the Group’s agencies as well as engagements with reinsurers etc., allegations relating to the services provided by the Group companies, and from time to time there are circumstances and events that raise concerns regarding allegations of that type. The Group acquires professional liability insurance policies, including as required by the legislative arrangement, and when necessary it reports to the policy’s insurer or insurers in order to cover an obligation deriving from professional liability that can be protected by acquiring insurance. The amounts of the possible exposure are higher than the amounts covered and there is no certainty that the insurance coverage will actually be received upon the occurrence of an insured event.

Notes to the Consolidated Interim Financial Statements

NOTE 12 - SIGNIFICANT EVENTS IN AND SUBSEQUENT TO THE REPORTING PERIOD

A. Summary of the effects of the revision of assumptions in the calculation of the liabilities for insurance contracts on the financial results and CSM balance:

	Finance income or expenses from insurance	Effect on the CSM balance
	Unaudited	
	NIS thousand	
For the three-month period ended March 31, 2025 (unaudited)		
Life Insurance Segment		
Change in discount rate and expected return assumption (including illiquidity premium)	18,270	47,566
Health insurance segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(43,252)	-
Property and casualty insurance segment		
Change in discount rate and expected return assumption (including illiquidity premium)	14,627	-
For the three-month period ended March 31, 2024 (unaudited):		
Life Insurance Segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(27,704)	(14,409)
Health insurance segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(42,035)	-
Property and casualty insurance segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(11,989)	-
For the year ended December 31, 2024 (unaudited):		
Life Insurance Segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(36,296)	(14,578)
Effect of the revision of demographic assumptions and other changes:	(6,086)	(685,477)
Health insurance segment		
Change in discount rate and expected return assumption (including illiquidity premium)	(74,137)	-
Effect of the revision of demographic assumptions and other changes:	42,344	370,952
Property and casualty insurance segment		
Change in discount rate (including illiquidity premium)	3,133	-

Notes to the Consolidated Interim Financial Statements

NOTE 12 - SIGNIFICANT EVENTS IN AND SUBSEQUENT TO THE REPORTING PERIOD (CONT.)

A. Summary of the effects of the revision of assumptions in the calculation of the liabilities for insurance contracts on the financial results and CSM balance: (cont.)

In the Reporting Period and in the corresponding period last year there were no significant changes in demographic and operational assumptions in the calculation of insurance assets and liabilities in the Life Insurance and Health Insurance segments. Key changes in 2024 include: cancellation and retention discount updates, mortality discounts, annuity uptake rate, and morbidity discounts. Furthermore, assessments have been updated for actual changes in the Health Insurance Segment due to the implementation of regulatory changes in the medical expenses product. The total effect described in the table above for the life insurance segment also includes the effect on the change in the fair value of the designated bonds (Hetz bonds).

B. Tender offer - Isracard

On October 31, 2024, the Company entered into an investment agreement with Isracard Ltd. (hereinafter - “**Isracard**”) for the acquisition of approx. 33% of Isracard’s issued and paid up share capital by way of private placement at pre-money valuation of NIS 3.15 billion. On December 30, 2024, Isracard announced that it received another proposal, which constitutes a “preferrable proposal" and therefore it intends to cancel the investment agreement signed with the Company. On January 1, 2025, the Company notified Isracard that it does not intend to negotiate an amendment to the agreement’s terms. On January 5, 2025, Isracard notified the Company of the cancellation of the investment agreement. Accordingly, the Company received compensation totaling approx. NIS 62 million, which was recognized in the Company's results during the reporting period.

C. Yesodot transaction

On January 27, 2025, Menora Insurance and another Menora group subsidiary (hereinafter - the "**Investor**") entered into an agreement with Yesodot A. Financial Support Ltd. (hereinafter - “**Yesodot**") for the provision of subordinate credit facilities (hereinafter - the "**Agreement**"). Menora Insurance and the Investor undertook to advance to Yesodot credit facilities totaling NIS 200 million each, and the credit facility to be advanced by the Investor is convertible into 50.1% of Yesodot’s shares; such conversion will result in assumption of control. Furthermore, the parties entered into a shareholder agreement, which will come into effect upon the execution of the conversion (if it is executed), comprising three mutual options (put and call), for a period of up to 4 years, at the end of which (if exercised) the Investor will hold 100% of Yesodot’s shares. In April 2025, all the conditions precedent were met and accordingly the Agreement entered into force.

Chapter D

Data from the Financial Statements Attributed to the Company

MENORA MIVTACHIM

Financial Data from the Consolidated Interim Financial Statements Attributable to the Company

As of March 31, 2025

Unaudited

Regulation 38D

Menora Mivtachim Holdings Ltd.

Financial Data from the Consolidated Interim Financial Statements Attributable to the Company

As of March 31, 2025

Unaudited

Regulation 38D

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Shape the future with confidence

To:
the Shareholders of Menora Mivtachim Holdings Ltd.

Re: Independent Auditors' Special Review Report on the Separate Interim Financial Information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have audited the Interim Separate Financial Information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Menora Mivtachim Holdings Ltd. (hereinafter – the "**Company**") as of March 31, 2025 and for the three-month period ended on that date. The Interim Separate Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the Interim Separate Financial Information for this interim period based on our review.

Neither did we audit the condensed interim financial information of equity-accounted companies, the investment in which amounted to NIS 445,980 thousand as of March 31, 2025, and the Company's share in the income of which totaled NIS 15,167 thousand for the three-month period then ended. The condensed interim financial information of the above companies was audited by other independent auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

Scope of the Review

We performed our review pursuant to Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of Interim Separate Financial Information consists of inquiries, mostly of persons responsible for financial and accounting issues, and of applying analytical and other review procedures. A review is substantially smaller in scope than an audit performed pursuant to generally accepted auditing standards in Israel and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that may be identified in an audit. Consequently, we are not expressing an audit opinion.

Conclusion

Based on our review and the review reports of other independent auditors, nothing has come to our attention that causes us to believe that the abovementioned Interim Separate Financial Information does not comply, in all material respects, with the disclosure provisions of Chapter 38D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
May 28, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Financial data from the consolidated statements of financial position

	As of March 31		As of December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousand		
Current assets			
Cash and cash equivalents	325,750	279,715	14,394
Financial investments	345,730	325,316	351,819
Current tax assets	6,330	4,757	13,651
Receivables and debit balances	1,191	831	3,827
Current balances with investees	18,868	15,315	8,100
Total current assets	697,869	625,934	391,791
Non-current assets			
Loans and receivables	33,930	33,217	33,879
Investments in investees	7,041,401	5,842,179	6,947,588
Loans to investees	346,114	350,084	344,530
Assets for employee benefits	12,704	11,931	12,517
Property, plant & equipment	1,066	1,579	1,169
Deferred taxes	3,662	16,734	8,367
Total non-current assets	7,438,877	6,255,724	7,348,050
	8,136,746	6,881,658	7,739,841
Current liabilities			
Current maturities of financial liabilities	53,240	53,324	53,253
Futures	907	-	35
Payables and credit balances	160,177	185,337	7,860
Current balances with investees	1,964	1,865	2,025
Total current liabilities	216,288	240,526	63,173
Non-current liabilities			
Financial liabilities	224,322	271,440	222,762
Liabilities for employee benefits	22,278	21,226	22,056
Total non-current liabilities	246,600	292,666	244,818
Equity attributable to the Company's shareholders			
Share capital	99,429	99,429	99,429
Share premium	317,289	332,215	326,460
Treasury shares	(66,689)	(95,207)	(84,019)
Capital reserves	347,515	316,578	347,253
Retained earnings	6,976,314	5,695,451	6,742,727
Total equity capital	7,673,858	6,348,466	7,431,850
	8,136,746	6,881,658	7,739,841

May 28, 2025			
Approval date of the financial statements	**Eran Griffel Chairman of the Board**	**Ari Kalman CEO**	**Ran Kalmi CFO**

Financial data from the consolidated statements of profit or loss

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousand		
Income			
Income from investees	334,262	343,268	1,640,204
Revenues from investments and financing	1,140	9,241	46,233
Finance income for loans to investees	3,587	3,379	20,563
Other income	61,957	-	-
Management fees from investees	2,928	3,068	11,177
Total income	403,874	358,956	1,718,177
Expenses			
Finance expenses	712	1,106	4,058
General and administrative expenses	4,655	4,246	18,582
Total expenses	5,367	5,352	22,640
Income before taxes on income	398,507	353,604	1,695,537
Taxes on income	14,783	2,028	11,530
Net income	383,724	351,576	1,684,007

Financial data from the consolidated statements of comprehensive income

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousand		
Net income attributable to the Company	383,724	351,576	1,684,007
Other comprehensive income (loss) that, subsequent to initial recognition in comprehensive income, was or will be carried to profit and loss			
Other comprehensive income (loss) attributable to the investees, net	7,502	(993)	(3,526)
Other comprehensive income (loss) not transferred to profit and loss			
Loss due to remeasurement of defined benefit plans	(53)	(45)	(424)
Tax benefit	(12)	(10)	(98)
	(41)	(35)	(326)
Other comprehensive income (loss) attributable to the investees, net	(96)	(274)	37,896
Total other comprehensive income (loss) not transferred to profit and loss	(137)	(309)	37,570
Total other comprehensive income (loss), net	7,365	(1,302)	34,044
Total comprehensive income attributable to the Company	391,089	350,274	1,718,051

