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Phoenix Financial Ltd.

Consolidated Interim Financial Statements as of March 31, 2025 (Unaudited)

Avigdor Arikha, Scarlet Scarf on Studio Chair, 1989, Oil on canvas, Phoenix Collection

Joseph Zaritzky, Jerusalem, 1924, Watercolor on paper, Phoenix Collection

Board members

Benjamin Gabbay - Chairman

Dr. Ehud Shapira (Independent Director)

Hanadi Said (External Director)

Inbal Kreis (External Director)

Rucha Levin (External Director)

Stella Cohen

Prof. Zohar Goshen

Zubin Rossi Teperlova

Nahum Gutman, White House in an Orchard and a Camel Caravan, late 1920s,
Oil on canvas, Phoenix Collection

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Letter from the Chairman of the Board – Benjamin Gabbay

Phoenix has recorded yet another quarter of strong performance and growth across all of the group's activities. The Company continues to operate based on its proven strategy for creating value, accelerated growth in profitable activities, implementing innovation and improving efficiency, actively managing human capital, and efficient allocation of capital and investments.

The quarterly results reflect accelerated growth and a significant increase in profitability in the Asset Management Activity - Wealth & Investments, Distribution (Agencies) and Financing (Credit) and Brokers & Advisors (Agencies). These are well-established, profitable platforms, which generate high cash flows and returns with low capital requirements.

In addition, in this quarter, Phoenix is reporting its results according to the new accounting standards - IFRS 17 and IFRS 9 - for the first time. As far as the Insurance Activity is concerned, in addition to the continued growth in Property and Casualty Insurance, the positive effect of the new standards is also evident. In addition to having a positive effect on the Company's profitability, the new standards have increased transparency, and no less importantly - have reduced the volatility of results from one quarter to another. About one third of the Company's shares are held by international investors, and I am convinced that the implementation of the new IFRSs will allow them to optimally understand the Company's performance and strength and will even attract more investors to the Company.

As we reported last quarter, the implementation of the new standards combined with the strong performance in the Asset Management Activity is expected to generate an additional potential income of approx. NIS 400-600 million beyond the comprehensive income target set by the Company for 2027, which totals NIS 2 billion. The Company is expected to update the targets for its various activities during the second half of the year.

Phoenix is deepening its commitment to maximize value for its shareholders through dividend distributions and buybacks. Over the past five years, the Company has distributed approx. NIS 3 billion with an average dividend yield of 5%. The Company's strong performance, constant cash flow and economic strength enable its Board of Directors to update the dividend policy and shift to a quarterly rather than semi-annual distribution. This is a similar approach to leading companies in Israel and around the world.

The Board of Directors and I wish to thank the management team and employees for their performance, cooperation and determination in achieving the Company's goals. Furthermore, we would like to thank management and the employees of the Insurance Company for the successful implementation of the new standards.

Phoenix sincerely wishes for the safe return of all the hostages as soon as possible, the speedy recovery of the wounded and sends its heartfelt sympathies to the families of the fallen. We all hope and pray that unity should prevail over rifts and division among Israel’s population, for the good of society and the State of Israel as a whole.

Benjamin Gabbay,
Chairman of the Board

Part 1

Report of the Board of Directors on the State of the Corporation's Affairs as of March 31, 2025

Sionah Tagger, Rothschild Boulevard with the Water Tower, ca. 1928, Oil on canvas, Phoenix Collection

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Report of the Board of Directors on the State of the Corporation's Affairs

As of March 31, 2025

The Report of the Board of Directors of Phoenix Financial Ltd. (hereinafter - "**Phoenix Financial**" or the "**Company**" or the **Corporation**") as of March 31, 2025, outlines the principal changes in the Company's operations in the period from January through March 2025 (hereinafter - the "**Reporting Period**").

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970. With regard to the Group's insurance, pension and provident activities, the Report was prepared pursuant to the Supervision of Insurance Business Regulations (Reporting), 1998, and in accordance with the directives issued by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the "**Supervisor**" or the "**Commissioner**"). The report was prepared assuming that the reader also has at his/her disposal the full 2024 periodic report (hereinafter - the "**Periodic Report**").

The Report of the Board of Directors is an integral part of the quarterly report, and the quarterly report should be read in its entirety, as a single unit (hereinafter - the "**Financial Report**" or the "**Financial Statements**").

1. Group's Structure, its Areas of Activity, and Developments Therein

1.1. Group structure

As from the third quarter of 2024, the Company has been a company without a control core. For further details, see the on the Report on the Corporation's Business in the Periodic Report.

1.2. Areas of activity

1.2.1. For convenience purposes, the Group divided its operating results into two key activities: The first - Insurance; and the second - Asset Management.

Phoenix Financial

Insurance

P&C
Health
Life & Savings

Asset Management

Wealth & Investments
Retirement
Finance (Credit)
Brokers (Agencies)

These activities are divided in the Report into seven reporting segments. The **Insurance Activity** is divided into three segments - Property and Casualty (P&C) Insurance, Health Insurance, Life and Savings.[1] The **Asset Management Activity** is divided into four further segments - Retirement, Wealth & Investments,[1] Brokers & Advisors (Agencies) and Financing (Credit). It is noted that the “Wealth & Investments" Segment was previously called the "Investment House and Wealth” Segment.

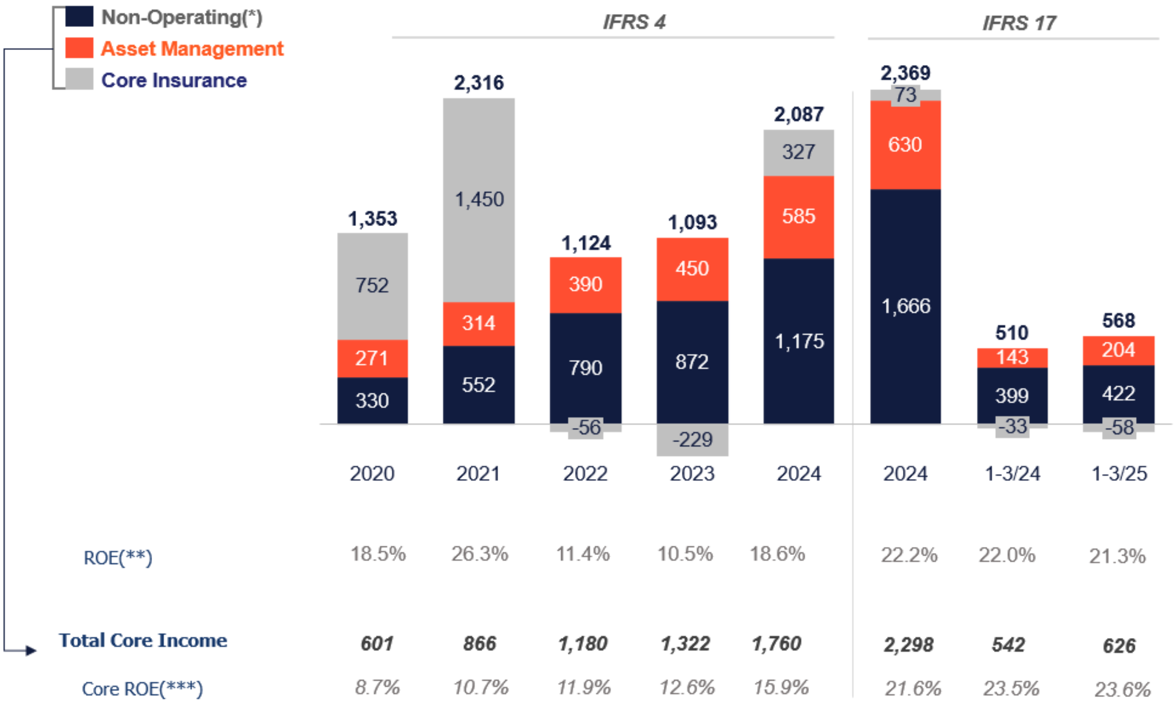
In its **insurance** activity, the Company operates through Phoenix Insurance Company Ltd.;

In the **Asset Management Activity**, the Company manages investments through Phoenix Investment House Ltd. and Phoenix Capital Partners Ltd.; in **Retirement** - through Phoenix Pension & Provident Ltd.; in **Brokers & Advisors (Agencies)** - through Phoenix Agencies 1989 Ltd. and the agencies it owns; and in **Financing (Credit)** - mainly through Gama Management and Clearing Ltd. - a wholly-owned reporting corporation (hereinafter - “**Phoenix Gama**”); for information regarding the Group’s areas of activity and its holding structure, see Section 1.3 under the Description of the Corporation's Business in the Periodic Report.

1.2.2. The Company has various sources of operating income of its subsidiaries, as detailed in the sections dealing with the various operating segments. Following is a breakdown of the comprehensive income attributable to the shareholders in the reporting year (in NIS million post-tax), separately for core income and non-operating income, following the implementation of IFRS 17 in accordance with the periods described below.

[1] It is noted that in light of the application of the new accounting standard – IFRS 17 - in Phoenix Insurance, as from this quarter the investment policies activity, which is reported as a segment in Phoenix Insurance, was classified in the Company's financial statements into the Wealth & Investments Segment under the Asset Management Activity. In addition, it is noted that the Company has restated the comparative figures, see Section 5 to the Report of the Board of Directors.

For further details, see Note 3 to the Financial Statements and Section 6 below:



(*) Non-operating effects - income from capital market effects above or below a nominal return (3 months) of the risk-free rate plus 2.25%, effects of the interest rate curve changes and other special effects. (For further details, see Section 6.4.1 below). For further details regarding the breakdown of income in accordance with IFRS 4, see the 2024 Periodic Report.

(**) Return on equity is calculated based on the comprehensive income for the period attributable to the Company's shareholders, adjusted to reflect a one-year period and divided by the average equity for the period.

(***) Core return on equity is calculated based on the comprehensive income for the period attributable to the Company's shareholders, net of non-operating income, adjusted to reflect a one-year period and divided by the average adjusted equity for the period.

1.3. Developments in the group

General

1.3.1. First-time application of IFRS 17 and IFRS 9

As from these Financial Statements, the Company and Phoenix Insurance are applying IFRS 17 (hereinafter - the "**Standard**") and IFRS 9 (hereinafter - the "**Standards**") for the first time to their financial statements (to Phoenix Insurance); for further details regarding the Standards, see Section 5 below. In light of the first-time-application of the Standard and its positive effect on the Company's profitability, during 2025 the Company intends to assess and revise its strategic targets for 2027, which will reflect the Standard's positive effect and other developments, if any. For further details, see Section 5 below and the immediate report dated September 9, 2024 regarding an update of the Company's strategic targets (Ref. No. 2024-01-601901).

1.3.2. Interest rates, the capital market and inflation

Changes in the risk-free interest rate curve and capital market affect Phoenix Insurance's assets, liabilities, and results of operations. The Company manages the interest risks by taking an overall look at its asset and liability management.

Interest rates - during the Reporting Period, the Bank of Israel left its interest rate unchanged - 4.5%. In addition, in the Reporting Period, the NIS yield curve was up and the illiquidity premium was down; in addition to their effect on the assets, these changes led to a change in assets and liabilities for insurance contracts; for further details, see Section 6.4 below and Note 2 to the Financial Statements.

The capital market - during the Reporting Period, despite the volatility, there were increases in financial markets in Israel and across the world. This increase affects the returns on Nostro assets and planholders' assets, and as of the report publication date. For details regarding the assessment of the Company's profitability by separating core income and non-operating income, see Section 6.4.1 below.

Inflation - during the reporting period, the (known) Consumer Price Index was up by 0.3% compared to an increase of 0.3% in the corresponding period last year.

In the period subsequent to the report date through immediately prior to the Financial Statements' publication date, fluctuations continued in financial markets in Israel and across the world concurrently with an 1.1% increase in the CPI in April; these changes brought about real losses in the Nostro liquid portfolio. On the other hand, there was an increase in the risk-free interest rate curve and a decrease in liquidity premium, which may trigger a change in assets and liabilities for insurance contracts.

At this stage, it is impossible to assess future developments in the market and the interest rate curve and their effect on the results of the second quarter of 2025, and therefore the above does not constitute an assessment of the Company's results in the second quarter of 2025.

For further details regarding the changes in the interest rate and in the interest rate curve, the capital markets and inflation rates, see Section 3 to the Report of the Board of Directors; for effects on the Company's financial results and sensitivity tests, see Section 5 to the Report of the Board of Directors. As to the effect of the changes in the NIS yield curve and in capital markets on Phoenix Insurance's solvency ratio, see Section 2.1.6 below, and Section 8 in Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2024.

1.3.3. The Iron Swords War

On October 7, 2023, the Iron Swords War between the State of Israel and the Gaza-based "Hamas" terror organization broke out (hereinafter - the "**War**"), following a murderous attack by Hamas on localities in southern Israel. In addition to the War in Gaza, Israel is involved in an armed conflict and military operational activity of varying intensities and in a number of fronts. The War and all of the activities in the various fronts have an adverse effect on the Israeli economy. As of the report publication date, the fighting in Gaza was resumed at varying intensity.

Due to the War, the international rating agencies downgraded the State of Israel's credit rating. The abovementioned rating downgrade also affected Phoenix Insurance's international rating. However, on March 26, 2025, the international credit rating agency Moody's reiterated Phoenix Insurance's Baa1 existing rating and changed the rating outlook from negative to stable, due to, among other things, Phoenix Insurance's ability to maintain the resilience of its capital surplus and liquidity and its high and stable level of profits since the outbreak of the War. For further details, see the immediate report dated March 26, 2025 (Ref. No.: 2025-01-020871).

Due to its activity, the Phoenix group is exposed to slumps on the financial markets and to slowdown, as well as to other risks arising from the War. For information regarding sensitivity and exposure to risk factors, see also Note 41 to the Periodic Report.

At this stage, there is uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is impossible to assess the full effect of the War on the Company and its results in the medium term; however, as of the report publication date, this effect is not expected to be material.

Insurance Activity

1.3.4. Application of IFRS 17 and IFRS 9

See Section 1.3.1 above and Section 5 below.

1.3.5. Issuance of a debt totaling approx. NIS 800 million by Phoenix Capital Raising for Phoenix Insurance

Subsequent to the Reporting Period, in April 2025, Phoenix Capital Raising completed the issuance of two series of bonds totaling NIS 786,147 thousand p.v.: Bonds (Series P) totaling NIS 556,147 thousand p.v. and Bonds (Series Q) totaling NIS 230,000 thousand p.v. Total gross consideration arising to Phoenix Insurance from the issuances totaled approx. NIS 780,712 thousand. The bonds were recognized as Tier 2 capital in Phoenix Insurance and were listed on the Tel Aviv Stock Exchange. For further details, see the immediate reports dated March 26, 2025, April 10, 2025 and April 17, 2025 (Ref. Nos.: 2025-01-020743, 2025-01-020871, 2025-01-027138 and 2025-01-027737, respectively).

Asset Management

1.3.6. Completion of the merger between group companies

During the Reporting Period, the Company transferred to Phoenix Capital Partners Ltd. (a new privately-owned subsidiary established and wholly-owned by the Company), the entire Wealth & Investments Activity carried out in Phoenix Investments prior to the merger date and ownership interests in several other companies.

In addition, the Company transferred to Phoenix Gama, effective January 1, 2025, the shares of Phoenix Retail Credit Ltd., which was wholly-owned by the Company, in exchange for issuance of shares. In addition, in the reporting period, the Company transferred its 19.9% holding stake in El Al Frequent Flyer Ltd. shares (hereinafter - "**El Al Club**") to Phoenix Gama, in consideration for issuance of shares. The transfer was carried out after the completion of the distribution of El Al Club shares as a dividend in kind from Phoenix Insurance to the Company. For further details, see the Company's report dated November 27, 2024 and February 25, 2025 (Ref. Nos.: 2024-01-619565 and 2025-01-012796, respectively) and Section 1.3.8.4 below.

Further group-level developments subsequent to the Reporting Period

1.3.7. New collective agreement for the 2025-2027

Subsequent to the Reporting Period, on May 18, 2025, a new collective agreement was signed for the period from January 1, 2025 to December 31, 2027, between Phoenix Insurance and Phoenix Pension & Provident, which are Company subsidiaries (hereinafter jointly - the "**Subsidiaries**") and the New Histadrut Workers' Union, the MAOF Histadrut (hereinafter - "**Histadrut**") and the Workers' Committee (hereinafter - the "**Agreement**").

Under the agreement, and as part of the regulation of employee benefits upon the planned move to the new campus in Rishon LeZion, the Company will allocate - for the first time - equity compensation in the form of restricted shares to the Subsidiaries' employees who are eligible to such allocation subject to the conditions set in the Agreement, in order to encourage excellence and create an incentivized work environment in congruence with the Subsidiaries' success.

In accordance with the provisions of the Agreement, the provisions of the Subsidiaries' previous collective agreements will continue to apply during the term of the Agreement, except for changes defined in the Agreement, the key points of which are as follows: pay rises, allocation of restricted shares (RSU), raising the minimum wage for the Subsidiaries' employees, an annual bonus subject to meeting targets, participation in lunch costs, setting provisions regarding the move to the campus and exhaustion of claims and industrial peace.

The estimated added annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) for the years of Subsidiaries' agreement is approx. NIS 61.6 million. The estimated average annual cost of the annual bonuses expected to be awarded for 2025, 2026 and 2027, assuming that 100% of the profit targets of the relevant years will be met is approx. NIS 83 million. For further details, see the Company's report dated May 18, 2025 (Ref. No.: 2025-01-034497).

1.3.8. Dividend policy and dividend distribution

1.3.8.1. Revision of the dividend distribution policy

On May 15, 2025, the Company's Board of Directors approved a revision to the dividend distribution policy, according to which the Company will distribute a dividend on a quarterly basis rather than on a semi-annual basis.

No change was made in other aspects of the policy and, accordingly, the dividend distribution rate shall not fall below 40% of the Company's distributable comprehensive income as per its audited annual Consolidated Financial Statements for the relevant year (hereinafter - the "**Revised Policy**"). In this context, it is noted that amounts used by the Company in the execution of buyback plans are not included in dividend distributions.

It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide not to distribute a dividend, or to distribute a dividend at rates that vary from the above, as it deems appropriate at any given time, subject to the provisions of the law. For further details, see the immediate report dated February 18, 2025 (Ref. No.: 2025-01-034416).

1.3.8.2. Distribution of dividend by the Company to its shareholders

Subsequent to the report date, on May 28, 2025, concurrently with the approval of the Company's Financial Statements as of March 31, 2025, which are included in these financial statements, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's revised dividend distribution policy, totaling NIS 230 million. It shall be clarified that to the extent that options are exercised by employees between the dividend declaration date and the record date, the per-share dividend amount shall be adjusted in accordance with the actual number of outstanding shares on the record date. The Company shall publish, as required, a supplementary report for said adjustment on the record date. It is noted that the Company complies with all dividend distribution restrictions; for further details, see Section 1.3.9 below.

1.3.8.3. Revision of Phoenix Insurance's distribution policy

On May 15, 2025, Phoenix Insurance's Board of Directors approved a revision to the dividend distribution policy, according to which Phoenix Insurance will distribute a dividend on a quarterly basis rather than on a semi-annual basis. No change was made in other aspects of the policy and, accordingly, the dividend distribution rate in Phoenix Insurance ranges between 40% to 60% of Phoenix Insurance's distributable comprehensive income as per Phoenix Insurance's annual Consolidated Financial Statements, provided that Phoenix Insurance meets the minimum capital target rate set by the Board of Directors of Phoenix Insurance, which is higher than the solvency ratio required under the Commissioner's rules.

It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide not to distribute a dividend, or to distribute a dividend at rates that vary from the above, as it deems appropriate at any given time, subject to the provisions of the law.

1.3.8.4. Distributions by Phoenix Insurance to the Company

In December 2024, Phoenix Insurance decided to distribute a dividend in kind of approx. NIS 1.4 billion in assets instead of a cash dividend. As of the report publication date, some of the assets have been distributed; the following assets have not yet been distributed:

1. Distribution to the Company of the interest of Phoenix Insurance and Hadar Green Company Properties and Investments Ltd. - a wholly-owned company of Phoenix Insurance - in assets known as block 6154, parcels 931 and 932 in Givatayim, as a dividend in kind. The accounting value of the above assets in Phoenix Insurance's books of accounts as of December 31, 2024 was approx. NIS 611 million. The above distribution is subject to the approval of the Israel Tax Authority and the Givatayim Municipality regarding the asset in block 6154, parcel 931. As of the report publication date, the approvals have yet to be issued.

2. Distribution to Phoenix Financial of Phoenix Insurance's shares in Phoenix Mortgages (Gold) Ltd. (hereinafter - "**Phoenix Mortgages**"), which constitute approx. 51% of the issued and paid-up share capital of Phoenix Mortgages, as a dividend in kind. The accounting value of the asset in Phoenix Insurance's books of accounts as of December 31, 2024 stood at approx. NIS (2) million. The above distribution is subject to receipt - from the Supervisor - of an expanded credit provision license (as defined in the Financial Services Supervision Law (Regulated Financial Services), 2016 by Phoenix Mortgages. As of the report publication date, the approvals have yet to be issued.

It is noted that, in its said distribution resolution, Phoenix Insurance's Board of Directors decided that insofar as there are material adverse changes in the status of Phoenix Insurance, prior to the actual distribution of any of the assets the distribution will be brought before the Board of Directors of Phoenix Insurance to be reassessed, discussed and resolved on.

The information presented above includes forward-looking information, as defined by the Securities Law, 1968. The Company's assessments regarding the abovementioned materialization may not materialize, in whole or in part, or may materialize in a materially different manner to that which is expected, due to, among other things, changes in market conditions - including a financial crisis in the markets or the materialization of any of the risks listed in Phoenix Insurance's Report

on the Corporation's Business in the Periodic Report or failure to obtain said approvals, as detailed above.

Subsequent to the Reporting Period, on March 28, 2025, at the same time as the approval of Phoenix Insurance's financial statements as of March 31, 2025, Phoenix Insurance's Board of Directors decided - given the distributable retained earnings, and Company's solvency ratio, and with regard to completing the distribution of the said dividend in kind - to distribute a NIS 170 million dividend, after compliance with the solvency ratio targets and the distribution tests as per the Companies Law.

1.3.8.5. Dividend distribution by subsidiaries

As of March 31, 2025, the dividend declared and not yet distributed to the Company from the subsidiaries, including the abovementioned dividend from Phoenix Insurance, totals NIS 316 million. For further details, see Section 6.7.2 below.

1.3.9. External restrictions on dividend distribution

In the last two years, no external restrictions were placed which affected the Company's ability to distribute dividends, and the Company is unaware of any external restrictions that may affect its ability to distribute dividends in the future, except for the general statutory dividend distribution restrictions applicable by virtue of in the Companies Law, and the restrictions on dividend distribution under the deeds of trust of Bonds (Series 4 to 6). For further details, see Section 10.2 below.

However, there are external restrictions under the Commissioner's Directives applicable to insurance companies, pertaining to the ability of Phoenix Insurance to distribute dividends. It should also be noted that in October 2020, Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target of 135%, taking into account the transitional provisions. In December 2024, Phoenix Insurance's Board of Directors approved revisions of the minimum solvency ratio target - without taking into account the Provisions for the Transitional Period - of 121%. Under its international rating, the Company is required to maintain a solvency ratio of 130% in order to maintain its rating.

1.3.10. Share buyback

In January 2025, the Company's Board of Directors approved an additional share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year (hereinafter - the "**2025 Plan**"). During the Reporting Period, the Company made acquisitions totaling approx. NIS 21 million.

As of the report publication date, there are approx. 11,647,072.5 dormant shares constituting 4.3% of the Company's issued and paid up share capital. For further details, see the Company's immediate reports dated January 29, 2025 and April 9, 2025 (Ref. Nos.: 2025-01-007405 and 2025-01-026703, respectively).

1.3.11. Option plan and RSUs for employees and officers

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company grants, from time to time and without consideration, option warrants (hereinafter, in this section - "**Options**") to employees, officers, and service providers of the Company and companies under its control. In June 2024, the Company's Board of Directors approved a revision to the option plan, which allows the Company to allocate restricted share units (RSUs) too.

On March 2025, the Company's Compensation Committee and Board of Directors approved an additional allocation of 1,283,996 non-marketable options and an additional allocation of up to 184,297 restricted share units (RSUs) to officers and managers of the Company and its subsidiaries without cash consideration. In addition, the allocation of 39,788 (non-marketable) options to the Company's CEO was approved. The allocation to the Company's CEO was approved by the Company's general meeting on April 21, 2025.

For details regarding the issuance of restricted share units (RSUs) in the Company, under the signing of a collective agreement, see Section 1.3.7 above.

Allocation of options by subsidiaries

Phoenix Capital Partners

In March 2025, the Company's Compensation Committee and Board of Directors approved the allocation of (non-marketable) options of Phoenix Capital Partners to the Company's CEO, Chairman of the Board and officers, as part of the compensation terms of the Company's CEO and Chairman of its Board for their service as directors in Phoenix Capital Partners. The allocation has been preapproved by Phoenix Capital Partners' competent organs. The allocations to the Chairman of the Company's Board and its CEO were approved by the Company's general meeting on April 21, 2025. The allocation of options was made as part of the allocation to officers and employees in the Phoenix group who had an effect on and contributed to the activity of Phoenix Capital Partners.

1.3.12. Shareholders' meeting

Extraordinary meetings

In January 2025, an extraordinary meeting of the Company was held, the agenda of which included the appointment of four new directors to the Board of Directors: Prof. Zohar Goshen, Mr. Zubin Taraporevala, Ms. Inbal Kreiss (who was classified as an independent director) and Ms. Hanadi Said (an external director). For further details, see the immediate reports dated December 10, 2024 and January 14, 2025 (Ref. Nos.: 2024-01-623250 and 2025-01-004151, respectively).

In April 2025, an extraordinary meeting of the Company was held, the agenda of which included the allocation of (illiquid) options in Phoenix Capital Partners Ltd. to the Company's Chairman of the Board and its CEO. For further details, see the immediate reports dated

March 13, 2025 and April 22, 2025 (Ref. Nos.: 2025-01-016869 and 2025-01-028407, respectively).

1.3.13. Rating

Global rating

Moody's

In March 2025, global credit rating agency Moody's (hereinafter - "**Moody's**") reiterated Phoenix Insurance's Baa1 rating and changed the outlook from negative to stable.

1.3.14. Legal proceedings

For details regarding legal proceedings, see Note 9 to the Financial Statements.

2. Description of the Business Environment

2.1. Implementation of the provisions of the economic solvency regime applicable to Phoenix Insurance Company Ltd.

2.1.1. Provisions regarding the implementation of the Economic Solvency Regime

Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime 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 “**Economic Solvency Regime**”), which was published on October 14, 2020. The Economic Solvency Regime is a regulatory directive that regulates capital requirements and risk management processes among insurance companies. The Economic Solvency Regime sets a standard model for calculating eligible own funds and the regulatory solvency capital requirement, with the aim of bringing insurance companies to hold buffers 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 economic shareholders’ equity recognized for solvency purposes and the capital requirement.

2.1.2. Increasing economic capital according to the Provisions for the Transitional Period

Phoenix Insurance opted for the alternative provided by the Economic Solvency Regime regarding the Provisions for the Transitional Period, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the “**Deduction during the Transitional Period**”). This amount matches the expected increase rate in Phoenix Insurance’s capital surplus during the Transitional Period, and reflects, at the very least, the expected expiry of the solvency capital requirements (SCR) and the risk margin of the existing portfolio as of the calculation date. For further details regarding the recalculation of the Deduction for the Transitional Period, see Section 3.1.5 below and 2A(2) in the Solvency Ratio Report dated December 31, 2024.

2.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of December 31, 2024, is published at the same time as the Financial Statements as of the end of the first quarter of 2025, and was prepared and presented in accordance with the provisions of Chapter 1, Part 4, Section 5 of the Consolidated Circular, according to Circular 2020-1-17 (hereinafter - the “**Disclosure Provisions**”). In accordance with the Consolidated Circular, the Economic Solvency Ratio Report for the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date. Furthermore, in view of the listing of Additional Tier 1 capital on the main list, and in accordance with Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company publishes an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the Solvency Ratio Report, which is published in accordance with the Commissioner's directives. If the Company's solvency ratio goes down to 120% or less, it will publish a full Solvency Ratio Report each quarter in a semi-annual format, instead of an estimated ratio.

2.1.4. Economic solvency ratio and minimum capital requirement (MCR) as of December 31, 2024:

Following are details regarding the economic solvency ratio as published in the latest economic Solvency Ratio Report. The meaning of the terms in this section is the same as in Appendix B to Chapter 2 in Part 2 of Section 5 of the Consolidated Circular - "Economic Solvency Regime".

Economic solvency ratio:

	As of December 31, 2024	As of December 31, 2023
	Audited (1)	
	NIS thousand	
Shareholders equity for SCR	15,155,717	14,823,584
Solvency capital requirement (SCR)	8,634,544	7,640,211
Surplus	6,521,173	7,183,373
Economic solvency ratio (in %)	**176%**	**194%**
<u>Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report:</u>		
Net issuance, capital instruments	636,752	-
Shareholders equity for SCR	15,792,469	14,823,584
Surplus	7,157,925	7,183,373
Economic solvency ratio (in %)	**183%**	**194%**

(1) Any reference made in this report to the term "audited", shall be construed as an audit held by an independent auditor in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

(2) Subsequent to the report date, as of December 31, 2024, Bonds (Series P and Q) totaling approx. NIS 786 million were issued (immediate report of April 17, 2025, Ref. No.: 2025-01-027737). The abovementioned issuance was recognized as Tier 2 capital up to the level of the quantitative limit.
Subsequent to the balance sheet date as of December 31, 2023, approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The redemption referred to above does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

(3) For further details regarding the dividend included in the calculation of the solvency ratio as of December 31, 2024, see Sections 2.1.5.4-2.1.5.5 below.

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 below.

For explanations about key changes in the capital surplus and in the economic solvency ratio as of December 31, 2024 compared with December 31, 2023, see Section 1A to Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2024. Below is a link to the Economic Solvency Ratio Report as of December 31, 2024 on Phoenix Insurance's website.

Minimum capital requirement (MCR)

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Minimum capital requirement (MCR)	2,158,636	1,995,718
Shareholders equity for MCR	11,906,924	11,402,622

2.1.4.1. Restrictions on dividend distribution and solvency ratio without the implementation of the Provisions for the Transitional Period

Dividend

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Dividend Distribution 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 Provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the Provisions for the Transitional Period and subject to the solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted for the original difference attributable to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

Phoenix Insurance's policy is to have a solid capital base to ensure its solvency and ability to meet its liabilities to policyholders, to preserve Phoenix Insurance's ability to continue its business activity such that it is able to provide returns to its shareholders. Phoenix Insurance is subject to capital requirements set by the Commissioner.

Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which Phoenix Insurance seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%.

The minimum economic solvency ratio target, taking into account the Provisions for the Transitional Period, was set at 135%, and the minimum solvency ratio target without taking into account the provisions during the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company's capital plan.

On December 30, 2024, the Company's Board of Directors decided to increase the minimum solvency ratio target without taking into account the provisions during the Transitional Period by further 3 percentage points from 118% to 121%, beginning on December 31, 2024 as part of Phoenix Insurance's preparations for increasing the minimum solvency ratio target by the end of the Transitional Period.

Therefore, as of December 31, 2024, the calculation date, the Company has capital surplus with respect to the set targets, as described in the table below. It is hereby clarified that the aforesaid does not guarantee that Phoenix Insurance will meet the set capital targets at all times.

2.1.4.2. Solvency ratio without applying the Provisions for the Transitional Period

The following are data as published in the latest economic Solvency Ratio Report published by Phoenix Insurance, about the economic solvency ratio calculated without taking into account the Provisions for the Transitional Period and the solvency ratio target set by Phoenix Insurance's Board of Directors, as required in the letter referred to above. As of December 31, 2024 and December 31, 2023, this ratio is higher than the target set by the Board of Directors.

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Shareholders equity for SCR	14,162,503	12,848,471
Solvency capital requirement (SCR)	9,153,264	8,434,457
Surplus	5,009,239	4,414,014
Economic solvency ratio (in %)	**155%**	**152%**
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report:		
Net issuance, capital instruments *	-	-
Shareholders equity for SCR	14,162,503	12,848,471
Surplus	5,009,239	4,414,014
Economic solvency ratio (in %)	**155%**	**152%**
Capital surplus after equity transactions with respect to the Board of Directors' target:		
Minimum solvency ratio target without applying the Provisions for the Transitional Period	**121%**	**115%**
Excess capital over target	**3,087,053**	**3,148,846**

* Subsequent to the report date, as of December 31, 2024, Bonds (Series P and Q) totaling approx. NIS 786 million were issued (immediate report of April 17, 2025, Ref. No.: 2025-01-027737). The said issuance does not affect the solvency ratio net of the Provisions for the Transitional Period as of December 31, 2024 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

Subsequent to the balance sheet date as of December 31, 2023, approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The redemption referred to above does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

** For further details regarding the dividend included in the calculation of the solvency ratio as of December 31, 2024, see Sections 2.1.5.4-2.1.5.5 below.

2.1.5. Equity transactions and significant updates in 2024 until the report publication date

2.1.5.1. In January 2024, approx. NIS 400 million in Bonds (Series D) were redeemed; the redemption referred to above does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765).