Financial data from the consolidated statements of cash flows

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousand		
Cash flows from operating activities			
Net income	383,724	351,576	1,684,007
Adjustments required to present cash flows from operating activities:			
Adjustments to profit and loss line items:			
Investment and finance income, net	(623)	(10,019)	(41,565)
Depreciation	104	117	444
Cost of share-based payment	60	120	399
Income from investees	(334,262)	(343,268)	(1,640,204)
Taxes on income	14,783	2,028	11,530
	(319,938)	(351,022)	(1,669,396)
Changes in assets and liabilities line items:			
Change in liabilities for employee benefits	(19)	(214)	(350)
Decrease (increase) in other receivables and debit balances	5,894	5,896	(786)
Decrease in payables and credit balances	(1,798)	(45)	(12,339)
	4,077	5,637	(13,475)
Cash paid and received during the period:			
Interest paid	-	-	(4,716)
Interest received	2,257	3,544	10,904
Taxes paid	(8,727)	(7,327)	(17,042)
Taxes received	6,044	-	-
Dividend received	257,397	250,380	539,317
	256,971	246,597	528,463
Net cash provided by operating activities attributable to the Company as a parent company	324,834	252,788	529,599
Net cash used for operating activities for transactions with investees	(11,167)	(3,815)	(4,312)
Net cash provided by operating activities	313,667	248,973	525,287

Financial data from the consolidated statements of cash flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		Audited
	NIS thousand		
Cash flows provided by investing activities			
Purchase of property, plant and equipment	-	-	(33)
Proceeds from realization of securities measured at fair value through profit and loss, net	7,075	19,258	63,757
Provision of long-term loans	(660)	(222)	(1,116)
Net cash provided by investing activities attributable to the Company as a parent company	6,415	19,036	62,608
Net cash used for activity in respect of transactions with investees	(8,654)	(4,075)	(75,762)
Net cash provided by (used for) investing activities	(2,239)	14,961	(13,154)
Cash flows provided by financing activities			
Repayment of financial liabilities	(28)	(41)	(53,422)
Dividend paid to the Company's shareholders	-	-	(460,148)
Net cash used for financing activities	(28)	(41)	(513,570)
Exchange rate differences in respect of cash and cash equivalent balances	(44)	42	51
Increase (decrease) in cash and cash equivalents	311,356	263,935	(1,386)
Balance of cash and cash equivalents as of the beginning of period	14,394	15,780	15,780
Balance of cash and cash equivalents as of the end of period	325,750	279,715	14,394
Noncash activity			
Financial investments received as dividend	-	-	45,000
Dividend distributed against payables and credit balances	150,000	175,000	-

Additional Information

1. Significant Accounting Policies

This Interim Separate Financial Information is prepared in condensed format, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970. This financial information should be read in conjunction with the Separate Financial Information as of December 31, 2024 and for the year then ended and the accompanying notes.

The accounting policy applied to preparing this Separate Financial Information is consistent with the one applied in preparing the separate financial information as of December 31, 2024.

2. Events during to the reporting period and thereafter

A. For details regarding the dividend distributed by the Company during the reporting period, see Note 7G to the Consolidated Financial Statements.

B. For details regarding the dividends distributed by the consolidated companies during the reporting period and thereafter, see Note 7, Subsections E and H to the Consolidated Financial Statements.

Chapter E

Appendices

Economic Solvency Ratio Report

Menora Mivtachim Insurance Ltd.

As of December 31, 2024

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Economic Solvency Ratio Report of

Menora Mivtachim Insurance Ltd.

As of December 31, 2024

Kost Forer Gabbay & Kasierer
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Tel Aviv 6492102

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Fax +972-3-5622555
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To:
Members of the Board of Menora Mivtachim Insurance Ltd.

Dear Sir/Madam,

Re: **Examination of the Application of Certain Directives of the Commissioner of the Capital Market, Insurance and Savings regarding Solvency**

Solvency II-based economic solvency report of Menora Mivtachim Insurance Ltd. (hereinafter - the "Company") as of December 31, 2024

Special Report of the Independent Auditors

We examined the capital required to maintain the solvency capital requirement (hereinafter - "**SCR**") and the economic capital of Menora Mivtachim Insurance Ltd. as of December 31 2024 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereby (hereinafter - the "**Report**").

The Company's Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR (hereinafter - the "**Directives**") of an insurance company as included the Commissioner's Circular 2020-1-15 dated October 14, 2020, and in accordance with the Commissioner's Directives regarding principles for calculation of Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime dated October 15, 2020 (hereinafter - the "**Directives**").

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

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

We did not examine the appropriateness of the Deduction During the Transitional Period as of December 31, 2024, as presented in Section 2 to the Report, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as detailed in the provisions on calculation of risk margin.

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Building a better working world

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

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

We draw attention to Section D(2) - comments and clarifications in the Solvency Ratio Report, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 28, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

A. Overview and disclosure requirements

Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "**Solvency Circular**"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as revised in Circular 2022-1-18 (hereinafter - the "**Disclosure Provisions**"). The Solvency Circular sets a standard model for calculating existing shareholders' equity and the regulatory solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. **The solvency ratio is the ratio between an insurance company's eligible own funds to its regulatory solvency capital requirement.**

The existing shareholders' equity for solvency purposes shall be composed of Tier 1 capital and Tier 2 capital. Tier 1 Capital includes equity calculated through assessing the value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 Capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of shareholders' equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (during the Transitional Period, as described below - 50% of the solvency capital requirement in the Transitional Period).

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

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

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

The Solvency Circular includes, among other things, Transitional Provisions in connection with compliance with capital requirements, as follows:

Selecting on of the following alternatives:

1) Gradual transition to the capital requirement until 2024 (hereinafter - the "**Transitional Period**"), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The capital requirement as of December 31, 2024 - 100% of the SCR amount (as of December 31, 2023 - 95%)

2) Increasing the economic capital by deducting from the insurance reserves an amount that will be calculated as detailed below. The deduction will decrease gradually until 2032 (hereinafter - the "**Deduction During the Transitional Period**").

Starting from the calculation as of December 31, 2022, the Company chose the second alternative, after obtaining the Commissioner's approval, as required.

Forward-looking information

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

B. Definitions

Best estimate	-	Expected future cash flows from insurance contracts and investment contracts throughout their term, without margins of conservatism and discounted by an adjusted risk-free interest.
Long-term health insurance (similar to life techniques - SLT)	-	Similar to Life Techniques. Health insurance that is conducted similarly to life insurance.
Short-term health insurance (non-similar to life techniques - NSLT)	-	Non-Similar to Life Technique. Health insurance that is deemed to be written on a similar technical basis as property and casualty insurance.
Basic solvency capital requirement (BSCR)	-	Basic Solvency Capital Requirement. The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, and loss absorption adjustment due to deferred tax.
Solvency capital requirement (SCR)	-	Solvency Capital Requirement. Total capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Eligible own funds	-	Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Appendix to the Solvency Circular.
Basic Tier 1 capital	-	Accounting equity plus the change in the excess assets over liabilities stemming from discrepancies between the manner of assessing the value of assets and liabilities as part of the transition to economic balance sheet, net of unrecognized assets and dividend declared subsequent to report date and has yet to be published for the first time.
Additional Tier 1 capital	-	Perpetual capital note, non-performing preferred shares, Restricted Tier 1 capital instrument, Additional Tier 1 capital instrument.
Tier 2 capital	-	Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Effect of diversification of risk-weighted components	-	Effect of the partial correlation between different risks in the model on their amounts. The greater the diversification between operating segments in the portfolio and the diversification between risks, the greater is the effect of the correlation, which reduces the overall risk.
Solvency ratio	-	The ratio between the eligible own funds and the solvency capital requirement of the insurance company.
Symmetric Adjustment (SA)		Symmetric Adjustment. Addition to the rate of capital requirements in the equity component based on the calculation set out in the Solvency Circular. The addition has an upper and lower band of ± 10%.
Economic balance sheet	-	The Company's balance sheet when the value of the assets and liabilities is adjusted in accordance with the provisions of Part A in the appendix to the Solvency Circular.
Risk margin (RM)	-	Risk Margin. An amount in addition to the best estimate reflecting the total cost of capital that another insurance company or reinsurer would require to assume the Company’s insurance liabilities.
Transitional Period	-	Under the Transitional Provisions for the implementation of the Economic Solvency Regime, the period through December 31, 2032.

Deduction during the Transitional Period	-	Increasing the economic capital by deducting from the insurance reserves an amount that will be calculated as detailed in Section c below. The Deduction will decrease gradually until 2032.
Minimum capital requirement (MCR)	-	Minimum Capital Requirement. The minimum capital requirement from an insurance company.
Expected profits in future premiums (EPIFP)	-	Expected Profit in Future Premium; the future profit from liabilities in respect of existing life and health insurance contracts.
UFR	-	Ultimate Forward Rate. The ultimate forward rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility adjustment (VA)	-	Volatility Adjustment. An anti-cyclical component that reflects the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings Authority.

C. Calculation methodology

The Economic Solvency Ratio Report as of December 31, 2024 was calculated and prepared in accordance with the Commissioner's Directives for the economic solvency of a Solvency II-based insurance company (hereinafter - the "**Directives**") as set out in the Solvency Circular. Following are the main provisions and changes thereto:

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without margins of conservatism and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the separate financial statements of the Company and its investees, whose main business is holding rights in real estate properties. The economic balance sheet attributes zero value to deferred acquisition costs and intangible assets (other than the investment in InsurTech as defined in the Solvency Circular for which the Company obtained the Commissioner's approval, as required).

Increasing economic capital according to the Transitional Provisions

As aforesaid, as of the solvency ratio calculation as of December 31, 2022, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "**Deduction During the Transitional Period**" or the "**Deduction**"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled “Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime” (hereinafter - the “**Letter of Principles”).** Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid Deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto (without adjusting the fair value of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032.

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

The Deduction during the Transitional Period shall be recalculated in subsequent periods in the following instances:

(a) Every two years, after obtaining the Commissioner’s approval;
(b) If a material change occurred in the risk profile or the business structure of the insurance company;
(c) At the request of the Commissioner, if he/she believed that circumstances have changed since approval was given.

Regarding the Deduction Value during the Transitional Period as of December 31, 2024 - see Section 2A(2) below.