2.1.5.2. In August 2024, Phoenix Insurance's Board of Directors decided - given Phoenix Insurance’s distributable retained earnings and solvency ratio, to distribute a NIS 250 million dividend, after compliance with the solvency ratio targets and the distribution tests as per the Companies Law.

2.1.5.3. On October 2024, approx. NIS 298 million in Bonds (Series J) were redeemed (immediate report dated October 14, 2024, Ref. No.: 2024-01-610850).

2.1.5.4. On December 30, 2024, the Company's Board of Directors made the following decisions:

2.1.5.4.1. To increase the minimum solvency ratio target without taking into account the provisions during the Transitional Period by further 3 percentage points from 118% to 121%, beginning on December 31, 2024 as part of Phoenix Insurance’s preparations for increasing the minimum solvency ratio target by the end of the Transitional Period.

2.1.5.4.2. In December 2024, an in-kind dividend distribution of assets totaling approx. NIS 1.4 billion (economic value of NIS 1.2 billion) was approved. Through the Solvency Ratio Report publication date, the following assets were distributed in practice out of the abovementioned economic value: the loans of Phoenix Mortgages (Gold) Ltd. totaling approx. NIS 574 million, the Company’s shares in Bizi Finance Ltd. totaling approx. NIS 19 million, the Company’s participation units in Leader Capital Markets & Investments Limited Partnership totaling approx. NIS 6 million and the Company’s shares in El Al Frequent Flyer Ltd. which are recorded at a zero economic value in the economic balance sheet.

The Company's rights in the assets known as Block 6154, Parcels 931 and 932 in Givatayim (hereinafter - "**Beit Havered**”) totaling approx. 614 million have not yet been distributed and the carrying amount of the distribution of the Company's stake in Phoenix Mortgages (Gold) Ltd.’s shares is immaterial.

Calculation of the solvency ratio as of December 31, 2024 includes all the distributions which were completed; should the distributions be completed, they will result in approx. 5% decrease in the solvency ratio without applying the Provisions for the Transitional Period.

For further details regarding the said Board of Directors decision, see immediate report of December 31, 2024 (Ref. No. 2024-01-628752) and Section 1.3.8.4 above.

2.1.5.5. The results of the solvency ratio as of December 31, 2024 include the distribution of a NIS 170 million cash dividend, which was declared concurrently with the publication of this report. For further details, see Section 1.3.8.4 below.

2.1.5.6. The Company is preparing for the application of the Stochastic Model to calculate the optimal actuarial estimate of asymmetric insurance liability flows, including future variable management fees in the participating policies portfolio. The Company believes that the application of the Stochastic Model has a positive effect, which is expected to increase the solvency ratio with and without the application of the Provisions for the Transitional Period; at this stage, the Company is unable to quantify the effect on the solvency ratio. It is also noted that the process is subject to an audit of the independent auditors and to the Commissioner's approval.

2.1.6. Sensitivity to changes in the interest rate curves

Changes in the linked risk-free yield curve affect the Company's economic solvency ratio, especially in the mid- to long-terms, affect Phoenix Insurance's economic solvency ratio.

The following table summarizes the risk-free linked interest rates ("spot") rates:[2]

Range/years		December 31, 2023	December 31, 2024	May 26, 2024
Short term	**1-3**	Between 1.25% and 1.13%	Between 1.67% and 1.75%	Between 2.28% and 2.27%
Mid-term	**4-10**	Between 1.15% and 1.50%	Between 1.76% and 1.93%	Between 2.26% and 2.30%
Mid-to-long term	**11-15**	Between 1.53% and 1.63%	Between 1.95% and 1.97%	Between 2.31% and 2.33%
Long term	**16-25**	Between 1.64% and 1.76%	Between 1.97% and 2.02%	Between 2.34% and 2.39%

Phoenix Insurance estimated the sensitivity of the economic solvency ratio - taking into account the Provisions for the Transitional Period and adjusting the stock scenario in the risk-free interest (both in Israel and abroad) - at a 50 bps decrease, based on the results of the calculation and data of the economic solvency ratio as of December 31, 2024. The estimation resulted in a decrease of approx. 11% in the economic solvency ratio (after applying the Provisions for the Transitional Period).

It is noted that the sensitivity is not necessarily linear; i.e., sensitivity at other rates is not necessarily a simple extrapolation of the sensitivity test presented.

For the results of the sensitivity tests of the economic solvency ratio to various risk factors, see Section 8 to Phoenix Insurance's Economic Solvency Ratio Report as of December 31, 2024.

2.2. Arrangements in force

Following are material regulatory directives published during the Reporting Period and thereafter, and which are not included in the Report on the Corporation's Business for 2024. For details regarding material regulatory directives published during the Reporting Period, see Section 4.1.1 to the 2024 Report on the Corporation's Business

[2] The risk-free linked interest rate curves were taken from Fair Spread Ltd. To calculate the solvency ratio, the Company takes into account other components in addition to the risk-free interest rate.

2.2.1. In February 2025, the Capital Market Authority published a clarification letter regarding the target solvency ratio. An insurance company which implements an economic solvency regime may distribute a dividend, if subsequent to the distribution the company has a solvency ratio of at least 100%, and subject to the full ratio target set by the company's board of directors. The letter includes examples of inappropriate practices in the process of determining the capital target. Accordingly, it was determined that insurance companies should look into the methodology for conducting sensitivity tests designed to determine the capital target, in order to verify that the capital target is sufficient and ensures the company's resilience given the company's exposure to the various risk factors. The letter details several practices, which the Commissioner deems appropriate, for assessing the various sensitivity tests, and warns that in cases of deviation from these practices, the Commissioner will consider using their statutory powers, including supervisory and control actions and issuance of orders to rectify deficiencies.

2.2.2. In April 2024, the Capital Market Authority published a letter regarding the calculation of deduction during the Transitional Period in an economic solvency regime under IFRS 17. In accordance with the Consolidated Circular's provisions regarding "Economic Solvency Regime", an insurance company may, after receiving the Capital Market Commissioner's approval, include a deduction during the Transitional Period in the calculation of insurance reserves, in accordance with the definitions set in the provisions through the end of 2032 (hereinafter - the "**Deduction**"). In a letter published by the Authority in October 2020, principles were set for calculating the deduction, approving its inclusion in the calculation of the insurance reserves in the Transitional Period, the manner of monitoring the appropriateness of the inclusion of the deduction in the Transitional Period and related requirements, which will apply to an insurance company whose application will be approved as detailed above (hereinafter - the "**Letter of Principles**"). The purpose of the latest letter is to revise the method applied in the calculation of the deduction, such that it will no longer rely on financial statement data, which include a calculation of insurance liabilities in accordance with IFRS 4. The letter sets rules regarding the calculation of the deduction subsequent to the implementation of IFRS 17, which amend the rules set in the Letter of Principles.

2.3. Draft laws, regulations and bills

Following are drafts of material regulatory provisions published during the Reporting Period and thereafter, which are not included in the 2024 Report on the Corporation's Business. For details regarding additional drafts of material regulatory provisions published during the Reporting Period, see Section 4.1 to the 2024 Report.

2.3.1. In February 2025, the Privacy Protection Authority published a draft for public comment of a pronouncement dealing with the consent principle in privacy protection laws. In the pronouncement, the Authority presents and clarifies its position regarding the application of the consent principle in light of the evolving digital reality, and regarding the scope of the Privacy Protection Law, 1981. It is clarified that the pronouncement reflects the legal interpretation, which the Authority will apply in exercising its various statutory powers, including monitoring compliance with the provisions of the law and imposing an administrative penalty or a financial sanction for breaching its provisions. The pronouncement deals, among other things, with the following matters: The content of the request for informed consent; free will, power imbalances and "suspicious" consent; the manner in which consent is obtained; data processing without consent; and withdrawal of consent.

2.3.2. In April 2025, the Capital Market Authority published the Revision to the Provisions of the Consolidated Circular - “Report to the Public” and “Reporting to the Commissioner of the Capital Market” - Date of Reporting the Economic Solvency Ratio Report and the Solvency Reporting File - Draft. In the “Report to the Public" chapter to the consolidated circular, it was determined that an insurance company will include an Economic Solvency Ratio Report in the periodic report published subsequent to the reporting date. In addition, the "Reporting to the Commissioner of the Capital Market” chapter to the consolidated circular prescribes that an insurance company will report the solvency reporting files to the Commissioner of the Capital Market up to two months from the end of the quarter subsequent to the calculation date. In the lead-up to the application of IFRS 17, it is proposed to prescribe in the draft that an Economic Solvency Ratio Report and a solvency file report will be submitted together with the Financial Statements as of that date, as from the Economic Solvency Ratio Report as of June 30, 2026. In addition, the draft proposes adjustments to the disclosure and reporting format, in order to adapt them to the IFRS 17 balance sheet, starting with the Economic Solvency Ratio Report as of June 30, 2025.

2.3.3. In April 2025, the Capital Market Authority published a Draft Resolution in Principle on Indemnity for Diagnostic Tests. The draft resolution deals with the insurance coverage for diagnostic tests sold in the Israeli insurance market. According to the draft, several companies have started offering to the public a service as part of which they schedule diagnostic tests in hospitals in exchange for an amount comprising the test’s cost plus an appointment scheduling brokerage fee. The draft proposes to instruct the insurance companies as follows: (a) The indemnity by the insurance companies for a diagnostic test will be in line with the test’s price in the hospital in which the test was conducted, subject to the policy’s terms. The insurance company is entitled not to indemnify the policyholder for related expenses of a diagnostic test, including expenses paid by the policyholder to brokerage companies for the scheduling of an appointment, if payment for such related expenses is not explicitly prescribed in the insurance policy; (b) if the ambulatory plan, which includes coverage for diagnostic tests, does not include the clarifications listed in the section, the insurance company will send a notice to the policyholder regarding the manner by which the claim will be settled under Subsection (a) within 30 business days from the publication date of this resolution, and ensure that it has evidence that the policyholder received the notice; (c) with regard to insured events, which occurred through the publication date of this resolution, and whose claim was settled, the insurance company will not act to re-settle these claims.

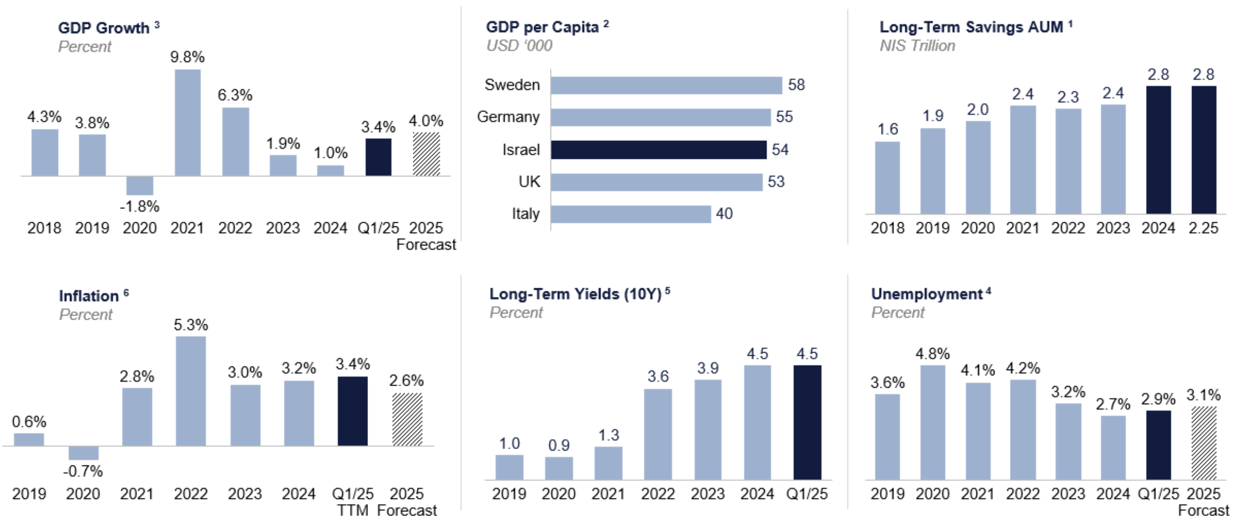
2.3.4. In April 2025, the Privacy Protection Authority published a draft for public comment of guidance regarding the applicability of the Privacy Protection Law to artificial intelligence systems. The guidance draft defines for the first time the application of the Privacy Protection Law’s provisions throughout the artificial intelligence (AI) systems’ lifecycle, from the model training stage to actual use. The following are the main provisions of the guidance: (1) The Privacy Protection Law applies to artificial intelligence systems and their output; (2) one should ensure that there is a legal basis for the processing of personal information at each stage of the AI system’s lifecycle; (3) one should obtain a person's consent to the processing of their personal information by an AI system; (4) the scraping of personal information on the web for the purpose of developing (training) artificial intelligence models, requires the informed consent of the data subject for this use; (5) owners of digital services, which allow personal data sharing on the internet, are obligated to take measures to prevent prohibited data scraping from their platforms; (6) in artificial intelligence systems, the right to request the correction of incorrect personal information may also apply to the correction of the algorithm, which generated the information; and (7) the Authority intends to ensure the enforcement of the mandatory appointment of a privacy protection officer and to continue promoting the methodology of a privacy impact assessment.

2.3.5. In April 2024, the Taskforce for Assessing the Measures to Increase Retail Banking Competition in the Banking System published its interim report. The taskforce’s goal is to promote competition in the banking system and in services provided by banking corporations to the retail sector, by removing barriers and thereby enabling the entry of additional players into the banking system, maintaining the stability and interests of customers and providing a solution to conflicts of interest, which may arise from the holdings structure of those additional players. The following is a summary of the main recommendations included in the interim report: (1) Currently, in general, there is only one level of licensing in the Israeli banking market, which is the "banking corporation", with no distinction between different banking corporations based on the scope of their operations. It is proposed to set two licensing levels for banking corporations, based on scope of activity: a “bank" and a “small bank", defined as a bank, the value of whose assets does not exceed 5% of the value of the assets of all banks in Israel; (2) currently only banking corporations are allowed to receive deposits from the public and provide credit from the deposits.

It is also proposed to allow a small bank to receive deposits from the public and extend credit from those deposits; (3) it is proposed to create a correlation between the scope of supervision and regulation that applies to a banking corporation and the assets under management by setting three levels of regulation: first level - assets under management of up to NIS 15 billion, second level - assets of between NIS 15 billion and NIS 50 billion, and third - assets under management of more than NIS 50 billion; (4) it is proposed that a small bank will not be permitted to engage in investment advice, savings, marketing, etc.; however, it is proposed to permit a small bank to engage in property and casualty insurance brokerage and digital pension advice. In addition, it is proposed to exempt small banks from offering all the services that banks are currently required to offer by virtue of the law, such as opening current accounts; (5) it is proposed to permit financial holding companies, which control an institutional entity, to also control a small bank, provided that the value of the assets of the small bank does not exceed 2.5% of the value of the assets of all banks in Israel, with the option of increasing the asset limit to 5% of the total assets in the banking system at the approval of the Minister of Finance and the Governor of the Bank of Israel; (6) it is proposed to revise the Banking Law (Licensing), such that the requirement to obtain a holding permit regarding a small bank will apply only if the holding threshold of 10% of a certain type of means of control in the small bank is exceeded (instead of the 5% threshold currently set in the law), in order to facilitate the entry of new players into the banking system.

3. Developments in the Macroeconomic Environment

3.1. Key macroeconomic data



(1) Bank of Israel. The data include funds under the management of institutional entities.

(2) The IMF, in accordance with the USD exchange rate in 2023.

(3) Israel Central Bureau of Statistics, the Bank of Israel (GDP in accordance with adjusted annual return).

(4) Bloomberg and the IMF. The data refer to unemployment rates as of the end of the period.

(5) Bloomberg; returns on bonds are based on returns on 10-year bonds of the government of Israel (unlinked to the CPI), as of the last month at the end of the period.

(6) Annual inflation (last 12 months) taken from Central Bureau of Statistics data, 2025 forecast taken from Bank of Israel data.

3.2. Trends, events and developments in the macroeconomic environment

Following is a summary description of trends, events and developments in the Group's macroeconomic environment, which have or are expected to have an effect on the Group.

3.2.1. Financial markets in Israel

In the first quarter of 2025, the Israeli economy continued to operate under the shadow of geopolitical and political developments. Towards the end of January, a ceasefire agreement was signed between Israel and Hamas, under which hostages were released – an event that reduced uncertainty, as reflected in the risk premium metrics. However, towards the end of the quarter, security tensions in the south increased again, alongside increasing political tensions – factors that reintroduced uncertainty to the domestic market. The rating agencies did not change Israel's credit rating but emphasized the growing risk of irresponsible political conduct. The 5-year CDS declined during the quarter to 90 basis points compared to 101 basis points at the end of 2024 – but remained relatively high.

On the economic side, the data published during the quarter indicated a moderate improvement in activity – as seen in the Bank of Israel's Composite State-of-the-Economy Index, credit card spending data and the Central Bureau of Statistics' business trends survey. The job market maintained an unemployment rate of 2.8% in February (adjusted for seasonality) and approx. 141 thousand vacancies. The inflation environment recorded an increase upon the start of the year, mainly due to the effect of governmental measures such as the increase in VAT. However, inflation expectations in the capital market declined significantly throughout the curve during the quarter. The Bank of Israel left its interest rate unchanged in February at 4.50%. The government deficit in February stood at 5.3% (Ministry of Finance data), after an annual level of 6.9% in 2024.

On the capital market, during the period under review, the TA 125 index increased by 0.8%. In the bonds market, yields on government bonds remained relatively stable during the period under review, and the 10-year yield increased by only approx. 4 basis points to 4.51%. In the corporate market, the Tel Bond 60 rose by 0.3%. In the foreign currency market - during the period under review, the NIS has devalued to a level of NIS 3.72 per USD 1 and devalued by approx. 6.7% against the EUR. reaching a level of NIS 4.03 per EUR 1.

Subsequent to the balance sheet date and through the report publication date

The second quarter of 2025 started with the Bank of Israel's interest rate decision, which left the interest rate unchanged at 4.50%, concurrently with the revision of economic forecasts. The Bank of Israel revised the growth forecast for 2025 downward from 4.0% to 3.5%, due to, among other things, the effect of the new tariff policy announced by the US government. The Bank estimates that in the coming year the interest rate will decline to 4.00% (2 interest rate cuts of 25 basis points each). The Consumer Price Index increased in March by 0.5%, but annual inflation has continued to slightly subside from 3.4% to 3.3%. With regard to economic activity, the Composite State-of-the-Economy Index for March recorded an increase of 0.25%, in line with the increases in the January-February indices. The Bank of Israel noted that the data reflect a continued slightly moderate growth in economic activity. In March, the government deficit decreased slightly to 5.2%, and the deficit cap for 2025 was set in law to 4.9%.

In the capital market, in total, during the period subsequent to the balance sheet date and through the publication date, the TA 125 Index was up by 9.8%, the yield on 10-year government bonds was up by approx. 6 base points to 4.57%, the Tel Bond 60 Index was up by 0.9%, the NIS strengthened by approx. 4.4% against the USD, reaching a level of NIS 3.55 per USD 1 but devalued by approx. 0.7% against the EUR reaching a level of NIS 4.05 per EUR 1.

3.2.2. Capital markets abroad

The American economy has started 2025 with President Donald Trump taking office; Trump hit the ground with statements regarding the strengthening of the economy, and the new administration's key message was that the in order to achieve economic improvement Americans would be required to pay a price in the short term. The markets' main concern was an immediate imposition of large-scale tariffs, and this came to be as the days passed, especially concerning countries such as China, Mexico and Canada. Concurrently, Trump has set up the Department of Government Efficiency (DOGE), headed by Elon Musk, which is designed to cut federal spending. In terms of soft economic data, surveys and indices for the first quarter - led by the Purchasing Managers Index and the Consumer Confidence Index - started to indicate growing concerns about a sharp economic slowdown. However, the "hard" data, i.e., data based on actual performance, continued to point to an economy, which is growing at a moderate but stable pace. For example, job market data in February indicated an addition of 102 thousand jobs, with an unemployment rate of 4.1%. The Consumer Price Index in February increased by 0.2%, and annual inflation was 2.8%. In the interest decision made towards the end of the first quarter, the Federal Reserve left the interest rate unchanged. The Federal Reserve revised the economic forecasts, which reflected - for the first time - the expected effect of the tariffs. The new forecasts indicated a slightly higher inflation this year, but the interest rate forecast continued to indicate 2 cuts through the end of the year, since concurrently with the uptick in inflation projections, the Federal Reserve also expects a slight slowdown in the growth rate.

In its latest interest rate decision made at the beginning of March, the European Central Bank (ECB) continued the process of cutting the interest rate with a further cut of 25 basis points to a level of 2.50% (deposit interest). The 2025 growth forecast was revised upwards from 1.1% to 0.9%, and the inflation was revised upwards - from 2.1% to 2.3%. In Germany, Friedrich Mertz, who was elected as the next chancellor, announced a series of dramatic fiscal moves, which include the expansion of public investments, mainly in the fields of security and infrastructure.

During the first quarter of 2025, equity indices on Wall Street recorded high volatility due to the tariff policy, and concerns regarding inflation and economic slowdown. The S&P 500 declined by 4.6%. In the US bonds market, the yield on 10-year government bonds decreased by approx. 36 base points to approx. 4.20%. In Europe, the EURO-STOXX 600 index was up by 5.2%. In the first quarter, the EUR appreciated by approx. 4.5% against the USD, reaching a level of 1.08.

Subsequent to the balance sheet date and through the report publication date

The second quarter of the year started with Trump's big tariff plan – “Liberation Day”; while markets expects “reciprocal” tariffs, Trump surprised with relatively aggressive tariffs, which led to a particularly negative sentiment among investors. Consequently, within a few days, the stock indices on Wall Street recorded particularly sharp slumps, concurrently with a sharp rise in yields in the bond market. A few days later, the administration decided to make a U-turn, and Trump announced a 90-day deferral of the tariff imposition, except with regard to China. Bringing forward purchases and stockpiling has boosted the import of goods by over 50%, which alone cut almost 5 percentage points of the growth. On the other hand, private spending, the main growth engine, grew at a solid rate of 1.8%. The US job market continued to demonstrate robustness in April, with an addition of 177 thousand vacancies (138 thousand were forecast), alongside an unemployment rate, which remained stable at 4.2%. The Consumer Price Index saw a surprising decline in March with a monthly decrease of 0.1%, and annual inflation subsided from 2.8% to 2.4%. The Federal Reserve left the interest rate unchanged for the third time in a row, due to the high level of uncertainty associated with the effect of the tariffs. The interest rate announcement reflected the increased risks associated with the Federal Reserve's two key policy targets – a potential rise in unemployment and inflation, which indicates a difficult challenge, since it is required to consider which of the risks is expected to tip the scale down the road.

In Europe, the European Central Bank (ECB) cut the interest rate in April by 25 basis points to 2.25% (deposit interest), with concerns of increased risks to economic activity due to the trade war.

In the USA, as of the end of the period subsequent to the balance sheet date until the publication date, the 10-year yield was up by approx. 28 base points to 4.51%, and the S&P 500 was up by 3.4%. In Europe, the EURO-STOXX 600 index has risen by 3.1%, and the EUR has appreciated by approx. 5.3% against the USD, reaching a rate of 1.14.

4. Business Targets and Strategy

The Company's strategy, roadmap and targets constitute forward-looking information, as defined in Section 32A of the Securities Law and are based on the data and information available to the Group as of the report date, its plans as a result thereof, the market situation and the Group's position. The Group's business strategy and targets may change from time to time. In addition, the achievement of the Group's targets and strategy is uncertain and is not under the exclusive control of the Company. The Group's business strategy and targets may not materialize due to, among other things, changes in the Company's priorities, new needs of the Company, market developments, macroeconomic changes, other business opportunities, etc.

4.1 Strategy

The Israeli market benefits from stable, strong long-term trends, which include an increase in total assets held by the public, demographic growth and strong demand trends in the domestic market. Phoenix's value creation strategy is based on these trends and, accordingly, on four value drivers: accelerated growth focusing on high returns; innovation and efficiency to enhance competitive advantage; active management and people development; and capital and investment management.

4.2 Strategic roadmap

Phoenix accelerates growth through strong platforms characterized by high margins and multiples, economies of scale and capital efficiency, and implements the strategy in each of its business lines.

4.2.1 Asset Management

In its Wealth & Investments Segment, the Company focuses on accelerated growth while making the most of market leadership, economies of scale, and digital platforms in the Investment House, creating unique value propositions, which include differentiated products for qualified clients in the Alternatives & Wealth business, and focusing on efficiency and profitability in Retirement. In addition, the Company works to achieve accelerated growth in agencies owned by the Company in order to generate value in Phoenix Agencies as an independent company based on technology, service, and expansion of the financial product offering. In its Financing (Credit) Segment, the Company works to achieve accelerated growth and increase market share among SMEs and in the construction financing activity by utilizing management capabilities, banking experience and advanced technological infrastructure; the Company also works to accelerate the consumer credit platform.

4.2.2 Insurance

In the Insurance Activity, Phoenix broadens its competitive advantages, which include data and technology for accelerated growth in P&C Insurance and other activities with a high return on equity, by improving processes using technological tools and hybrid distribution both through agents and through direct distribution. Additionally, the Company is seeking to optimize its business mix, distribution channels, operations (including digitization, automation, accessible self-service), claims management and capital management.

4.3 Cash flow

Focusing on Asset Management and Insurance activities generates stable cash flows characterized by low volatility. The Company's lines of business are well established and efficient and do not require a substantial increase in capital in order to continue growing. Furthermore, the Company maintains high liquidity and low leverage levels. The strong cash flow enables regular distribution of dividends and share buybacks concurrently with reinvestment in the business for the purpose of accelerating growth and acquisitions.

4.4 Targets

The Company periodically reviews its plans and objectives in light of market trends and Company's performance. In September 2024, the Company published its strategic targets for 2027 as detailed below, which are based on the Company's strategy. Phoenix has published a growth target of NIS 2 billion in core income with 16-18% in return on equity by 2027. Furthermore, the Company has set a target to distribute at least 50% of comprehensive income as dividends and buybacks. In March 2025, the Company reported that, due to the application of IFRS 17 and IFRS 9 (hereinafter - the "**Standards**") and their expected positive effect on the Company's profitability in the Insurance Activity and due to overperformance, which was not taken into account in the target plan published in September 2024, the Company believes that there is an additional potential core income totaling approx. NIS 400-600 million beyond the published income target.

The Company plans to reassess and revise - during 2025 - all its targets for 2027, which will reflect the positive impact of the standard and other developments, if any.

For further details regarding the Strategic Plan, see the presentation regarding the Strategic Targets Map for 2027 as published by the Company on September 9, 2024.

5. Key Effects of the Initial Application of IFRS 17 and IFRS 9 on the Company's Financial Statements

5.1. First-time application date

The Group's first-time application date of IFRS 17 (hereinafter in this section - "**IFRS 17**" or the "**Standard**") regarding insurance contracts, which superseded IFRS 4 - Insurance Contracts - was January 1, 2025. As stated in Note 2, in light of the postponement of the application of IFRS 17 and IFRS 9, the Group initially adopted IFRS on January 1, 2025, and the transition date to IFRS reporting is January 1, 2024. The effect of the transition to IFRS reporting, including the effect of the application of IFRS 17 on the Group's financial position, operating results is detailed in Note 2 to the Financial Statements.

5.2. Company's assessments regarding the implementation of IFRS 17 (hereinafter - the "Standard") and IFRS 9 (hereinafter - "IFRS 9") (hereinafter - the "New Standards") in the Company's Financial Statements

For the purpose of the preparations made by insurance companies in Israel for the adoption of IFRS 17, the Commissioner published insurance circulars entitled Professional Issues Pertaining to the Application of IFRS 17 in Israel (hereinafter - the "**Professional Issues Circulars**"), a roadmap for the adoption of IFRS 17 in Israel. The accounting policies described below are based, among other things, on theses circulars. Through the first-time application date, the Company has completed the main milestones in the roadmap as follows:

1. QIS 2 Report to the Commissioner on financial data in accordance with the Standards, comprising the statement of financial position (pro forma balance sheet), including a separate disclosure of the contractual service margin (CSM) and risk adjustment (RA) for each of the operating segments, and disclosure of the balance of the credit loss provision as of January 1, 2024 (the transition date) and March 31, 2024, as well as reporting regarding statement of comprehensive income line items (pro forma statement of income) for the three-month period ended March 31, 2024. These financial statements are neither reviewed nor audited by the independent auditors.

2. QIS 3 Report to the Commissioner on financial data in accordance with the New Standards, which includes a statement of financial position (pro forma balance sheet) as of January 1, 2024 and June 30, 2024. as well as reporting regarding statement of comprehensive income line items (pro forma statement of income) for the six-month period ended June 30, 2024. These financial statements are neither reviewed nor

audited by the independent auditors.

In addition, the Company has completed the implementation and integration of a new dedicated IT system for the Standard's application and mapped the required controls and flow of information to the Financial Statements.

Furthermore, the Company conducted reviews and training sessions for the business teams and members of the Balance Sheet Committee in connection with the integration, business analysis and understanding of the standard's implications.

The New Standards affect the reported results and financial position of the Company's Insurance Activity, with no effect on its financial reporting on other activities; the main affect will be manifested in the Life Insurance and Health Insurance Activities. The underlying concept of IFRS 17 is the assessment of the expected results for the entire coverage period at the initial recognition date of the contract, and recognizing the expected income - the "contractual service margin" ("CSM") - over the coverage period in accordance with the various products. Changes in estimates attributed to the insurance activity will revise the CSM until it reaches zero.

IFRS 9 sets categories for classification of investments in financial assets and classification of debt instruments in accordance with the Company's model for the management of its financial assets, and in accordance with the question of whether the contractual terms of the cash flows reflect solely payments of principal and interest ("SPPI").

The New Standards simplify the insurance business by, among other things, creating a separation between the different sources of income of the insurance companies, while separating the revenues from insurance services from investment income. In addition, the application of IFRS 17 is expected to reduce the volatility of the underwriting financial results following revision of the studies. Furthermore, the Standards will bring about a better alignment of the financial assets held against insurance liabilities and their measurement at fair value through profit and loss. For further details, see Note 2 to the Financial Statements.

The Company is preparing for the application of the Stochastic Model to calculate the optimal actuarial estimate of asymmetric insurance liability flows, including future variable management fees in the participating policies portfolio. The Company believes that the application of the Stochastic Model will have a positive effect, which is expected to increase the contractual service margin (CSM) in the Life Insurance Subsegment. At this stage, the Company is unable to quantify the financial effect. It is also noted that the process is subject to an audit of the independent auditors and to the Commissioner's approval.

5.3. Analysis of the effects of the application of IFRS 17 on the Insurance Activity's results for the first quarter of 2024 and the 2024 results

5.3.1. Main effects of the application of IFRS 17 compared to IFRS 4

Key effects of changes between the comprehensive income in life, health and P&C insurance as compared between IFRS 17 and IFRS 4:

1. The effect of financial changes on insurance liabilities - accumulation of interest expenses and the effect of changes in the risk-free interest rate curve, the illiquidity premium and the CPI on liabilities for insurance contracts. For further details regarding the interest rate's sensitivity, see Section 5.3.5 below.

2. Reversal of UGL in investments in associates - in accordance with the Commissioner's circular, under IFRS 4 entities were allowed to recognize excess fair value over associates against LAT reserves in health insurance, and against best practice reserve in P&C insurance; however, this option was reversed under IFRS 17.

3. A timing difference in recognition of revenue from premiums compared to revenue from insurance services - in accordance with IFRS 17, revenue from insurance services in the Long-Term Life and Health Insurance Subsegments is recognized in accordance with the decrease in liabilities for remaining coverage (LRC), which reflects the allocation of the total expected consideration for the insurance contract in accordance with the scope of service provided by the Company during the period, instead of revenue recognition based on the premium and management fees charged during the period.

4. Effect of first-time application of IFRS 17 as of the transition date in accordance with the fair value (FV) approach on long-term life and health insurance portfolios – in accordance with the fair value approach, deferred acquisition expenses attributed to insurance contract policies were derecognized on the transition date and carried immediately to equity rather than on a current basis as amortization expenses in the income statement.

5. Changes in actuarial assumptions - in accordance with IFRS 17, changes in assumptions are charged to contractual service margin (CSM) instead of immediate recognition in profit and loss.

6. Cancellation of the Pfefferman reserve in savings policies with variable management fees - and as a result - cancellation of Pfefferman reserve's amortization in Life Insurance, which was recorded as a change in the insurance reserves in the Income Statement.

7. Adjustments to RA reserve in liabilities for P&C insurance contracts - upon the transition to IFRS 17, the Company applies the best practice principles, according to which the margin of conservatism (RA) set is 75%.