Calculation of the Deduction during the Transitional Period in the economic solvency regime under IFRS 17

On April 10, 2025, the Commissioner issued guidance regarding the calculation of the Deduction Amount after the application of IFRS 17 (starting from the Solvency Ratio Report as of June 30, 2025). In accordance with the guidance, the ratio between the calculated Deduction Amount as of December 31, 2024 and the amount of BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) should be calculated for each homogeneous risk group (hereinafter - the “**Deduction Rates**").
After the application of IFRS 17, the Deduction Amount will be determined by multiplying the Deduction Rates calculated as of December 31, 2024 for each homogeneous risk group, by the amount of the BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) as of the calculation date.
The maximum Deduction Amount for each reporting period will be equal to the amount of Deduction of all homogeneous risk groups, amortized, on a straight line basis, between December 31, 2019 and the end of 2032.
The Deduction Rates were recalculated as of December 31, 2024 and approved by the Commissioner - received on May 19, 2025.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity’s exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk-weighted component is carried out based on a defined scenario set out in the Provisions of the Economic Solvency Regime. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted components and risk-weighted sub-components and the sub-risk weighted components, as stated above, net of the effect of the risk diversification in the Company in accordance with the correlations assigned to them under the Directives, and net of the loss absorption adjustment due to deferred tax, as detailed in the Provisions of the Economic Solvency Regime. Furthermore, the calculation of the solvency capital requirement includes components of capital requirement in respect of operational risk and in respect of management companies.

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

The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

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

D. <u>Comments and clarifications</u>

1. <u>General</u>

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's periodic report as of as of December 31, 2024. Any information or studies obtained or completed after the Company's 2024 annual report publication date were not taken into account. This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the annual report as of December 31, 2024.

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

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

2. <u>Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities</u>

A. In recent years the field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory directives. In this respect, see Section 7 to the Report on the Corporation's Business in the 2024 Periodic Report. Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

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

B. In accordance with the Solvency Circular, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described in Note 39 to the 2024 Financial Statements, including the effect of such an exposure on the Company's future profitability and solvency ratio.

Section 1 - Economic solvency ratio and minimum capital requirement (MCR):

1. Economic solvency ratio

	As of December 31, 2024	As of December 31, 2023
	Audited (*)	
	NIS thousand	
Own funds in respect of SCR - see Section 3	7,885,190	7,524,516
Solvency capital requirement (SCR) - see Section 4	4,576,707	4,306,029
Surplus	3,308,483	3,218,487
Economic solvency ratio (in %)	172.3%	174.7%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Raising of capital instruments	400,000	-
Own funds in respect of SCR	8,285,190	7,524,516
Surplus	3,708,483	3,218,487
Economic solvency ratio (%)	181.0%	174.7%

(*) **Any reference made in this report to the term “audited”, shall be construed as an audit held in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.**

Following are the key changes compared with last year:

A. In January 2025, the Company raised Tier 2 capital by way of issuing a new series (Series I) in the amount of approx. NIS 400 million recognized as Tier 2 capital. The capital raising contributed to the increase in the capital surplus.

B. The results of the economic solvency ratio as of December 31, 2024 include a cash dividend distribution totaling NIS 350 million, of which NIS 100 million was distributed in July 2024 and approx. NIS 250 million was distributed subsequent to the balance sheet date - in January 2025.

C. An increase in real returns in the Nostro and participation portfolios was recorded by the Company during this period had a material effect on the improvement in capital surplus. On the other hand, there was an increase in the capital requirement due to an increase in the market risk-weighted component, due to positive returns in the investment portfolio and a substantial increase in the scenario for share adjustment (SA), which slightly offset the effect of the return.

D. The Company recorded an increase in its capital surplus due to current profitability recorded in property and casualty insurance underwriting activity, alongside a positive contribution to capital surplus from new life and health insurance segment business activity during the period.

E. There was a natural increase in the solvency ratio of the Company due to the amortization of the capital requirement for existing long-term life and health insurance products, which reduce the solvency capital requirement and the risk margin (RM).

F. In accordance with the Economic Solvency Regime Directive and due to an increase in the interest rate curve during the reporting period, the Company recalculated the Deduction Amount during the Transitional Period as of December 31, 2024. Accordingly, the Deduction Amount was spread linearly over 13 years through December 31, 2032, such that its amortized balance as of December 31, 2024 totaled NIS 396 million, compared to approx. NIS 491 thousand on December 31, 2023, and most of the decrease (approx. NIS 54 million) is due to linear amortization of the passage of time. For the detailed explanation, see Section 2A (2) below.

G. During the period, the Company carried out and implemented actuarial studies, which had a material cumulative adverse effect on capital surplus and solvency ratio. Under the studies and additional adjustments in accordance with the Company's experience, the assumptions regarding the cancellation rate, retention, and morbidity were revised. In addition, actual departures from the demographic assumptions had a negative impact on capital surplus.

H. In 2023, the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), Chapter S (Health) (hereinafter - the "**Economic Arrangements Law**") was published, which amends The Financial Services Supervision Law, and sets a requirement whereby an insurer will pay the health maintenance organization for a surgical procedure that was executed and financed through a SHABAN plan when the conditions prescribed by the Law are met. Furthermore, transitional provisions were set that will require the insurer to transfer policyholders from an individual "From the First Shekel" surgical procedure policy taken out as from February 2016, who also have a SHABAN plan in place, to a "Supplementary SHABAN" surgical procedures policy, while ensuring continuous insurance coverage on June 1, 2024. In addition, it was determined that policyholders will be allowed to inform the insurer - within a year of the transfer date - of their wish to cancel the transfer and reinstate the original policy.

As a result of the said changes, the Company approved new tariffs for "From the First Shekel" and "Supplementary SHABAN" policies.

The law had a positive effect on the eligible capital, but also on the capital requirement and the risk margin. Therefore, the total net effect on capital surplus is immaterial.

I. In July 2024, the Commissioner published a revision to the mortality tables. In view of the abovementioned, the Company revised a number of assumptions in the actuarial models. The revision had a material adverse effect on capital surplus and solvency ratio. With respect to the above, see also Note 36 - Risk Management - to the 2024 Periodic Report.

Material changes subsequent to the calculation date

Subsequent to the report date, macroeconomic developments have taken place arising, among other things, from Trump's US tariff plan, which imposed reciprocal tariffs on the importation to the US of goods from many countries across the world. These developments may affect the interest rate curve and cause capital market volatility. At this stage, it is impossible to assess the effect on the Company's solvency ratio.

For details regarding the economic solvency ratio without applying the Provisions for the Transitional Period, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 9 below.

Minimum capital requirement (MCR)

	As of December 31, 2024	**As of December 31, 2023**
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5.A.	1,377,444	1,315,136
Own funds for MCR - see Section 5.B	6,459,205	5,839,516

Section 2 - Economic Balance Sheet

	Information about economic balance sheet	As of December 31, 2024 Balance sheet according to accounting standards*	As of December 31, 2024 Economic balance sheet	As of December 31, 2023 Balance sheet according to accounting standards	As of December 31, 2023 Economic balance sheet
		Audited			
		NIS thousand			
Assets:					
Intangible assets	(2)	714,662	209,073	666,008	228,288
Deferred acquisition costs	(3)	1,600,355	-	1,482,429	-
Property, plant & equipment		739,283	739,283	703,959	703,959
Investments in investees that are not insurance companies:	(4)				
Other investees		145,812	198,246	90,200	90,200
Total investments in investees that are not insurance companies		**145,812**	**198,246**	**90,200**	**90,200**
Investment property in respect of yield-dependent contracts		168,294	168,294	102,961	102,961
Investment property - other		751,916	751,916	712,024	712,024
Reinsurance assets		3,459,597	2,640,371	3,149,302	2,338,213
Receivables and debit balances		1,865,671	1,865,671	1,907,804	1,907,804
Financial investments in respect of yield-dependent contracts		33,101,174	33,122,047	31,077,288	31,101,263
Other financial investments:					
Liquid debt assets		2,727,023	2,727,023	3,279,008	3,279,008
Illiquid debt assets, excluding designated bonds	(5)	4,867,838	4,842,626	4,775,432	4,683,866
Designated bonds		2,619,814	3,208,028	2,574,482	3,325,546
Shares		957,850	957,850	1,046,110	1,046,110
Other		3,171,599	3,171,599	2,787,468	2,787,468
Total other financial investments		**14,344,133**	**14,907,126**	**14,462,500**	**15,121,998**
Cash and cash equivalents in respect of yield-dependent contracts		2,420,134	2,420,134	1,981,685	1,981,685
Other cash and cash equivalents		805,791	805,791	693,144	693,144
Other assets		-	-	-	-
Total assets		**60,116,813**	**57,827,951**	**57,029,304**	**54,981,538**
Total assets for yield-dependent contracts		**36,040,804**	**36,220,060**	**33,462,871**	**33,640,309**

	Information about the economic balance sheet	As of December 31, 2024		As of December 31, 2023	
		Balance sheet according to accounting standards*	Economic balance sheet	Balance sheet according to accounting standards*	Economic balance sheet
Equity					
Basic Tier 1 capital		3,513,024	6,152,076	3,078,374	5,521,482
Total equity	(1)	**3,513,024**	**6,152,076**	**3,078,374**	**5,521,482**
Liabilities:					
Liabilities for insurance contracts and non-yield-dependent investment contracts	(1)	16,116,731	7,429,338	15,728,485	8,143,822
Liabilities for insurance contracts and yield-dependent investment contracts		35,502,410	34,584,244	33,069,656	32,014,172
Risk margin (RM)	(6)	-	3,898,294	-	3,631,754
Deduction during the Transitional Period	(7)	-	(395,654)	-	(490,864)
Liabilities in respect of deferred taxes, net		590,827	1,996,806	443,657	1,713,588
Payables and credit balances		1,946,743	1,834,407	2,018,510	1,922,402
Financial liabilities		2,447,078	2,328,439	2,690,622	2,525,179
Other liabilities		-	-	-	-
Total liabilities		**56,603,789**	**51,675,875**	**53,950,930**	**49,460,054**
Total equity and liabilities		**60,116,813**	**57,827,951**	**57,029,304**	**54,981,535**

* Prior to the application of the provisions of IFRS 9 and IFRS 17 included in the financial statements as of March 31, 2025 for 2024.