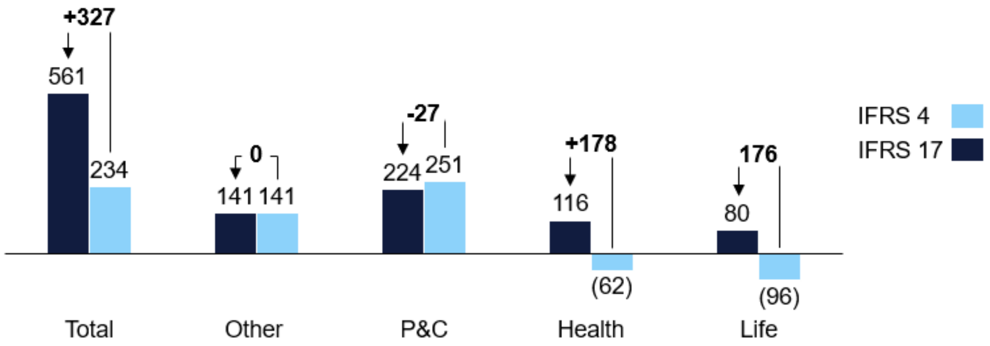
8. Adjustment of measurement of financial investments in accordance with IFRS 9 - most of the effect is a revaluation of designated bonds in life insurance to fair value through profit and loss instead of adjusted cost.

Main effect on core income in 2024 - IFRS 17 compared to IFRS 4:

1. Difference arising from the calculation basis of the normalized return – differences arising from the calculation basis of liabilities for insurance contracts due to the application of IFRS 17.

2. Rate of normalized return - calculation of normalized return according to nominal risk-free three-month interest as determined at the beginning of the reporting quarter, plus a 2.25% margin instead of a 3% real normalized return.

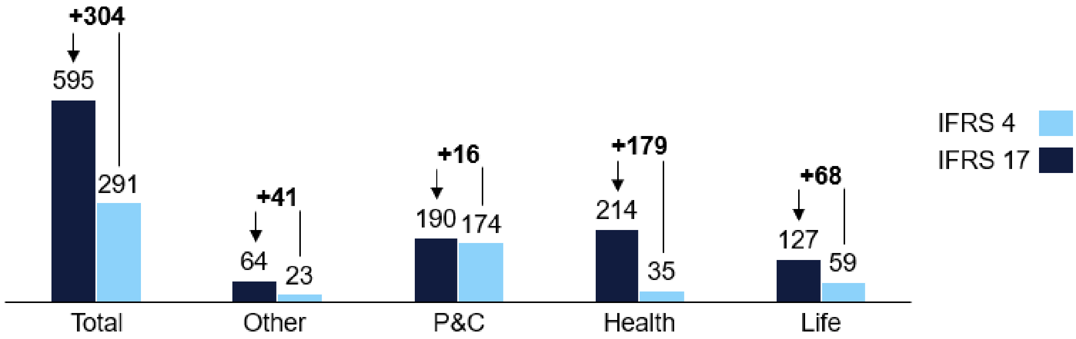
5.3.2. Following is the breakdown of (pre-tax) comprehensive income by segment for the 3-month period ended March 31, 2024, comparing IFRS 17 and IFRS 4 (NIS millions):



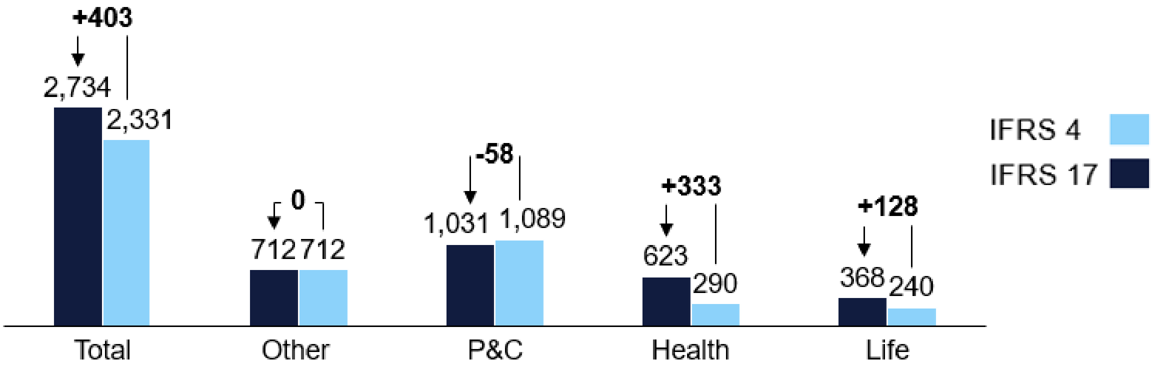
	Reference (*)	1-3/2024 NIS million				
		Life	Health	General	Other	Total
Effect of financial changes on insurance liabilities, net	1	26	3	(17)	-	12
Reversal of UGL on investments in associates	2	-	38	(28)	-	10
Timing differences in recognition of insurance contract revenue	3	37	106	-	-	143
Reversal of amortization of deferred acquisition costs	4	47	41	-	-	88
Reversal of recognition of actuarial assumptions in profit and loss	5	-	5	-	-	5
Reversal of Pfeffermann/LAT reserve	6	38	3	-	-	41
Difference in RA measurement	7	-	-	20	-	20
Difference in measuring financial investments - IFRS 9	8	39	11	19	-	69
Other		(11)	(29)	(21)	-	(61)
Total		**176**	**178**	**(27)**	**-**	**327**

(*) For further details, see Section 5.3.1 above

5.3.3. Following is the breakdown of (pre-tax) core income by segment for the 3-month period ended March 31, 2024, comparing IFRS 17 and IFRS 4 (NIS millions):



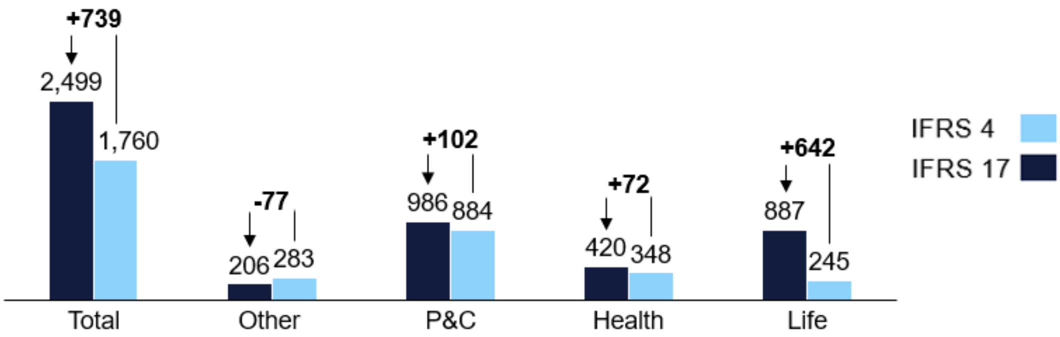
5.3.4. Following is the breakdown of the (pre-tax) comprehensive income by segment for 2024, comparing IFRS 17 and IFRS 4 (NIS millions):



	Reference (*)	1-12/2024 NIS million				
		Life	Health	General	Equity	Total
Effect of financial changes on insurance liabilities, net	1	48	(52)	-	-	(4)
Reversal of UGL on investments in associates	2	-	-	(116)	-	(116)
Timing difference in recognition of insurance contract revenues/ recognition of revenue from release of CSM	3	(75)	360	-	-	285
Adjustments for amortization of deferred acquisition costs	4	190	164	-	-	354
Changes in actuarial assumptions	5	(151)	(156)	-	-	(307)
Amortization of Pfeffermann/LAT reserve	6	179	(24)	-	-	155
Difference in RA measurement	7	-	-	24	-	24
Difference in measuring financial investments - IFRS 9	8	(69)	27	24	-	(18)
Other		6	14	10	-	30
Total		**128**	**333**	**(58)**	**-**	**403**

(*) For further details, see Section 5.3.1 above

5.3.4 The following is the breakdown of (pre-tax) core income by segments for 2024 comparing IFRS 17 and IFRS 4 (NIS million):



5.3.5. Sensitivity analysis:

In accordance with the provisions of IFRS 17, the Company measures a group of insurance contracts as the total of: (a) the fulfillment cash flows (FCF), and (b) the contractual service margin (CSM). The fulfillment cash flows are measured in each Reporting Period using up-to-date estimates, including current discount rates; in the insurance portfolios measured under the GMM model, the effect of the changes to the curve is recognized in profit and loss, and in the participating savings portfolios the effect of those changes is recognized in CSM.

In addition, following the transition to IFRS 17 and IFRS 9, the Company's illiquid debt assets, including Hetz bonds, are measured at fair value through profit and loss (excluding the equity portfolio) such that an increase or decrease in the interest rate curve will affect their carrying amounts.

The following is a summary of the effects of a change in the interest rate curve on the Company's profit or loss under IFRS 17 and IFRS 9:

	Interest rate decrease	Increase in interest
FCF in asset position	+	-
FCF in liability position	-	+
Hetz bonds	+	-
Other debt assets at fair value	+	-

The following is an estimate of sensitivity tests that reflect the change in comprehensive income (loss) as of December 31, 2024 for financial assets, financial liabilities and liabilities/assets for insurance contracts, as a result of a corresponding 1% change in the risk-free interest rate curve, assuming that all other variables remain constant. It should also be noted that the sensitivities are not linear, such that greater or more minor changes relative to the changes described below are not necessarily a straightforward extrapolation of the effect of these changes.

Effect of the change in the interest rate curve on profit or loss/equity:

	For the year ended December 31, 2024	
	IFRS 17	IFRS 4
Effect of 1% increase		
(Post-tax) comprehensive income (loss)	(455,523)	(141,277)
Effect of 1% decrease		
(Post-tax) comprehensive income (loss)	520,350	(94,854)

On the liabilities side, under the transition from IFRS 4 to IFRS 17, sensitivity to interest due to changes in the risk-free interest rate curve decreased as a result of changes in the risk-free interest rate curve, since the sensitivity of liabilities is mostly offset by the sensitivity resulting from insurance assets (insurance products characterized by negative BE) and sensitivity to interest of Hetz bonds accounted for at fair value under IFRS 17. Therefore, most of the interest rate sensitivity arises from the free asset portfolio, which is sensitive to changes in the relevant curves.

Consequently, volatility and accounting sensitivity can be better managed.

The information presented above includes forward-looking information, as defined by the Securities Law, 1968. The Company's assessments regarding the abovementioned materialization may not materialize, in whole or in part, or may materialize in a materially different manner to that which is expected, due to, among other things, changes in market conditions.

6. Board of Directors' Explanations for the State of the Corporation's Business

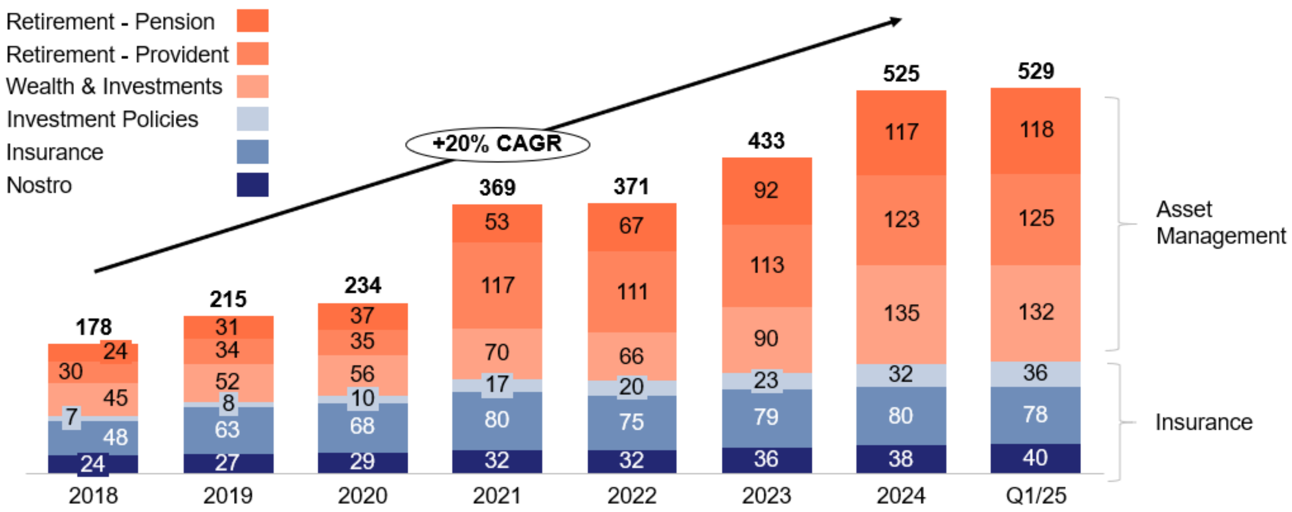
6.1. General

The Group's operations are affected by constant regulatory changes and reforms. In addition, as the controlling shareholder of institutional entities, the Group must also deal with the minimum capital requirements that apply to the activity of the institutional entities, which impose, among other things, restrictions on dividend distribution by the institutional entities.

The Group's operations and results are significantly affected by the capital markets, including, among other things, the interest rate environment that has implications for its insurance liabilities and on the returns embodied in the Group's financial asset portfolios and consequently - on the management fees and financial margins from investments as well.

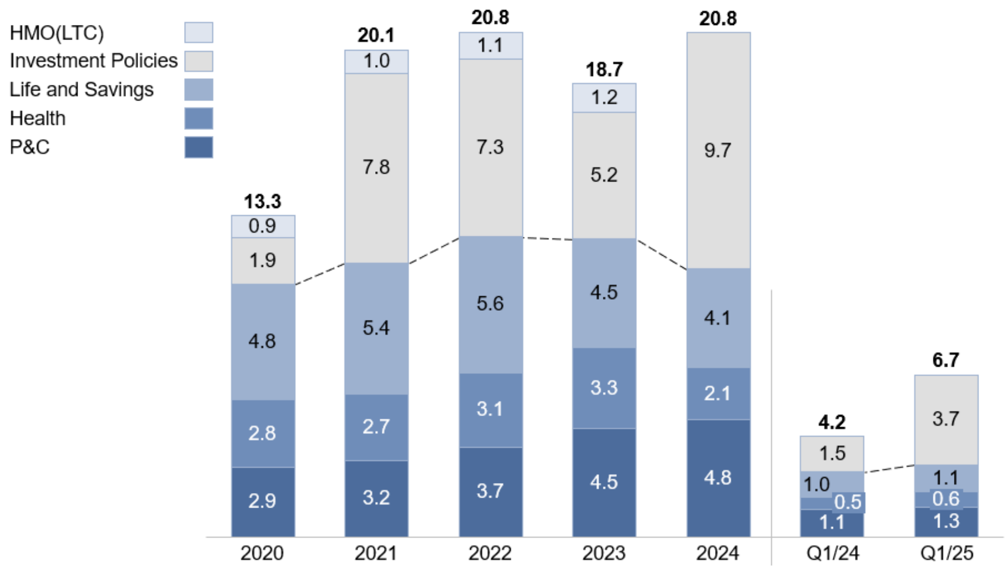
6.2. Assets under management, premiums and proceeds for investment contracts

Assets under management



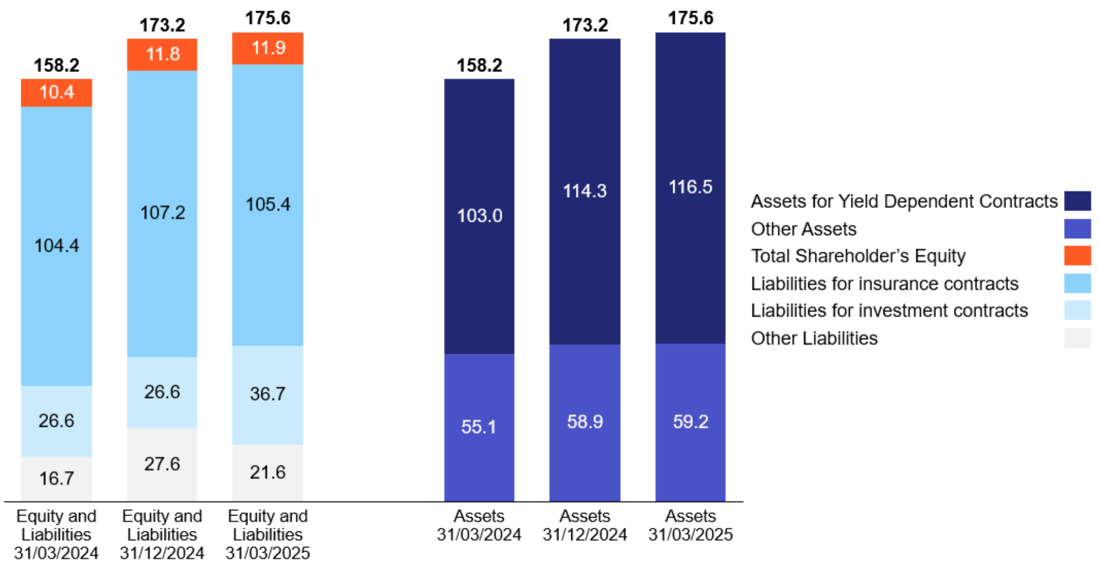
Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, and customers' investment portfolios are not included in the Financial Statements. Proceeds for investment contracts are not included in the premiums line item; rather, they are charged directly to liabilities for insurance contracts and investment contracts.