Main changes in equity compared to last year:

For explanations about key changes in Tier 1 capital, see Section 3 above.

Section 2A - Information about the economic balance sheet

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

(1) **Liabilities for insurance contracts, risk margin (RM) and investment contracts and reinsurance assets**

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

The calculation of the liabilities in respect of life insurance contracts and long term health insurance (SLT) contracts was carried out by discounting the Company's projected cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected cancellation rates, net of the expenses that the Company will incur in respect of the coverages, including fees and commissions to agents, expected claims, etc.

This cash flow is discounted based on an interest rate curve set by the Commissioner which is based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to an ultimate forward rate (UFR) of 2.6% plus a volatility adjustment rate (VA) set by the Commissioner.

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

It is likely that the actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section D1 above - comments and clarifications.

As stated above, the measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future profit, by a risk-free interest plus VA and taking the UFR into consideration, on the basis of a best estimate that does not include margins of conservatism, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with margins of conservatism using the discounting methods and rates described in Note 36 to the 2024 financial statements.

Limitations and qualifications with regard to calculation of the best estimate

- Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events. Accordingly, such events were not taken into account in the determination of the models' underlying assumptions.

- Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions (such as the rate of cancellations) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.

- The determination of the BE should be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in life and health SLT, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.

- In many cases, the future cash flows refer to periods of tens of years into the future. The studies on which the underlying cash flow assumptions rely are based on management's best knowledge, mainly recent years' experience. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize.

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

The risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses. This calculation method was defined by the Commissioner and does not necessarily reflect the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.

In that context, it should be emphasized that the stress scenario calculated as part of the solvency model (capital requirements) are based on a set of scenarios and assumptions defined by the Commissioner, and which do not reflect any actual experience of the Company. Furthermore, the set of correlations on which the solvency model is based for the capital requirements was defined by the Commissioner and does not reflect the Company's actual experience.

Assumptions underlying the insurance liabilities calculation

Demographic and operating assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and are based on relevant experience and/or the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner. The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums, and assets under management, etc.).

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

A. Economic assumptions

1) Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to an ultimate forward rate of 2.6% (UFR) plus a volatility adjustment rate (VA) - all as set by the Commissioner.
2) The yield on the assets backing the yield-dependent life insurance products is identical to the discount rate.
3) Designated bonds - estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them.
4) The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It is noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

B. Operational assumptions (for life and health insurance)

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

C. Demographic assumptions

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

2) Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities, including the amendment of the provisions of the Consolidated Circular on Measuring Liabilities - Updating the Demographic Assumptions in Life Insurance and Updating the Mortality Improvements Model for Insurance Companies and Pension Funds of July 27, 2024. In addition, the circular cancelled the 3% addition to the value of the pension paid, which is taken into account in the calculation of insurance companies' undertakings for retirees, who are not obliged to opt for an annuity.

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

4) Morbidity (claims' rate and duration) with respect to long-term care, permanent health insurance, disability and health insurance products - based on the Company's claims history to the relevant products, in accordance with periodic claims studies, and/or in accordance with reinsurance tariffs applicable to the relevant products.

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

D. Estimate of insurance liabilities in property and casualty insurance

The estimate of the insurance liabilities in the different subsegments in respect of policies earned is based on the provision for the December 2024 balance sheet. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include a risk margin (RM) and other non-specific margins that were taken into account for reserve adequacy testing for the said balance sheet. In respect of the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the contingent claims; (these are also deducted from risk margins and other non-specific margins).

(2) Deduction Value during the Transitional Period as of December 31, 2024

As noted in Chapter C, on April 10, 2025, the Commissioner issued guidance regarding the calculation of the Deduction Amount after the application of IFRS 17 (starting from the Solvency Ratio Report as of June 30, 2025). In accordance with the guidance, the ratio between the calculated Deduction Amount as of December 31, 2024 and the amount of BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) should be calculated for each homogeneous risk group (hereinafter - the "**Deduction Rates**").

After the application of IFRS 17, the Deduction Amount will be determined by multiplying the Deduction Rates calculated as of December 31, 2024 for each homogeneous risk group, by the amount of the BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) as of the calculation date.

The maximum Deduction Amount for each reporting period will be equal to the amount of Deduction of all homogeneous risk groups, amortized, on a straight line basis, between December 31, 2019 and the end of 2032.

The Deduction Rates were recalculated as of December 31, 2024 and approved by the Commissioner - received on May 19, 2025.

The abovementioned Deduction is amortized linearly over 13 years through December 31, 2032, such that its amortized balance as of December 31, 2024 totaled NIS 396 million, compared to approx. NIS 491 thousand as of December 31, 2023; most of the decrease (approx. NIS 54 million) arises from linear amortization of the passage of time.

Other assets and liabilities:

(3) **Intangible assets** - in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of intangible assets at zero, excluding the investment in Insurtech, as defined in the Solvency Circular and after obtaining the Commissioner’s approval.

(4) **Deferred acquisition expenses**- in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of acquisition costs at zero. It is noted that the value of the future profits implicit in existing insurance contracts was taken into account in the liabilities for insurance contracts item.

(5) **Investment in investees which are not insurance companies** - in accordance with Part A Chapter 2 Appendix B, the calculation was carried out using the adjusted equity method, in accordance with the circular on investees which are not insurance companies. In accordance with this method, the Company’s stake in investees was included based on its relative share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular’s provisions, based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount. The economic value of the investees does not include the profits implicit in those companies.

(6) **Non-marketable debt assets** - in accordance with Part A, Chapter 1, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

(7) **Designated bonds** - in accordance with Part A Chapter 2 Appendix E, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet.

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

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

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

(11) **Financial liabilities** - in accordance with the general principles set in the Solvency Circular and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account in respect of changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

Section 2B - Composition of liabilities in respect to insurance contracts and investment contracts

	As of December 31, 2024		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities for insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long term health insurance contracts	2,373,483	804,430	1,569,053
NSLT property & casualty insurance and health insurance contracts	5,055,856	1,676,789	3,379,066
Total liabilities for insurance contracts and non-yield-dependent investment contracts	7,429,338	2,481,219	4,948,119
Liabilities for insurance contracts and yield-dependent investment contracts - SLT life insurance and long term health insurance contracts	34,584,244	159,151	34,425,093
Total liabilities for insurance contracts and investment contracts	**42,013,583**	**2,640,371**	**39,373,212**

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities for insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long term health insurance contracts	3,106,695	613,641	2,493,054
NSLT property & casualty insurance and health insurance contracts	5,037,127	1,570,318	3,466,810
Total liabilities for insurance contracts and non-yield-dependent investment contracts	8,143,822	2,183,958	5,959,864
Liabilities for insurance contracts and yield-dependent investment contracts - SLT life insurance and long term health insurance contracts	32,014,172	154,254	31,859,918
Total liabilities for insurance contracts and investment contracts	**40,157,994**	**2,338,213**	**37,819,782**

Following are the key changes compared with the comparative figures:

The decrease in total liabilities (retention) in respect of insurance contracts and non-yield-dependent investment contract is mainly due to an increase in new businesses and the release of income due to the passage of time. On the other hand, the decrease in liabilities was partially offset by the increase in the CPI and due to demographic assumptions as detailed in Section 3 below.

The increase in total liabilities in respect of insurance and yield dependent investment contracts stems mainly from positive returns beyond the discount rate as well as current contributions into planholders' portfolios in respect of yield dependent insurance and investment contracts.

Section 3 - Shareholders equity in respect of SCR

	As of December 31, 2024			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Audited			
	NIS thousand			
Own funds	6,152,076	310,952	1,701,474	8,164,502
Deductions from Tier 1 capital (a)	(279,312)			(279,312)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Own funds in respect of SCR (d)	5,872,764	310,952	1,701,474	7,885,190
Of which - expected profits in future premiums (EPIFP) after tax	5,177,987			5,177,987

	As of December 31, 2023			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Audited			
	NIS thousand			
Own funds	5,521,482	287,582	1,948,027	7,757,090
Deductions from Tier 1 capital (a)	(232,575)			(232,575)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Own funds in respect of SCR (d)	5,288,907	287,582	1,948,027	7,524,515
Of which - expected profits in future premiums (EPIFP) after tax	4,759,755			4,759,755

Key changes compared with the comparative figures:

For information regarding changes affecting Basic Tier 1 capital, see Section 3(d) below.

Tier 2 capital was mainly affected by a redemption of approx. NIS 304 million carried out in July 2024. Subsequent to the balance sheet date, the Company raised Notes (Series I) totaling approx. NIS 400 million.

(a) Amounts deducted from Tier 1 capital - in accordance with the definitions of “Basic Tier 1 capital” in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - “Economic Solvency Regime” (hereinafter - the “**Economic Solvency Regime Appendix**”), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the Investment Rules Regulations, amount invested by the Company in buying back its ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication date of the report, as stated in Section 2A above. Subsequent to the balance sheet date, the Company distributed a NIS 250 million dividend.

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

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

(d) Composition of shareholders equity in respect of SCR

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Tier 1 capital:		
Basic Tier 1 capital	5,872,764	5,288,907
Additional Tier 1 capital:		
Additional Tier 1 capital instruments	-	-
Restricted Tier 1 capital instruments	310,952	287,582
Less deduction due to deviation from quantitative limit	-	-
Additional Tier 1 capital	310,952	287,582
Total Tier 1 capital	**6,183,716**	**5,576,489**
Tier 2 capital:		
Additional Tier 1 capital that was not included in Tier 1	-	-
Tier 2 capital instruments	1,353,486	1,298,598
Hybrid Tier 2 capital instruments	347,989	348,675
Hybrid Tier 3 capital instruments	-	300,754
Subordinated Tier 2 capital instruments	-	-
Less deduction due to deviation from quantitative limit	-	-
Total Tier 2 capital	1,701,474	1,948,027
Total shareholders' equity in respect of SCR	**7,885,190**	**7,524,516**

For details regarding shareholders’ equity for purposes of the solvency capital requirement without applying the Provisions for the Transitional Period, see Section 6 - “Effect of Application of Provisions for the Transitional Period” below.

Main changes affecting Basic Tier 1 capital:

A. The calculation as of December 31, 2024 includes a dividend distribution of NIS 350 million; NIS 100 million was distributed in July 2024 and NIS 250 million was distributed subsequent to the balance sheet date in January 2025.

B. An increase in real returns in the Nostro and yield dependent portfolios was recorded by the Company during this period had a material effect on the improvement in the basic capital.

C. Additionally, the Company recorded an increase in its capital due to current profitability recorded in property and casualty insurance underwriting activity, alongside a positive contribution to the basic capital from new business in the Life and Health Insurance Segment during the period.

D. On the other hand, during the period, the Company carried out actuarial studies, which had a material cumulative adverse effect on capital. This was carried out alongside the revision of the mortality circular as detailed in Section 1 above.

E. Further to the health reform as detailed in Section 1 above, the Company recorded a substantial increase in the basic capital.

F. As of December 31, 2024, due to the increase in the linked shekel risk-free interest rate curve, the Deduction Amount was recalculated and a linear amortization was carried out, in accordance with the Transitional Period. The revision of the Deduction reduced the basic capital to an immaterial extent.

Section 4 - Solvency capital requirement (SCR)

	As of December 31, 2024	As of December 31, 2023
	Capital requirement	
	Audited	
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital requirement in respect of market risk-weighted component	2,967,833	2,473,482
Capital requirement in respect of counterparty risk-weighted component	366,422	332,453
Capital requirement in respect of underwriting risk-weighted component in life insurance	1,515,724	1,582,025
Capital requirement in respect of underwriting risk-weighted component in health insurance (SLT+NSLT)	3,930,990	3,649,867
Capital requirement in respect of underwriting risk-weighted component in P&C insurance	1,056,251	1,028,671
Total	**9,837,219**	**9,066,498**
Effect of diversification of risk-weighted components	(3,328,323)	(3,119,756)
Capital requirement in respect of the intangible assets risk-weighted component	104,537	114,144
Total basic solvency capital requirement (BSCR)	**6,613,433**	**6,060,886**
Capital requirement in respect of operational risk	270,422	256,839
Loss absorption adjustment due to deferred tax asset	(2,307,147)	(2,011,697)
Total solvency capital requirement (SCR)	**4,576,707**	**4,306,029**

Key changes in solvency capital requirement versus the comparative figures:

- The increase in the capital requirement in respect of underwriting risk-weighted component in health insurance (SLT) arises mainly from the activity of the new business.
- The increase in capital requirement due to the market risk-weighted component arose primarily from an increase in the share price volatility adjustment (SA) regulatory scenario.

For details regarding the equity required for purposes of the solvency capital requirement without applying the Provisions for the Transitional Period, see Section 6 - "Effect of Application of Provisions for the Transitional Period" below.

Section 5 - Minimum capital requirement (MCR)

A. Minimum capital requirement (MCR)

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
MCR based on the formula (MCR linear)	1,377,444	1,315,136
Lower band (25% of solvency capital requirement in the Transitional Period)	1,144,177	1,076,507
Upper band (45% of solvency capital requirement in the Transitional Period)	2,059,518	1,937,713
Minimum capital requirement (MCR)	1,377,444	1,315,136

B. Own funds for MCR

	As of December 31, 2024		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Own funds in respect of SCR according to Section 4	6,183,716	1,701,474	7,885,190
Deviation from quantitative limitations due to minimum capital requirement (*)		(1,425,986)	(1,425,986)
Own funds for MCR	**6,183,716**	275,489	**6,459,205**

	As of December 31, 2023		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Own funds in respect of SCR according to Section 4	5,576,489	1,948,027	7,524,516
Deviation from quantitative limitations due to minimum capital requirement (*)		(1,684,999)	(1,684,999)
Own funds for MCR	**5,576,489**	**263,027**	**5,839,516**

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

Section 6 - Effect of the application of the Provisions for the Transitional Period

Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	As of December 31, 2024			
	Audited			
	NIS thousand			
Total insurance liabilities, including risk margin (RM)	45,516,223	(395,654)	-	45,911,877
Basic Tier 1 capital	5,872,764	258,164	-	5,614,599
Own funds in respect of SCR	7,885,190	258,164	-	7,627,026
Solvency capital requirement (SCR)	4,576,707	(137,490)	-	4,714,197

Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	As of December 31, 2023			
	Audited			
	NIS thousand			
Total insurance liabilities, including risk margin (RM)	43,298,885	(490,864)	-	43,789,749
Basic Tier 1 capital	5,288,907	323,037	-	4,965,870
Own funds in respect of SCR	7,524,515	323,037	158,484	7,042,994
Solvency capital requirement (SCR)	4,306,029	(167,826)	-	4,473,855

See the description of the transitional provisions applicable to the Company during the Transitional Period and recalculation of the Deduction during the Transitional Period, in Section 2A - Information on Economic Balance Sheet, Section 2A - Value of the Deduction Value during the Transitional Period as of December 31 2024.

Section 7 - Changes in Capital Surplus

	Own funds in respect of SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
		NIS thousand	
As of January 1, 2024	**7,524,516**	**4,306,029**	**3,218,487**
Net of the Provisions for the Transitional Period	**(481,522)**	167,835	(649,357)
As of January 1, 2024, excluding applying the transitional Provisions for the Transitional Period	**7,042,994**	**4,473,864**	**2,569,130**
The effect of operating activities (a)	(357,981)	(212,084)	(145,897)
Effect of economic activity (b)	1,270,954	521,054	749,900
New businesses (c)	399,316	316,923	82,393
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)	(534,209)	(72,004)	(462,205)
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital	(194,047)	(313,555)	119,508
As of December 31, 2024, total without applying the Transitional Provisions for the Transitional Period	7,627,026	4,714,197	2,912,829
Effect of the Provisions for the Transitional Period	258,164	(137,490)	395,654
As of December 31, 2024	**7,885,190**	**4,576,707**	**3,308,483**

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

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

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

(d). This item includes equity transactions, including issuance and redemption of Tier 1 capital and Tier 2 capital instruments. and a dividend declared subsequent to the publication date of the Solvency Ratio Report as of December 31 2023 and through the publication date of the solvency ratio report as of December 31 2024.

<u>Main changes in movement in capital surplus for the reporting period:</u>

- The effect of operating activities caused a decrease in capital surplus during the reporting period, mainly due to the implementation of actuarial studies and the adjustment of assumptions based on experience, including the revision of assumptions on cancellation rates, retention and morbidity. These effects were partially offset against operating activities in P&C insurance.
- The effect of economic activity led to an increase in capital surplus during the reporting period mainly due to an increase in returns and an increase in the linked shekel risk-free interest rate, which increased the shareholders' equity - partially offset by a corresponding increase in the capital requirement and in the symmetric adjustment component (SA) in the shares. This effect was partially offset by an increase in the Consumer Price Index.
- Effects on capital include a NIS 250 million dividend distribution subsequent to the balance sheet date alongside the redemption of Tier 2 capital totaling approx. NIS 304 million, part of which was not recognized in accordance with the provision without applying the Transitional Provisions for the Transitional Period as reflected in the section "Effect of changes in deferred tax, additional Tier 1 capital and Tier 2 capital.
- For more information regarding significant effects on the economic solvency ratio’s components, see Section 1 above.

Section 8 - Sensitivity Tests

Following is a sensitivity analysis of the economic solvency ratio to various risk factors as of the report date. This analysis will reflect the effects of various risk factors both on own funds, including the quantitative restrictions that apply to own funds, and on the solvency capital requirement. The sensitivity tests only reflect direct effects, holding all other risk factors constant, and do not include secondary effects or derived changes on other risk factors.

It is noted that the sensitivities are not necessarily linear, such that the sensitivities at other rates are not necessarily a simple extrapolation of the sensitivity tests presented.

	As of December 31, 2024	**As of December 31, 2023**
	Audited	
	Effect on the economic solvency ratio (in %)	Effect on the economic solvency ratio (in %)
A 50-basis point decrease in risk-free interest	(12.1%)	*(10.2%)
A 25% decrease in the value of equity assets	(6.7%)	(18.0%)
A 5% decrease in mortality rates	(3.3%)	(4.8%)
A 5% increase in morbidity rate	(12.9%)	(11.3%)

* Reclassified.

Note: the sensitivity tests are portrayed in a calculation that includes the Transitional Provisions for the Transitional Period without revision of the Deduction Amount.

- **Sensitivity to interest** – the sensitivity to interest test estimates the effect of a 50 basis-point decrease in the interest rate curve up to the Last Liquidity Point (LLP), and thereafter, changes in the curve are calculated using the Smith-Wilson extrapolation method in relation to the Ultimate Forward Rate (UFR), which is set in the circular (2.6%).
- **Sensitivity to changes in equity assets** – the sensitivity test estimates the impact on equity due to a negative shock in the rate of 25% of the Company’s exposure to equity assets. On the other hand, due to the adverse impact on the exposure level the capital requirement decreased, while due to the decline

in the symmetric adjustment component (SA), there was a decrease in the level of the capital requirement scenario.

- **5% morbidity scenario -** the sensitivity test estimates the impact of an increase in morbidity assumptions on all the relevant products.
- **5% decline in mortality scenario -** the sensitivity test estimates the impact of the decline in mortality (increase in life expectancy) on all the relevant products.
- **The Company examined a sensitivity test for a 10% increase in the cancellation rates** of all the products and it was found to be non-material; therefore, it was not presented.