Premiums, gross and proceeds for investment contracts



6.3. Description of the development of the Group's financial position

Following are key data from the consolidated balance sheets (in NIS billion):



Assets:

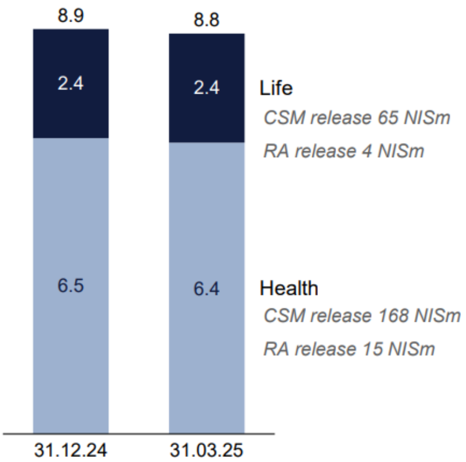
Total financial assets for yield-dependent contracts and cash and cash equivalents for yield-dependent contracts as of March 31, 2025, amounted to approx. NIS 116.2 billion, compared to approx. NIS 114.3 billion as of December 31, 2024. Other assets totaled approx. NIS 59.4 billion as of March 31, 2025, compared with approx. NIS 58.9 billion as of December 31, 2024.

Liabilities:

Liabilities for insurance contracts amounted to NIS 105.4 billion as of March 31, 2025, compared to a total of approx. NIS 107.2 billion as of December 31, 2024. Liabilities for investment contracts amounted to approx. NIS 36.7 billion as of March 31, 2025, compared to a total of approx. NIS 26.6 billion as of December 31, 2024. Other liabilities totaled approx. NIS 21.6 billion as of March 31, 2025, compared with approx. NIS 27.6 billion as of December 31, 2024.

The increase in assets and liabilities arises from continued contributions by policyholders and a persistent increase in the volumes of activity in all of the Company’s operating segments.

Following are changes in the net contractual service margin (CSM) (in NIS billion):



6.4. Description of the development of the Group’s comprehensive income

6.4.1. General

6.4.1.1. At each Reporting Period, the Company reviews its sources of income, according to the segments breakdown, as detailed in Section 6.4.2 below. The Company also reviews its profitability by separating core operating income, which assumes a risk-free (RF) return according to a nominal interest rate for a three-month period, as set at the beginning of the Reporting Quarter, plus a 2.25% spread (hereinafter - the “**normalized return**”) less bonuses to employees and managers from excess returns and gain from capital market effects above or below a return of RF+2.25, interest rate effects and special items as detailed in the following sections.

6.4.1.2. Special items are considered by the Company as changes in profit or loss outside the Company’s ordinary course of business, including actuarial changes as a result of studies, changes in actuarial models, losses (reversal of losses for group of onerous insurance contracts, exceptional effects due to structural changes - including allocation of share-based payment to minority shareholders in Group subsidiaries and exceptional purchase expenses following the implementation of the strategy of increasing the market share in the (hereinafter - “**special items**”).

6.4.1.3. In the Health Insurance and in Property and Casualty Insurance segments, the profitability analysis is divided into core income - which assumes a normalized return and income stemming from capital market effects - which include Nostro investment revenue above or below the normalized return, the effect of the interest rate curve and other special items.

6.4.1.4. In the Life and Savings Segment, profitability is analyzed by applying a breakdown into core income, which includes a normalized return assumption, except in guaranteed return policies backed by designated bonds, for which a risk free return was calculated plus illiquidity premium, such that there is no margin for these policies, and the income originating from the capital market effects, which include investment revenue calculated above or below the normalized return, the effect of the interest rate curve and other special effects.

6.4.1.5. In order to separate the financial results between income attributed to insurance and income arising from other core activities, the Company splits the Other Segment. The disaggregation is made for convenience purposes and the Company views the capital and unattributed segment as a single operating segment.

6.4.1.6. **Adjusted EBITDA** - calculated as income before finance, taxes, depreciation and amortization in the relevant areas of activity. Adjustment of EBITDA as detailed below:

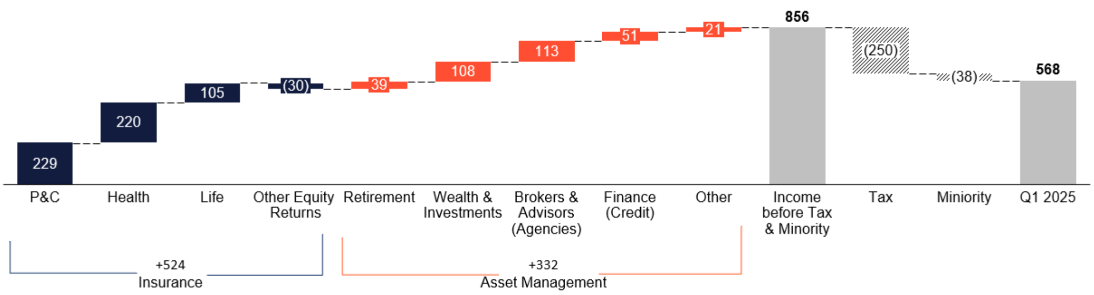
Insurance segments - N/A.

Retirement - IFRS 16 adjustment and amortization of DAC and special items.

Brokers & Advisors (Agencies), Investment House and Financing (Credit) - IFRS 16 adjustment and special items.

For further details regarding the calculation of the EBITDA, see Section 6.4.4 below.

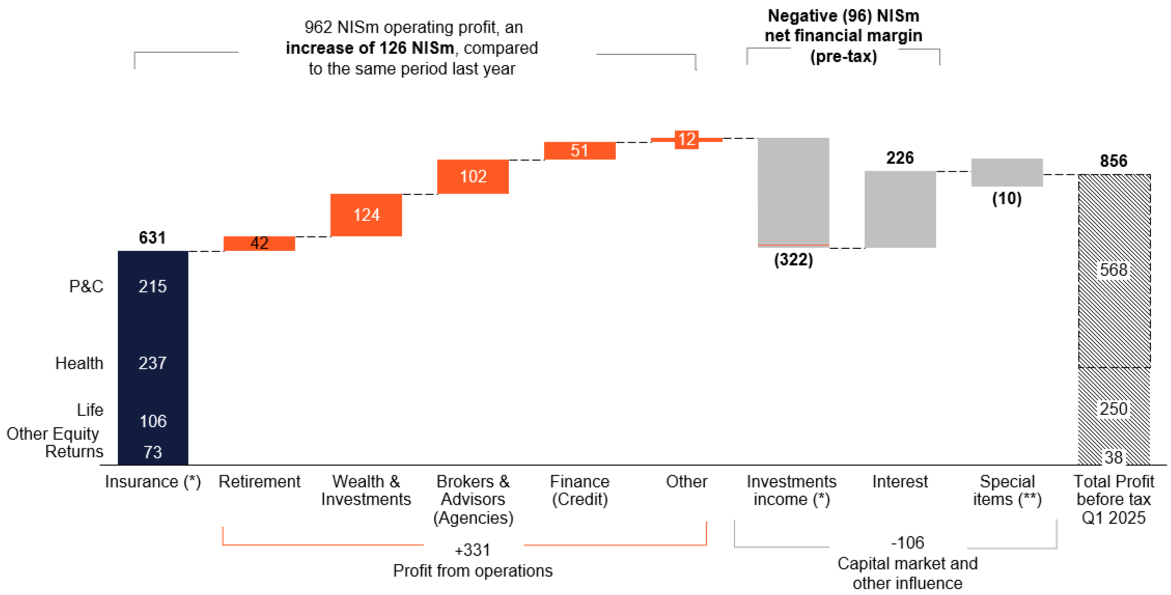
6.4.2. Following is a composition of the Company's operating results by segments in the first quarter of 2025 compared with the corresponding quarter last year (in NIS million):



Q1-24	**224**	**116**	**80**	**141**	**31**	**85**	**72**	**31**	**10**	**790**	**(250)**	**(30)**	**510**
Difference	5	104	25	(171)	8	23	41	20	11	66	0	(8)	58

For the effects on the results at the segment level, see details in Sections 6.5-6.6 below.

6.4.3. Following is the composition of the sources of the Company's pre-tax income by operating income and gains from capital market effects, interest rate and Special Items in the first quarter of 2025 (in NIS million):



Q1-24	***595***	***30***	***91***	***74***	***36***	***10***	***45***	***(54)***	***(37)***	***790***
Difference	*36*	*12*	*33*	*28*	*15*	*2*	*(367)*	*280*	*27*	*66*

(*) See Section 6.4.1.

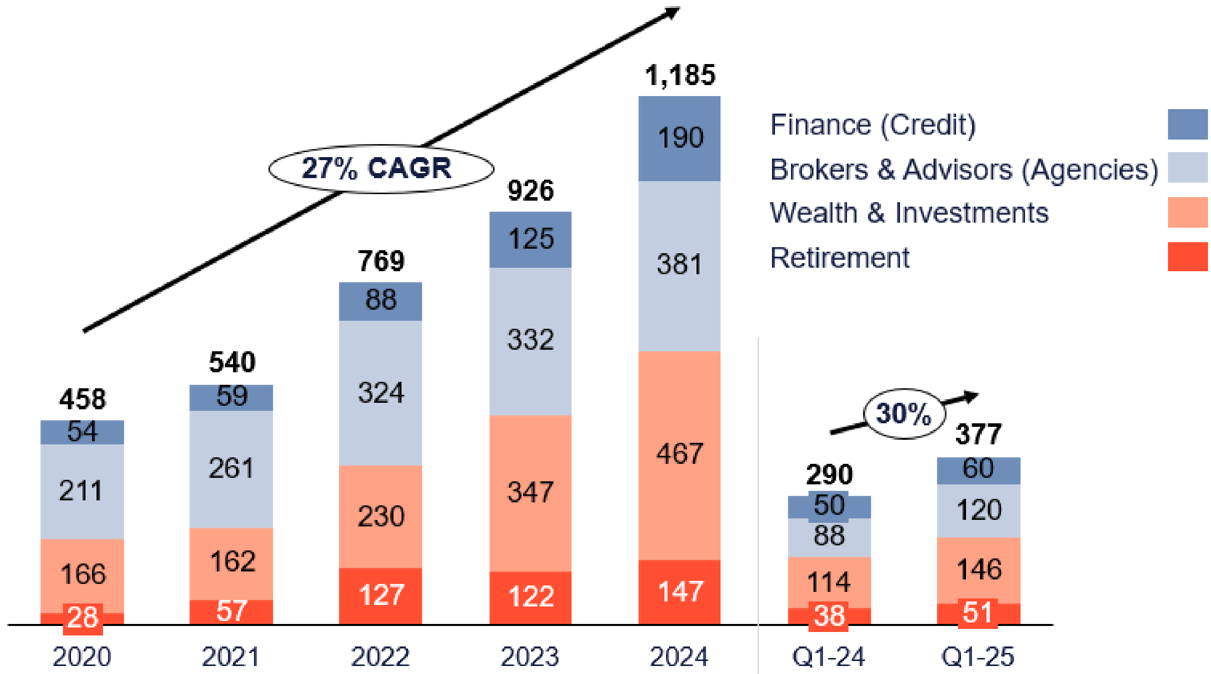
(**) For details regarding revenue from investments, interest and special effects at the segment level, see Sections 6.5-6.6 below

Core income increased by approx. NIS 126 million in the Reporting Period, compared with the corresponding period last year.

The decrease in non-core investment revenue compared to the corresponding period last year totaled approx. NIS 367 million in view of lower returns in financial markets in Israel and across the world compared to last year. The change in the risk-free interest rate curve and illiquidity premium in the Reporting Period compared to the corresponding period last year caused an increase in income of approx. NIS 280 million in income. The total net effect of the interest and capital market (in excess of RF+2.25%) in the Reporting Period amounted to approx. NIS 87 million before tax.

The decrease of approx. NIS 27 million in loss in the special effects line item in the reporting period compared to last year, arises mainly from the change in provisions for class actions, and loss from the filing of claims as a result of the Iron Swords War in life and permanent health insurance last year.

6.4.4. Following are details of the adjusted EBITDA for the 3-month period in the Reporting Year for Asset Management, Distribution and Financing (Credit) (in NIS million):



	1-3/2025				
	In NIS million				
	Brokers & Advisors (Agencies)	Asset Management	Retirement	Financing (Credit)	Total
Core income (after tax and minority)	**55**	**87**	**25**	**37**	**204**
Minority income	28	10	-	-	38
Finance expenses, net	6	5	9	-	20
Equity loss (gain)	(1)	1	(1)	-	(1)
Income tax	19	27	17	14	77
Depreciation and amortization	24	8	5	4	41
Other expenses (revenues) (*)	(8)	(9)	-	5	(12)
EBITDA - reported	123	129	55	60	367
IFRS 16	(8)	(3)	-	(1)	(12)
Equity compensation	5	3	-	2	9
One-time expenses (revenues), net	-	17	(4)	-	13
EBITDA - Adjusted	**120**	**146**	**51**	**60**	**377**
Adjusted EBITDA – Minority shareholders	**25**	**41**	**-**	**-**	**65**
Adjusted EBITDA – Phoenix's share	**95**	**105**	**51**	**60**	**312**

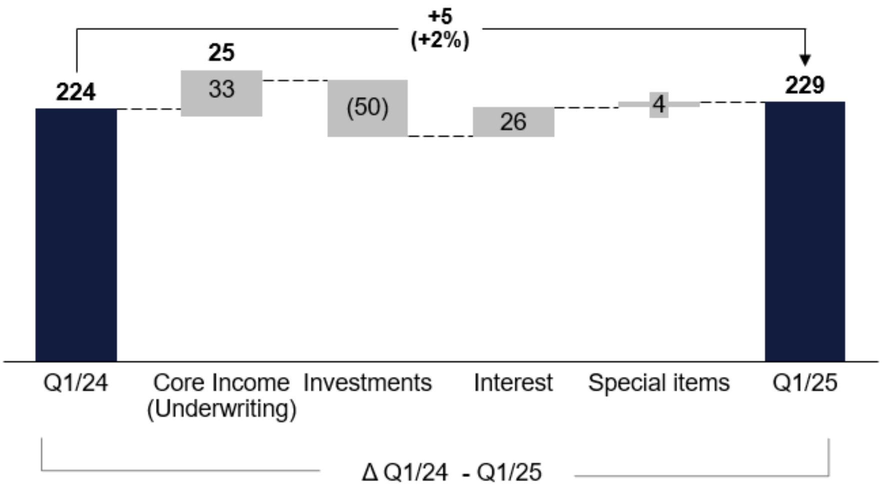
(*) Includes, among other things, adjustments for consolidation entries.

Following is a description of the developments in the Group's financial performance, by activity:

6.5. Description of developments in core activity - insurance

6.5.1. P&C insurance

<u>Following is the composition of the main effects and changes on the results of the Property and Casualty Insurance Subsegment for the first quarter of 2025 compared to the corresponding quarter last year (in NIS million before tax):</u>

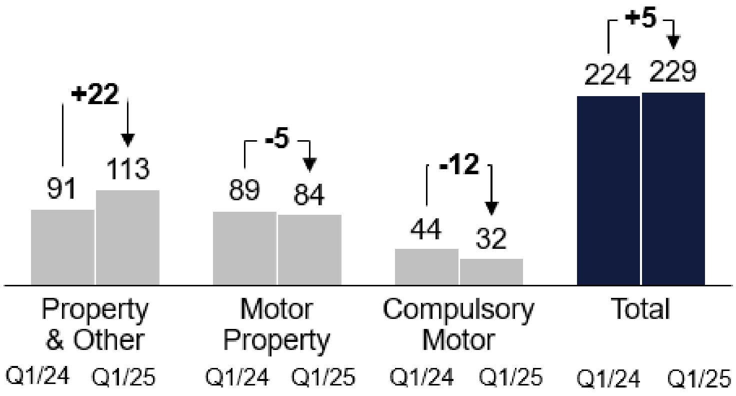


<u>Results</u>

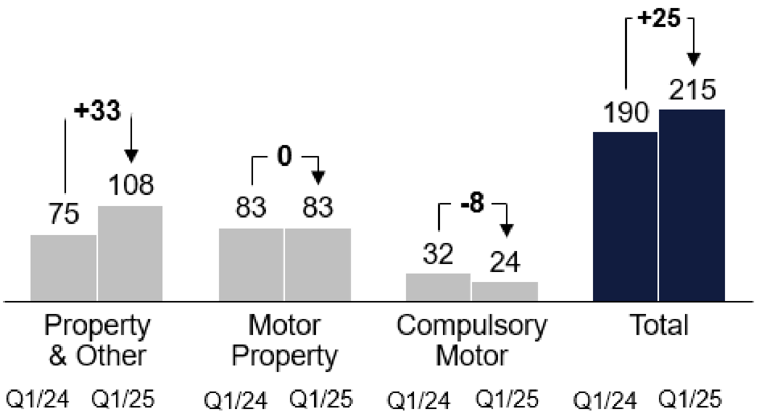
Q1-25	***215***	***(24)***	***34***	***4***	***229***
Q1-24	*190*	*26*	*8*	*-*	*224*

The increase of approx. NIS 25 million in core income in the reporting period compared to the corresponding period last year arises mainly from the Other Subsegment, which was partially offset by a decrease in income in the Compulsory Motor Subsegment. For further details, see Section 6.5.1.3 below. The decrease of approx. NIS 50 million in investment revenue in the Reporting Period compared to the corresponding period last year stemmed from lower returns in financial markets in Israel and globally during the Reporting Period, compared to the corresponding period last year, in relation to the portfolio mix against the segment's liabilities; for further details regarding examining the Company's core profitability and change in imputing the return to the core income, see Note 6.4.1.1 above. The NIS 26 million increase in income from interest rate changes in the Reporting Period compared to the corresponding period last year arises from the changes in the risk-free interest rate curve, from the illiquidity premium, and from the effect on insurance reserves.

6.5.1.1. Following is the pre-tax comprehensive income in the various Property and Casualty Insurance Subsegments for the first quarter of 2025 compared with the corresponding quarter last year (in NIS million):



6.5.1.2. Following is the (pre-tax) core income in the various Property and Casualty Insurance Subsegments for the first quarter of 2025 compared with the corresponding quarter last year (in NIS million):



The increase in core income in the first quarter of the reporting year compared to the corresponding quarter last year arises mainly from the Other Subsegment as a result of an improvement in CR compared to last year; this income was partially offset by a decrease in the profitability of the Compulsory Motor Subsegment.

6.5.1.3. The following are the gross and retention combined ratios in the P&C Subsegment:

	Property and Casualty(*)		
	In NIS million		
	1-3/2025	1-3/2024	1-12/2024
Gross combined ratio	68.7%	78.6.0%	71.2%
Retention combined ratio	80.2%	81.5%	76.4%

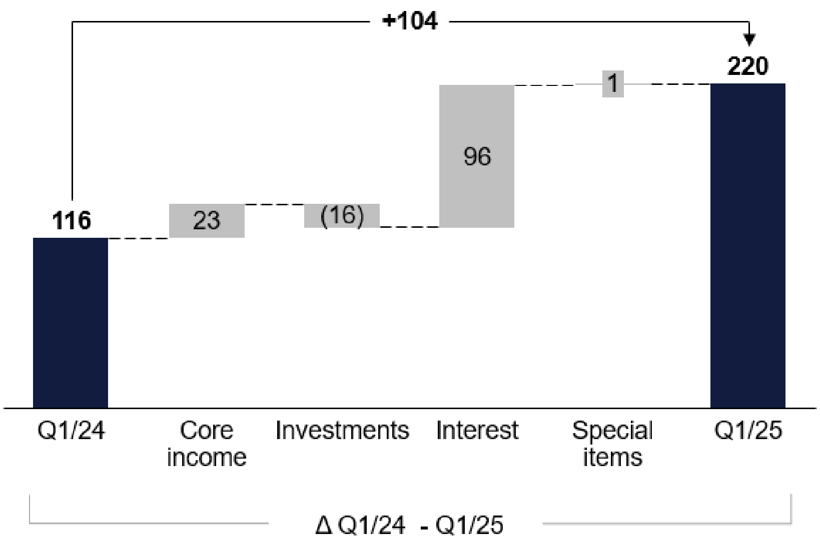
(*) The gross CR is the ratio between insurance contract expenses and insurance contract revenue; it does not take into account other operating expenses, which are not attributed to an insurance contract. Similarly, the retention CR is the ratio between insurance contract expenses less revenues from a reinsurance contract (reinsurers' participation in claims) and revenues from an insurance contract less expenses from a reinsurance contract (reinsurers premium less reinsurers fee). (**) Retention CR in the Motor Insurance Subsegment (compulsory motor and motor property) as of March 31, 2025 is 87.2% compared to 85.4% in the corresponding period last year.

6.5.2. Health insurance

Investment profitability affects the profitability of this segment, some of whose products (such as long-term care coverage) are characterized by accrual of significant reserves over long periods. Investment income is affected by financial market fluctuations, as well as by changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that at this stage, the Company has ceased to market individual LTC policies.

In accordance with the provisions regarding the transfer of policyholders from "First Shekel" surgical procedures insurance policies (which came into force in 2016) to "Supplementary SHABAN" surgical procedures insurance policies, on September 1, 2024 the relevant policyholders were transferred to a "Supplementary SHABAN" coverage. Consequently, there was an increase in "Supplementary SHABAN" policies in the Company, which affected the surgical procedures insurance portfolio mix.

<u>Following is a composition of the main effects and changes on the results of the Health Insurance Segment for the first quarter of 2025 compared to the corresponding quarter last year (in NIS million):</u>



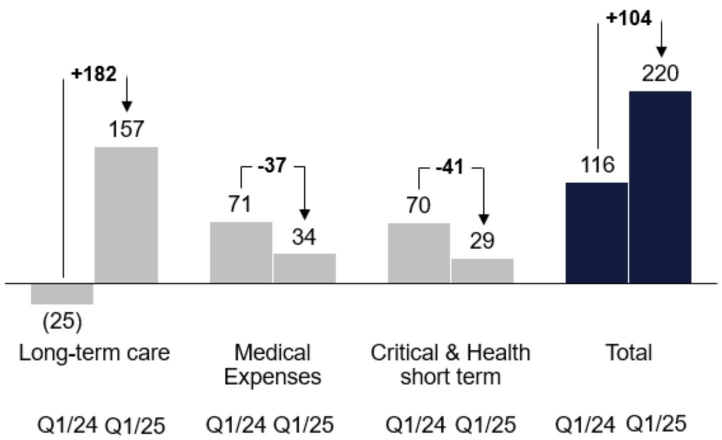
<u>Results</u>

Q1-25	***237***	***(32)***	***15***	***-***	***220***
Q1-24	*214*	*(16)*	*(81)*	*(1)*	*116*

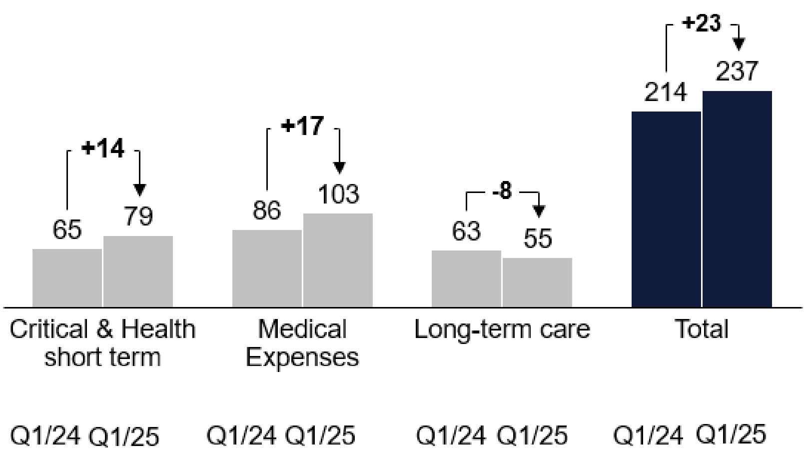
The NIS 23 million increase in core income in the first quarter of the reporting year compared to the corresponding quarter last year arises mainly from an improvement in profitability in the Critical Illness and Medical Expenses Subsegments.

The approx. NIS 16 million decrease in investment revenue in the first quarter of the Reporting Year compared to the corresponding quarter last year arises mainly from lower returns in financial markets in Israel and globally, compared to the corresponding period last year. The NIS 96 million increase in interest income in the first quarter of the reporting year compared to the corresponding quarter last year arises mainly from a decrease in the risk-free interest rate curve plus the illiquidity premium last year in the individual long-term care portfolio.

6.5.2.1. Following is the comprehensive income (loss) in the various Health Insurance Subsegments in the first quarter of the 2025 compared with the corresponding quarter last year (in NIS million):



6.5.2.2. Following is the (pre-tax) core income (loss) in the various Health Insurance Subsegments in the first quarter of the 2025 compared with the corresponding quarter last year (in NIS million):

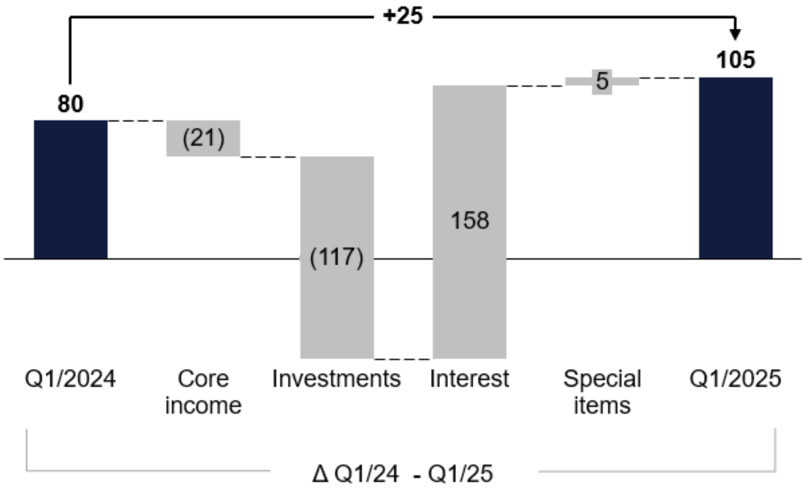


The increase of approx. NIS 23 million in core income in the first quarter of the reporting year compared to the corresponding quarter last year arises mainly from an increase in income in the critical illness and medical expenses portfolio.

6.5.3. Life and Savings

Investment profitability has a material effect on the profitability of this segment, which is characterized by accrual of significant reserves over long periods. Investment income is affected by financial market fluctuations, as well as by changes in interest rates and the rate of change in the Israeli consumer price index, which affect the yields on liquid financial asset portfolios held against insurance and contingent claims reserves. It should be noted that a significant portion of the investment revenue was carried to participating policies and has no direct effect on the Company’s results.

<u>Following is the composition of the main effects and changes on the results of the Life Insurance Subsegment for the first quarter of 2025 compared to the corresponding quarter last year (in NIS million):</u>



<u>Results</u>

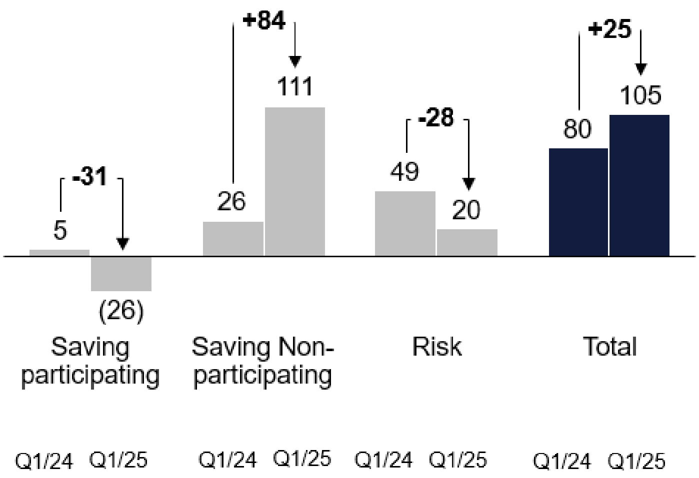
Q1-25	***106***	***(148)***	***177***	***(30)***	***105***
Q1-24	*127*	*(31)*	*19*	*(35)*	*80*

The decrease of approx. NIS 21 million in core income compared to the corresponding quarter last year arises mainly from a decrease in profitability in the portfolio of policies, which include a yield dependent savings component with variable management fees, and a portfolio of policies without a savings component, mainly due to a higher-than-expected increase in cancellations.

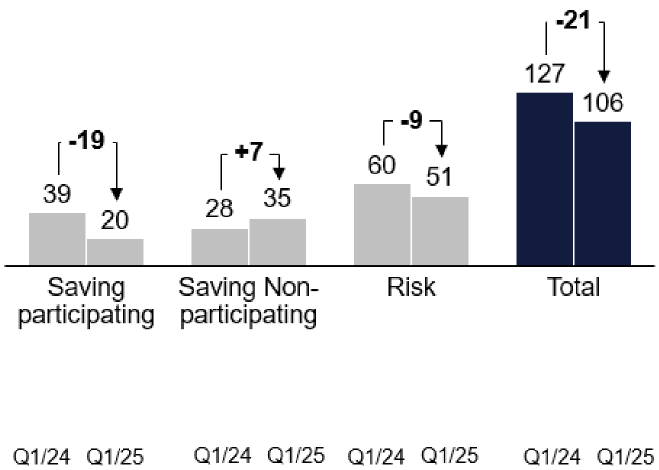
The decrease in investment revenue above normalized return was mainly affected by lower returns in the quarter compared to the corresponding quarter last year.

The NIS 158 million increase in income from changes in the risk-free interest rate, including the illiquidity premium in the reporting period compared to the corresponding period last year is mainly in the portfolio of policies which include a non-yield-dependent savings component.

6.5.3.1. Following is the pre-tax comprehensive income (loss) in the various Life Insurance Subsegments in the first quarter of the 2025 compared with the corresponding quarter last year (in NIS million):



6.5.3.2. Following is the (pre-tax) core income (loss) in the various Life Insurance Subsegments in the first quarter of the 2025 compared with the corresponding quarter last year (in NIS million):



6.5.3.3. The rate of redemptions out of the average reserve (annualized) was approx. 7.8% compared with approx. 7.7% last year. The increase stems mainly from increase in cancellations of executive insurance policies, mostly from 2004 onwards, due to changes in the capital market and from internal transfers to the provident funds of Phoenix Pension and Provident. It is noted that the general state of the economy, transition from product to product, employment rates, employees' wages, and market competition all affect this rate.

6.5.3.4. Following are details concerning estimated net investment income credited to policyholders of yield-dependent insurance policies and management fees calculated according to the Insurance Commissioner's Directives, based on the return and the insurance reserves balances:

In NIS million	1-3/2025	1-3/2024	1-12/2024
Investment income credited to policyholders net of variable management fees	602	4,580	12,515
Fixed management fees	190	167	783

(*) Excluding investment income credited (debited) to policyholders in the Health Insurance Segment.

6.5.3.5. Weighted returns on participating policies

Following are the nominal returns on participating policies for policies issued from 1992 to 2003:

	Policies issued up to 2004 (Fund J)		
	1-3/2025	1-3/2024	1-12/2024
Nominal returns before payment of management fees	0.47%	4.78%	14.13%
Nominal returns after payment of management fees	0.32%	4.62%	13.54%
Real returns before payment of management fees	0.18%	4.48%	10.35%
Real returns after payment of management fees	0.03%	4.32%	9.78%

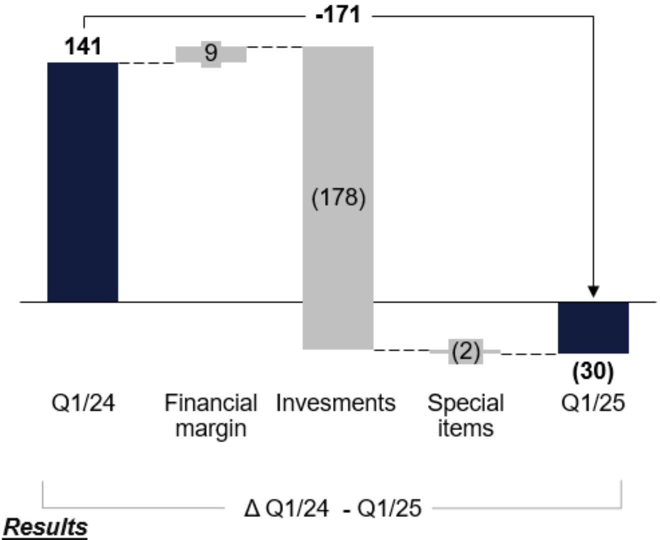
The volatility in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

6.5.3.6. Following are the nominal returns on yield-dependent insurance policies for policies issued from 2004 and thereafter

	Policies issued from 2004 and thereafter		
	1-3/2025	1-3/2024	1-12/2024
Nominal returns before payment of management fees	0.22%	4.88%	13.95%
Nominal returns after payment of management fees	(0.01%)	4.64%	12.97%
Real returns before payment of management fees	(0.07%)	4.58%	10.18%
Real returns after payment of management fees	(0.29%)	4.34%	9.23%

6.5.4. Other equity returns

Following is the composition of the main effects and changes of other capital gains for the first quarter of 2025 compared to the corresponding quarter last year (in NIS million):



Results

Q1-25	***73***	***(111)***	***8***	***(30)***
Q1-24	*64*	*67*	*10*	*141*

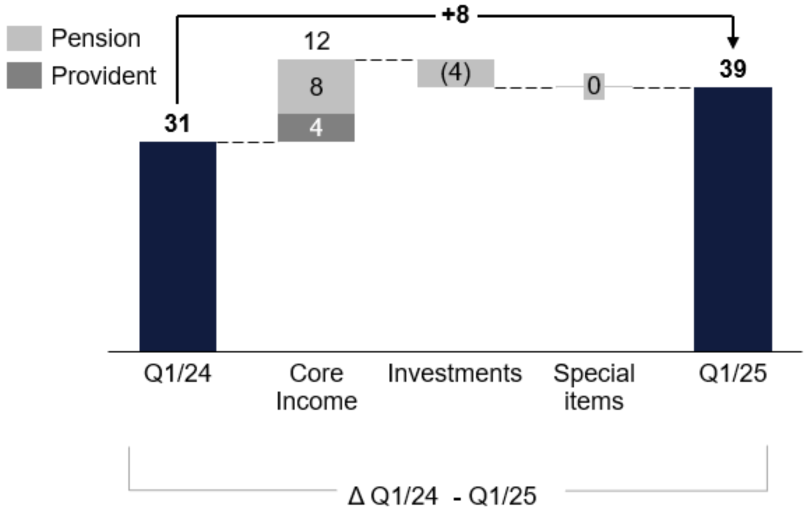
The results in the first quarter of the reporting year compared to the corresponding quarter last year were mainly affected by a decrease of approx. NIS 178 million in investment revenues, following lower returns in financial markets in Israel and globally compared to the corresponding quarter last year.