Section 9 - Restrictions on Dividend Distribution

The Company's policy is to hold a solid capital base to ensure its solvency and its ability to meet its obligations to policyholders and allow flexibility in its business activities to generate a return for its shareholders. The Company is subject to the capital requirements and regulation set for dividend distribution. Therefore, according to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Letter**") an Insurance Company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors; the Company approved a capital management plan which includes capital targets.

In February 2018, the Company's Board of Directors resolved to set a "target capital" for dividend distribution. The target capital is an addition to the equity capital and over and above the solvency capital requirement (SCR). The Company set the target capital at a rate of 115%, which will increase linearly until the end of 2024. Due to the transition to the Transitional Period until 2032, as set out in Section 1C above, in November 2023, the Company's Board of Directors revised the target capital for dividend distribution starting from 2024 onwards, such that it will gradually increase linearly to a rate of 130% at the end of 2032. As of December 31, 2024, the target capital that was set amounted to 115.0% of the total capital requirements.

Subsequent to the balance sheet date, the Company distributed a dividend totaling approx. NIS 250 million, in addition to the NIS 100 million dividend distributed in July 2024.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The ratio is higher than the solvency ratio required by the letter.

Data excluding the application of the Provisions for the Transitional Period

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Own funds in respect of SCR (in NIS thousand)	7,627,026	7,042,994
Solvency capital requirement (SCR) (in NIS thousand)	4,714,197	4,473,864
Surplus (deficit)	2,912,829	2,569,130
Solvency ratio (in %)	161.8%	157.4%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Raising of capital instruments	184,204	-
Own funds in respect of SCR	**7,811,230**	**7,042,994**
Surplus	3,097,033	2,569,130
Economic solvency ratio (%)	165.7%	157.4%
Capital surplus after equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report, compared with the Board of Directors' target		
Target of the Board of Directors for the period (in percent)	115.0%	114.3%
Capital surplus over target	2,389,904	1,930,007

* Subsequent to the balance sheet date, the Company raised approx. NIS 400 million in Note (Series I), some of which was recognized as a Tier 2 capital instrument. Out of the amount raised, the effect on the eligible capital stood at only approx. NIS 184 million, due to exceeding the quantitative cap of eligible Tier 2 capital, which stood at approx. NIS 216 million as of December 31, 2024.

Material changes from the previous year:

A. For an explanation about changes in the recognized capital, capital requirement, and surplus capital in the Transitional Period, see Section 1.

B. For an explanation about changes in the eligible shareholders' equity see Section 3 above.

C. For an explanation about changes in the capital requirements in the Transitional Period, see Section 4.

May 28, 2025			
Date	Yehuda Ben Assayag	Michael Kalman	Ruty Yehudayoff Cohen
	Chairman of the Board of Directors	CEO	Executive Vice President Chief Risk Officer

Economic Solvency Ratio Report

Shomera Insurance Company Ltd.

As of December 31, 2024

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Economic Solvency Ratio Report

Shomera Insurance Company Ltd.

As of December 31, 2024

Kost Forer Gabbay & Kasierer
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Tel Aviv 6492102

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

Dear Sir/Madam,

Re: **Examination of the Application of Certain Guidance of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of Shomera Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2024**

We examined the capital required to maintain the solvency capital requirement (hereinafter - "**SCR**") and the economic capital of the Company as of December 31 2024 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereby (hereinafter - the "**Report**"). The Company's Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR (hereinafter - the "**Directives**") of an insurance company as included the Commissioner's Circular 2020-1-15 dated October 14, 2020.

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

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

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

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

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We draw attention to Section (d)(2) - comments and clarifications in the Solvency Ratio Report, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 25, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

A. Overview and disclosure requirements

Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "**Solvency Circular**"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as recently revised in Circular 2022-1-8 (hereinafter - the "**Disclosure Provisions**"). The Solvency Circular sets a standard model for calculating existing shareholders' equity and the solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. **The solvency ratio is the ratio between an insurance company's eligible capital to its regulatory solvency capital requirement.**

The existing shareholders' equity shall be composed of Tier 1 capital and Tier 2 capital. Tier 1 Capital includes shareholders' equity calculated through assessing the value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 Capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of shareholders' equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (during the Transitional Period, as described below - 50% of the SCR).

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

- The capital requirement to maintain an insurance company's solvency (hereinafter - "**SCR**") is risk-sensitive and is based on a forward-looking calculation of the effect of the various scenarios' materialization, while taking into account the correlation of the various risk factors, based on the application guidance of the New Solvency Regime. This requirement aims to guarantee the precise and timely involvement of the regulatory authorities.

- Minimum capital requirement (hereinafter "**MCR**" or "**Capital Threshold**"). In accordance with the Solvency Circular, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

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

The Solvency Circular includes, among other things, Transitional Provisions in connection with compliance with capital requirement, as follows:

Selecting on of the following alternatives:

1. Gradual transition to the capital requirement until 2024 (hereinafter - the "**Transitional Period**"), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The solvency capital requirement of an insurance company during

the Transitional Period, to be calculated based on data as of December 31, 2024 will not fall below 100% of the SCR (as of December 31, 2023 - 95%).

2. Increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Solvency Circular (hereinafter - the "**Deduction**"). The Deduction will decrease gradually until 2032. (hereinafter - "**Deduction during the Transitional Period**").

In that context, it should be noted that the Company does not hold liabilities in the life and health insurance segments, and therefore option 2 above becomes redundant, i.e., the Company applied the first option regarding the Transitional Period, which, as aforesaid, ended on December 31, 2024.

Forward-looking information

The data included in this Economic Solvency Ratio Report, including the eligible shareholders' equity and solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from the results reflected in this Economic Solvency Ratio Report, if such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including mortality rates, morbidity rates, recovery rates, cancellations, expenses, takeup of pension benefits, rate of release of the risk margin and underwriting income rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

B. Definitions

Best estimate	-	Expected future cash flows from insurance contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Short-term health insurance (non-similar to life techniques - NSLT)	-	Health insurance that is deemed to be written on a similar technical basis as property and casualty insurance.
Basic solvency capital requirement (BSCR)	-	The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, and loss absorption adjustment due to deferred tax.
Solvency capital requirement (SCR)	-	Total capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Eligible own funds	-	Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Appendix to the Solvency Circular.
Basic Tier 1 capital	-	Accounting own funds plus the change in the excess assets over liabilities stemming from discrepancies between the manner of assessing the value of assets and liabilities as part of the transition to economic balance sheet, net of unrecognized assets and dividend declared subsequent to the balance sheet date until the Report publication date.
Additional Tier 1 capital	-	Perpetual capital note, non-performing preferred shares, Restricted Tier 1 capital instrument, additional Tier 1 capital instrument.
Tier 2 capital	-	Tier 2 capital instruments, instruments of Subordinated Tier 2 Capital, Hybrid Tier 2, and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Effect of diversification of risk-weighted components	-	Correlation between the various risks of the model - The greater the diversification between operating segments in the portfolio and diversification between risks, the greater is the effect of the correlation, which reduces the overall risk.
Solvency ratio	-	The ratio between the eligible shareholders' equity and the solvency capital requirement of an insurance company.
Economic balance sheet	-	The Company's balance sheet when the value of the assets and liabilities is adjusted in accordance with the provisions of Part A in the appendix to the Solvency Circular.
Risk margin (RM)	-	An amount in addition to the best estimate reflecting the total cost of capital that another insurance company or reinsurer would require to assume the Company’s insurance liabilities.
Minimum capital requirement (MCR)	-	The minimum capital requirement from an insurance company.
Expected profits in future premiums (EPIFP)	-	Expected Profit in Future Premiums; the future profit from liabilities in respect of existing life and health insurance contracts.

UFR	-	The ultimate forward rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.
Volatility adjustment (VA)	-	an anti-cyclical component reflecting the margin implicit in a representative debt assets portfolio of insurance companies and added to the adjusted interest rate curve in accordance with Provisions of the Economic Solvency Regime.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings Authority of the Ministry of Finance.

C. Calculation methodology

The Economic Solvency Ratio Report as of December 31, 2024 was calculated and prepared in accordance with the directives for the economic solvency of a Solvency II-based insurance company (hereinafter - the "**Directives**") as set out in the Solvency Circular. Following are the key points of the Directives:

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's separate financial statements and include an investee, which constitutes a real estate arm. The economic balance sheet does not include the economic value of insurance agencies under the insurance company and also attributes zero value to intangible assets and deferred acquisition costs.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic own funds' exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk-weighted component is carried out based on a defined scenario set out in the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirement in respect of the risk-weighted components and risk-weighted sub-components, as stated above, net of the effect of the Company's risk diversification in accordance with the correlations assigned to them under the Directives. The calculation of the solvency capital requirement also includes calculation of the capital requirement for operational risk, net of the loss absorption adjustment due to deferred tax, as detailed by the Provisions of the Economic Solvency Regime.

Furthermore, the calculation of the solvency capital requirement includes components of capital required in respect of operational risk and in respect of management companies.

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

The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

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

D. Comments and clarifications

1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's annual report as of as of December 31, 2024. In addition, any information or studies obtained or completed after the publication date of the parent company's annual report were not taken into account.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the annual report as of December 31, 2024.

It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to accurately assess the effect of the reform and the changes.

The calculation is sometimes based on assumptions regarding future events and steps taken by management, which will not necessarily materialize or will materialize in a manner different than the assumptions to be used in the calculation. Furthermore, actual results may materially vary from the calculation, since combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

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

2. Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities

A. In recent years, the field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory directives. See Section 4.1 in Chapter A, the Corporation's Business, in the 2024 Periodic Report, and in Section 4, under "Minimum Capital Required from an Insurer" to the Report of the Board of Directors for the period ended March 31, 2025.

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

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

B. In accordance with the Solvency Circular, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described in Note 31 to the Consolidated Financial Statements as of December 31, 2024, including the effect of such an exposure on the Company's future profitability and solvency ratio.

3. Significant Events During the Reporting Period and Thereafter

A. In March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "**Ordinance**"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated. The change in VAT applied to the calculation of the economic solvency ratio as of December 2024 and did not materially affect the capital surplus.

B. Subsequent to the report date, macroeconomic developments have taken place arising, among other things, from President Trump's US tariff plan, which imposed reciprocal tariffs on the importation to the US of goods from many countries across the world. These developments may affect the interest rate curve and cause volatility in the capital market. At this stage, it is impossible to assess whether this will affect the Company's solvency ratio.

Section 1 - Economic solvency ratio and minimum capital requirement (MCR):

1. Economic solvency ratio

	As of December 31	
	2024	2023
	Audited(*)	
	NIS thousand	
Shareholders equity in respect of SCR - see Section 3 (in NIS thousand)	700,676	627,488
Solvency capital requirement (SCR) - see Section 4 (in NIS thousand)	563,152	438,908
Surplus (in NIS thousand)	137,524	188,580
Economic solvency ratio (in %)	124.4%	143.0%

*) Any reference made in this report to the term "audited", shall be construed as an audit held in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

Following are the key changes compared with last year:

A. The results of the economic solvency ratio as of December 31, 2024, include a distribution of a cash dividend of NIS 180 million, of which NIS 50 million was distributed in March 2024 and deducted from the solvency ratio as of December 31, 2023 as required under the circular's provisions, NIS 50 million was distributed in July 2024 and NIS 80 million was distributed in December 2024. In total, in the reporting period as of December 31, 2024, NIS 130 million was deducted from the capital.

B. An increase in real returns recorded by the Company during the period contributed to a substantial increase in shareholders' equity. On the other hand, there was an increase in the capital requirement due to an increase in the market risk-weighted component, due to positive returns in the investment portfolio and an increase in the symmetric adjustment (SA) under the stock scenario. The total increase in returns had a material effect on the improvement in capital surplus.

C. An increase in underwriting income substantially increased shareholders' equity. On the other hand, there has been a substantial increase in capital requirements due to an increase in compulsory motor insurance reserves for new years in a new business activity (which is not covered by loss portfolio transfer (LPT) reinsurance transaction) and due to an increase in expected premiums. The total increase in income had a material effect on the improvement in capital surplus.

D. During the year, the Company acquired agencies, which led to a decrease in eligible capital due to write-offs of the intangible assets in the companies' economic value, in accordance with the solvency guidance; on the other hand, the Company recorded current income with respect to the activity; in total, these effects did not materially reduce the excess capital in the aggregate. For details of the acquisitions, see Note 4 to the Consolidated Financial Statements as of December 31, 2024.

For details regarding the economic solvency ratio without applying the Provisions for the Transitional Period, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 9.

A. Minimum capital requirement (MCR)

	As of December 31	
	2024	**2023**
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5.A.	212,286	138,093
Shareholders' equity for MCR - see Section 5.B	700,676	627,488

Section 2 - Economic Balance Sheet

	Information about the economic balance sheet	As of December 31, 2024 Balance sheet according to accounting standards *	As of December 31, 2024 Economic balance sheet	As of December 31, 2023 Balance sheet according to accounting standards	As of December 31, 2023 Economic balance sheet
		Audited			
		NIS thousand			
Assets:					
Intangible assets	(3)	1,670	-	1,708	-
Deferred acquisition costs	(4)	106,583	-	98,879	-
Property, plant & equipment		41,304	41,304	37,698	37,698
Investments in investees that are not insurance companies:					
Other investees	(5)	83,513	22,858	69,879	25,747
Total investments in investees that are not insurance companies		**83,513**	**22,858**	**69,879**	**25,747**
Investment property		26,925	26,925	22,739	22,739
Reinsurance assets		744,496	652,010	943,342	838,831
Receivables and debit balances		363,295	363,295	379,862	379,862
Financial investments:		-	-	-	-
Liquid debt assets		1,021,989	1,021,989	786,330	786,330
Illiquid debt assets	(6)	647,042	642,993	643,228	628,549
Shares		158,449	158,449	130,082	130,082
Other		388,876	388,876	337,522	337,522
Total financial investments		**2,216,356**	**2,212,307**	**1,897,162**	**1,882,483**
Other cash and cash equivalents		190,972	190,972	246,867	246,867
Total assets		**3,775,114**	**3,509,672**	**3,698,136**	**3,434,227**
EQUITY					
Basic Tier 1 capital		686,638	702,154	661,928	678,672
Total equity		**686,638**	**702,154**	**661,928**	**678,672**
Liabilities:					
Liabilities for insurance contracts - see Section 2B	(1, 8)	2,278,309	1,925,420	2,105,757	1,788,495
Risk margin (RM)	(1)	-	77,935	-	61,044
Liabilities in respect of deferred taxes, net	(9)	20,393	60,959	10,435	42,061
Payables and credit balances	(10)	74,476	74,476	73,581	73,581
Financial liabilities	(11)	2,607	2,607	1,903	1,903
Other liabilities		712,691	666,121	844,532	788,471
Total liabilities		**3,088,476**	**2,807,518**	**3,036,208**	**2,755,555**
Total equity and liabilities		**3,775,114**	**3,509,672**	**3,698,136**	**3,434,227**

* Prior to the application of the provisions of IFRS 9 and IFRS 17 included in the financial statements as of March 31, 2025 for 2024.

Main changes in equity compared to last year:

There was an immaterial increase in the total equity arising from the positive effect of the increases in nostro portfolio returns and from underwriting profitability in the insurance portfolio, which were partially offset against the dividend distribution during the period, as detailed in Section 1 above.

Section 2A - Information about the economic balance sheet

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

(1) Labilities in respect of insurance contracts and reinsurance assets

Liabilities for insurance contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereinafter - "**BE**" or "**Best Estimate**") on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. In addition, in accordance the part referring to BE in the "Commissioner's Position - Best Practice for Calculation of Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes", it is likely that the actual cash flows will vary to some extent from the estimates made on a "best estimate" basis. For further details, See Note 14 to the Consolidated Financial Statements as of December 31, 2024.

Limitations and qualifications with regard to calculation of the best estimate

Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events. Accordingly, such events were not taken into account in the determination of the models' underlying assumptions.

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

The risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses. This calculation method was defined by the Commissioner and does not necessarily reflect the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.

In that context, it should be emphasized that the stress scenario calculated as part of the solvency model (capital requirements) are based on a set of scenarios and assumptions defined by the Commissioner, and which do not reflect any actual experience of the Company. Furthermore, the set of correlations on which the solvency model is based for the capital requirements was defined by the Commissioner and does not reflect the Company's actual experience.

Assumptions underlying the insurance liabilities calculation - manner of determining the assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant operational factors and reflect the Company's expectations as to the future in respect of these factors. The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums, assets under management, etc.).

Set forth below are the key assumptions on which the Company relied in the calculations:

a) Economic assumptions

1) Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the ultimate forward rate of 2.6% (UFR) plus a margin (VA) - all as set by the Commissioner.
2) The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It is noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

b) Assumptions underlying property and casualty insurance

The estimate of the insurance liabilities in the different subsegments in respect of policies earned is based on the provision for the December 2024 balance sheet. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include a risk margin (RM) and other non-specific margins that were taken into account for reserve adequacy testing for the said balance sheet.

In respect of the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the contingent claims; (these are also deducted from risk margins and other non-specific margins).

Other assets and liabilities:

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

(4) **Deferred acquisition expenses**- in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of acquisition costs at zero. It should be noted that the value of the future profits implicit in the insurance contracts was taken into account in the liabilities for insurance contracts item.

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

(6) **Non-marketable debt assets** - in accordance with Part A, Chapter 1, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

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

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

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

(11) **Financial liabilities** - in accordance with the general principles set in the Solvency Circular and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account in respect of changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

Section 2B - Composition of liabilities for insurance contracts

	As of December 31, 2024		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities for insurance contracts:			
NSLT property & casualty insurance and health insurance contracts	1,925,420	652,010	1,273,410
Total liabilities for insurance contracts	**1,925,420**	**652,010**	**1,273,410**

*) For further details, see Section 2A above.

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities for insurance contracts:			
NSLT property & casualty insurance and health insurance contracts	1,788,495	838,831	949,664
Total liabilities for insurance contracts	**1,788,495**	**838,831**	**949,664**

Material changes compared with comparative figures in a previous period:

During the reporting period, there were no material changes in gross liabilities. The increase in liabilities for insurance contracts (retention) arises mainly from an increase in liabilities for insurance contracts in the Compulsory Motor Subsegment for early years, which are not covered under the LPT contract. For further details, See Note 14 to the Consolidated Financial Statements as of December 31, 2024.

Section 3 - Shareholders equity in respect of SCR

	As of December 31, 2024			
	Tier 1 capital			
	Basic Tier 1 capital	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	702,154	-	-	702,154
Deductions from Tier 1 capital (a)	(1,478)	-	-	(1,478)
Shareholders' equity in respect of SCR (d)	700,676	-	-	700,676

	As of December 31, 2023			
	Tier 1 capital			
	Basic Tier 1 capital	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	678,672	-	-	678,672
Deductions from Tier 1 capital (a)	(51,184)	-	-	(51,184)
Shareholders' equity in respect of SCR (d)	627,488	-	-	627,488

Main Changes in relation to previous year:

For information regarding changes affecting Basic Tier 1 capital, see Section 3(d) below.

(a) "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - the "**Economic Solvency Regime Appendix**"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance contracts in breach of the Investment Rules Regulations, amount invested by the Company in buyback of ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication date of the report for the first time.

(d) Composition of shareholders equity in respect of SCR

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Tier 1 capital:		
Basic Tier 1 capital	700,676	627,488
Total Tier 1 capital	**700,676**	**627,488**
Total shareholders' equity in respect of SCR	**700,676**	**627,488**

The main changes in shareholders' equity in respect of solvency capital requirement arose from the positive effect of the increases in nostro portfolio returns and from underwriting profitability in the insurance portfolio, which were partially offset against the dividend distribution during the period.

Section 4 - Solvency capital requirement (SCR)

		As of December 31	
		2024	**2023**
		Audited	
		NIS thousand	
Basic solvency capital requirement (BSCR)			
Capital requirement in respect of market risk-weighted component	(1)	306,867	248,846
Capital requirement in respect of counterparty risk-weighted component		47,426	45,665
Capital requirement in respect of underwriting risk-weighted component in health insurance (SLT+NSLT)		26,230	17,582
Capital requirement in respect of underwriting risk-weighted component in P&C insurance	(2)	405,989	314,248
Total		**786,512**	**626,341**
Effect of diversification of risk-weighted components		(190,356)	(152,220)
Total basic solvency capital requirement (BSCR)		**596,156**	**474,121**
Capital requirement in respect of operational risk		57,763	53,655
Loss absorption adjustment due to deferred tax asset (minus)	(3)	(90,767)	(65,768)
Total solvency capital requirement (SCR)		**563,152**	**462,008**
The rate of solvency capital requirement in the Transitional Period of SCR (in percentages)		100%	95%
Total solvency capital requirement (SCR)	(4)	**563,152**	**438,908**

Key changes in solvency capital requirement compared to last year:

(1) The increase in capital requirement in respect of the market risk-weighted component arose mainly from the symmetrical adjustment (SA) component in the stock scenario.

(2) The increase in capital requirement in respect of the underwriting risk-weighted component in P&C insurance, arose from an increase in compulsory motor insurance reserves for new years (which are not covered by loss portfolio transfer (LPT) reinsurance transaction) and from an increase in expected premiums.

(3) The increase in the loss absorption capacity due to deferred taxes arises mainly from the increase in the tax reserve in the economic balance sheet.

(4) An increase in total capital requirement arises from the end of linear spread for capital requirements, due to the end of the Transitional Period.

For details regarding the equity required for purposes of the solvency capital requirement without applying the Provisions for the Transitional Period, see Section 6 - "Effect of application of Provisions for the Transitional Period" below.

Section 5 - Minimum capital requirement (MCR)

A. Minimum capital requirement (MCR)	As of December 31 2024	2023
	Audited	
	NIS thousand	
MCR based on the formula (MCR linear)	212,286	138,093
Lower band (25% of solvency capital requirement in the Transitional Period)	140,788	109,727
Upper band (45% of solvency capital requirement in the Transitional Period)	253,418	197,509
Minimum capital requirement (MCR)	212,286	138,093

Shareholders' equity for MCR	As of December 31, 2024		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Own funds in respect of SCR according to Section 3	700,676	-	700,676
Deviation from quantitative limitations due to minimum capital requirement *)	-	-	-
Shareholders' equity for MCR	**700,676**	**-**	**700,676**

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

	As of December 31, 2023		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Own funds in respect of SCR according to Section 3	627,488	-	627,488
Deviation from quantitative limitations due to minimum capital requirement *)	-	-	-
Shareholders' equity for MCR	**627,488**	**-**	**627,488**

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

Section 6 - Effect of the application of the Provisions for the Transitional Period

	As of December 31, 2024		
Effect of the application of the directives for the Transitional Period	**Including applying the Transitional Provisions for the Transitional Period**	**Effect of a gradual increase in the solvency capital requirement in the Transitional Period**	**Excluding applying the Provisions for the Transitional Period**
		Audited NIS thousand	
Total insurance liabilities, including risk margin (RM)	2,003,356	-	2,003,356
Basic Tier 1 capital	700,676	-	700,676
Shareholders' equity in respect of SCR	700,676	-	700,676
Solvency capital requirement (SCR)	563,152	-	563,152

	As of December 31, 2023		
Effect of the application of the directives for the Transitional Period	**Including applying the Transitional Provisions for the Transitional Period**	**Effect of a gradual increase in the solvency capital requirement in the Transitional Period***	**Excluding applying the Provisions for the Transitional Period**
		Audited NIS thousand	
Total insurance liabilities, including risk margin (RM)	1,849,539	-	1,849,539
Basic Tier 1 capital	627,488	-	627,488
Shareholders' equity in respect of SCR	627,488	-	627,488
Solvency capital requirement (SCR)	438,908	(23,100)	462,008

* For details regarding the Transitional Provisions applicable to the Company, see Section A above “Overview and disclosure requirements".

Section 7 - Changes in Capital Surplus

	Shareholders' equity in respect of SCR	Solvency capital requirement (SCR)	Excess capital
		Audited	
	NIS thousand	NIS thousand	NIS thousand
As of January 1, 2024	**627,488**	**438,908**	**188,580**
Net of the Provisions for the Transitional Period (in the negative)	-	23,100	(23,100)
As of January 1, 2024, excluding applying the transitional Provisions for the Transitional Period	**627,488**	**462,008**	**165,479**
The effect of operating activities (a)	78,560	20,943	57,616
Effect of economic activity (b)	143,526	116,772	26,754
Effect of dividend declared (c)	(130,000)	(11,573)	(118,427)
Effect of changes in deferred tax	(18,898)	(24,999)	6,102
As of December 31, 2024	**700,676**	**563,152**	**137,524**

A. This section includes the effect of:

- New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year.
- Investment in investees.
- Other changes not included in the other line items.

B. This section includes the effect of the current operating activity, including:

- Changes in the value of investment assets.
- Changes in capital requirement in respect of market risk-weighted component, including change in the symmetric adjustment component (SA).
- Effect of inflation.
- Effect of changes in the risk-free interest rate curve on solvency.

C. This section includes the effect of a dividend declared subsequent to the publication date of the Solvency Ratio Report as of December 31 2023 and through the publication date of the solvency ratio report as of December 31 2024.

<u>Main changes in movement in capital surplus for the reporting period:</u>

- During the reporting period, the Company distributed a dividend of NIS 180 million, of which NIS 50 million was deducted from the opening balance for data as of December 31, 2023. Therefore, the actual total effect is NIS 130 million.
- The effect of operating activities contributed significantly to an increase in capital surplus due to an increase in underwriting income, offset against an increase in capital requirements in respect of an increase in compulsory motor vehicle reserves and an increase in expected premiums.
- The effect of economic activity led to an increase in capital surplus during the reporting period mainly due to positive returns in the nostro portfolio, offset against an increase in capital requirements in respect of an increase in the symmetrical adjustment component in the stock scenario.
- For more information regarding significant effects on the economic solvency ratio's components, see Section 1 above.

Section 8 - Sensitivity Tests

The Company conducted an estimate of the sensitivity to a 25% decrease in the value of equity assets. In addition, the Company examined a scenario of a 0.5% change in the interest rate curves, which is immaterial.

	As of December 31, 2024	**As of December 31, 2023**
	Audited	
	Effect on the economic solvency ratio (in %)	Effect on the economic solvency ratio (in %)
A 25% decrease in the value of equity assets ([1])	(9.8%)	(17.5%)
A 50-basis point increase in risk-free interest	(1%)	-

<u>Main Changes in relation to previous year:</u>

There has been a substantial decrease in the effect of the share sensitivity test on the solvency ratio due to lower scenario intensity, as a result of a marked increase in the symmetric adjustment (SA) component. While last year the SA value was low and ‘curtailed' at the lower limit when the test was applied, this year the higher value allowed a significant decrease within the component’s fluctuation limits (-10% to + 10%). This change in the SA's base value led to a different effect of a stock sensitivity test on the overall ratio.

[1] All shares accounted for in the shares sub-risk-weighted component. In addition, the calculation includes adjustment of the symmetric adjustment (SA) component.

Section 9 - Restrictions on Dividend Distribution

The Company's policy is to hold a solid capital base to ensure its solvency and its ability to meet its obligations to policyholders and allow flexibility in its business activities to generate a return for its shareholders. The Company is subject to the capital requirements and regulation set for dividend distribution. Therefore, according to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Letter**") an Insurance Company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors; the Company approved a capital management plan which includes capital adequacy targets.

Solvency ratio target set by the Board of Directors

In March 2018, the Company’s Board of Directors set an annual capital target of 102%, where the “buffer” increases by approx. 0.86% every year, up to 108% at the end of 2024. In October 2020, he Company revised the capital target for the purpose of dividend distribution to 110%. In June 2021, the Company once again revised the capital target for the purpose of dividend distribution, such that it will increase gradually to 113% at the end of the adjustment period in 2024, instead of 110%.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The ratio is higher than the solvency ratio required by the letter.

Data excluding the application of the Provisions for the Transitional Period:

	As of December 31	
	2024	**2023**
	Audited	
Excluding applying the Provisions for the Transitional Period	NIS thousand	
Own funds in respect of SCR (in NIS thousand) - see Section 3	700,676	627,488
Solvency capital requirement (SCR) (in NIS thousand) - see Section 4	563,152	462,009
Surplus (in NIS thousand)	137,524	165,479
Economic solvency ratio (in %)	124.4%	135.8%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Shareholders' equity in respect of SCR	**700,676**	**627,488**
Surplus	137,524	165,479
Economic solvency ratio (%)	124.4%	135.8%
Capital surplus after equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report, compared with the Board of Directors' target		
Target of the Board of Directors for the period (in percent)	113.0%	110.9%
Excess capital over target (in NIS thousand)	64,314	115,186

Main Changes in relation to previous year

- For an explanation regarding changes in key capital surplus line items compared to last year's comparative figure see Section 1 above.
- For an explanation about changes in the eligible shareholders' equity see Section 3 above.
- For an explanation of changes in the capital requirement, see Section 4.

May 25, 2025	____________________	__________	________________
Approval date of the report	Ari Kalman, Chairman of the Board of Directors	Dani Izhaki, CEO	Ruty Yehudayoff Cohen, Chief Risk Officer