6.6. Description of developments in core activities - Asset Management

6.6.1. Retirement

The Group manages various types of pension funds and provident funds through Phoenix Pension and Provident Fund. In addition, the Group manages - through Halman-Aldubi IEC Gemel Ltd. - the central provident fund for annuity of Israel Electric Corporation employees. As of the report date, the Company holds - directly and indirectly - 100% of the shares of Phoenix Pension and Provident, and 100% of the shares of Halman-Aldubi IEC Gemel Ltd.

<u>Following is the composition of the main effects and changes on the results of the Asset Management - Retirement Subsegment for the first quarter of the Reporting Year compared to the corresponding quarter last year (in NIS million):</u>



Results

Q1-25	***42***	***(3)***	***0***	***39***
Q1-24	*30*	*1*	*-*	*31*

The increase in profitability in the first quarter of the Reporting Year compared to last year arises mainly from an increase of approx. NIS 12 million in operating income, as a result of an increase in total assets under management. This income was partially offset against the investment revenue line item of approx. NIS 4 million due to lower returns in the corresponding period last year.

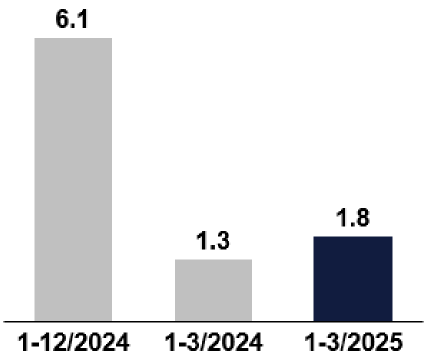
6.6.1.1. Provident Funds Subsegment

The Group manages provident funds and advanced education funds through Phoenix Pension and Provident, a wholly owned subsidiary of the Company, which manages benefits and severance pay funds, advanced education funds, a central benefits and severance pay fund, a guaranteed-return provident fund, an investment provident fund, a child long-term investment provident fund for savings, a self-directed benefits provident fund, and a personally managed advanced education fund.

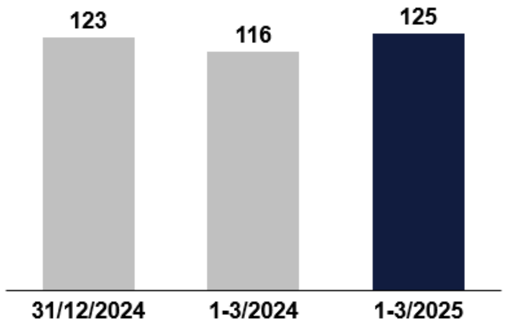
The pre-tax comprehensive income in the Reporting Period amounted to approx. NIS 24 million compared to approx. NIS 23 million in the corresponding period last year.

Following is the development of contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



Total aggregate contributions towards benefits in the Provident Funds Subsegment in the first quarter of 2025 totaled approx. NIS 16.9 billion, compared to a total of approx. NIS 14.4 billion in the corresponding period last year, reflecting an increase of approx. 17.4%. According to Ministry of Finance data, as of March 31, 2025, total assets under management in the Provident Funds Subsegment amounted to a total of approx. NIS 856 billion, compared to approx. NIS 764 billion on March 31, 2024, an increase of approx. 12%.

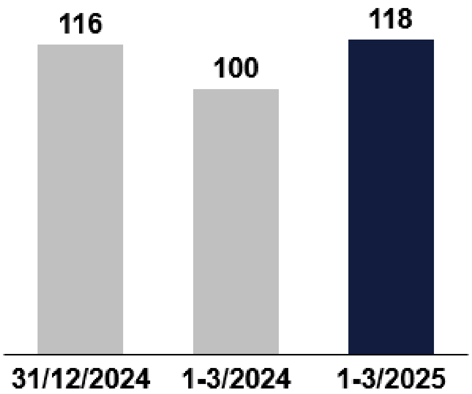
6.6.1.2. Pension Funds Subsegment

The Group's Pension Funds Subsegment is conducted through Phoenix Pension and Provident, a wholly-owned subsidiary of the Company.

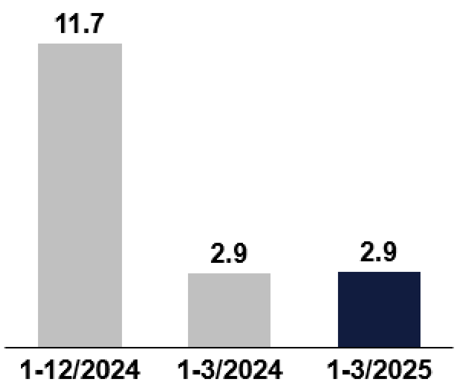
The pre-tax income in the Reporting Period amounted to approx. NIS 15 million compared with pre-tax income of approx. NIS 8 million in the corresponding period last year.

Following is the development of contributions towards benefits and total assets under management:

Contributions towards benefits (NIS billion)



Assets under management (NIS billion)



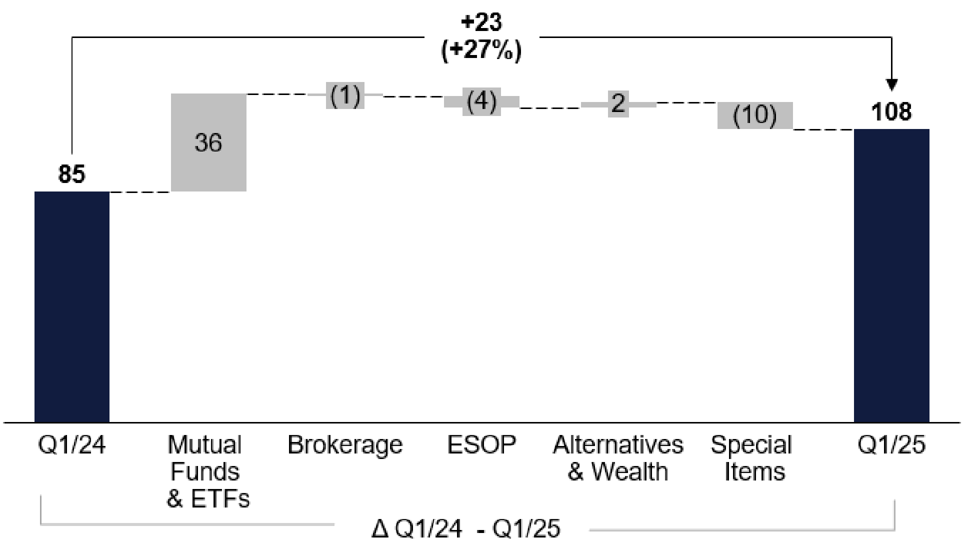
Based on Ministry of Finance data,[6] aggregate contributions towards benefits in the New Pension Funds Subsegment in the first quarter of 2025 totaled approx. NIS 20.6 billion, compared to a total of approx. NIS 18.6 billion in the corresponding period last year, reflecting an increase of approx. 10.7%.

According to Ministry of Finance data, as of March 31, 2025, total assets under management in the New Pension Funds Subsegment amounted to a total of approx. NIS 952 billion, compared to approx. NIS 805 billion on March 31, 2024, an increase of approx. 18.2%.

6.6.2. Wealth & Investments

The activity in this area is carried out mainly through Phoenix Investment House (formerly - Excellence Investments) through Phoenix Advanced Investments.

Following is the composition of the main effects and changes on the results of the Investment House and Wealth Segment for the first quarter of 2025 and compared to the corresponding quarter last year (in NIS million):



Results

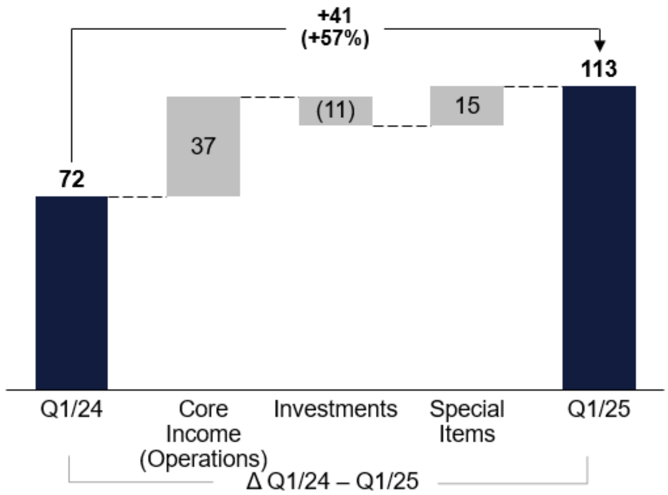
Q1-25	***62***	***46***	***-***	***16***	***(16)***	***108***
Q1-24	*26*	*47*	*4*	*14*	*(6)*	*85*

The increase of approx. NIS 23 million in profitability in the first quarter of the reporting year compared to last year arises mainly from an increase of approx. NIS 36 million in income from the Funds & Portfolios Subsegment. This income was partially offset against the special items line item of approx. NIS 10 million, mainly as a result of the increase in Phoenix Advanced Investments' share in the Alternatives Subsegment, which strengthened this activity.

[6] Based on Pension Net data.

6.6.3. Brokers & Advisors (Agencies)

Following is the composition of the main effects and changes on the results of the Brokers & Advisors (Agencies) Segment for the 2025 Reporting Period, compared to the corresponding quarter last year (in NIS million):



Results

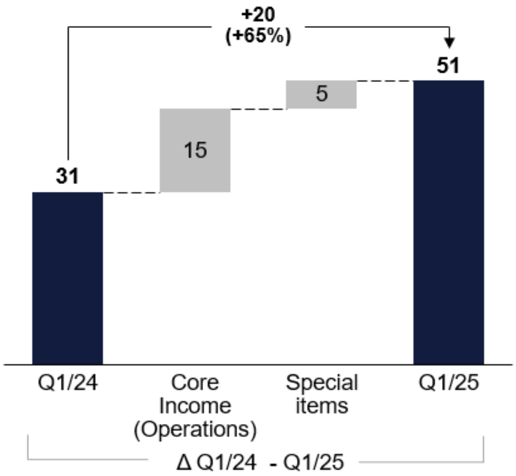
Q1-25	***109***	***(11)***	***15***	***113***
Q1-24	*72*	*0*	-	*72*

In the first quarter of the reporting year income increased by approx. NIS 41 million compared to last year; the increase in income mainly reflects the implementation of the Group's business strategy, which is reflected, among other things, in the expansion of its product and solution offerings, alongside investment in infrastructure and automation capabilities. Consequently, the Group’s volume of activity increased and its operational efficiency improved. Concurrently, the Group streamlined its capital structure and accordingly there was an increase in finance expenses, which led to a decrease in net investment revenue compared to the corresponding period last year.

6.6.4. Financing (Credit)

To complete the restructuring and transfer of Phoenix Retail Credit Ltd. and the credit card company of the El Al Matmid Club to Gama, see Section 1.3.6 above.

6.6.4.1. Following is a composition of the main effects and changes on the results of the Financing (Credit) Segment for the first quarter of the Reporting Year compared to the corresponding quarter last year (in NIS million):



Results

Q1-25	***51***	***-***	***51***
Q1-24	*36*	*(5)*	*31*

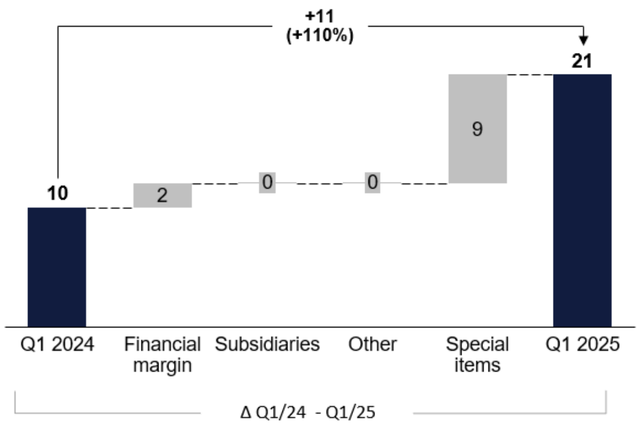
The increase of approx. 20 million in operating income in the Reporting Period compared to the corresponding period last year arises mainly from growth in the Construction Financing Subsegment and the Credit Card Activity. This increase was partially offset against a loss from the consumer credit activity, which was launched in the second half of 2024. In the current quarter, the Company completed the transfer of the El Al Club to Gama; this activity was classified into the Credit Card Activity.

6.6.4.2. Following is the (pre-tax) operating income (loss) in the various Financing (Credit) Subsegments in the first quarter of the 2025 compared with the corresponding quarter last year (in NIS million):

	1-3/2025	1-3/2024	Cycle (3 months)	Credit portfolio
Net financial revenue				
Credit Cards	53	36	10,112	
Credit for businesses	22	28		2,409
Construction Financing	22	10		1,315
Consumer credit	-	-		54
Other	**(46)**	**(38)**		
Total	**51**	**36**	**10,112**	**3,778**

6.6.5. Other segments and operation not attributed to the operating segments

<u>Following is the composition of the effects on the Other Segment and activity that is not attributed to operating segments in the first quarter of the Reporting Year compared to the corresponding quarter last year (in NIS million before tax):</u>



Results					
Q1-25	12	-	-	9	21
Q1-24	10	-	-	-	10

In the first quarter of 2025 income increased by approx. NIS 11 million compared to the corresponding quarter last year, mainly due to an increase of approx. NIS 9 million in special effects.

6.7. Analysis of cash flow development

6.7.1. Cash flow for the first quarter of 2025

The consolidated cash flows provided by operating activities in the reporting period amounted to approx. NIS 404 million. The consolidated cash flows used for investing activities in the Reporting Period amounted to approx. NIS 120 million and included mainly a total of approx. NIS 110 million used to purchase intangible assets and to capitalize costs of intangible assets, approx. NIS 41 million used to acquire the non-controlling interests in associates, a total of approx. NIS 123 million used to invest in associates and a total of approx. NIS 87 million used to purchase property, plant, and equipment.

The consolidated cash flow used for financing activities in the Reporting Period amounted to approx. NIS 325 million and included, among other things, a total of NIS 134 million used to repay financial liabilities, a total of approx. NIS 621 million arising from issuing financial liabilities, a total of approx. NIS 565 million used for a dividend distribution to the Company’s shareholders and a total of approx. NIS 171 million used for repayment of short-term credit from banking corporations.

The Group's cash and cash-equivalent balances decreased from a total of approx. NIS 20,466 million at the beginning of the Reporting Year to approx. NIS 20,426 million at the end of the Reporting Period.

6.7.2. Sources of financing and liquidity

6.7.2.1. For liquidity purposes, the Company relies, among other things, on net financial assets and on dividend distribution by some of its investees. Following is a breakdown of the material investees for liquidity purposes.

It is hereby clarified that some of the investees are subject to regulatory provisions in addition to the distribution restrictions set in the Companies Law, 1999:

A. Phoenix Insurance - the dividends from Phoenix Insurance depend on the solvency ratio target set by the Board of Directors, which is higher than the minimum target set by the Banking Supervision Department; the dividends also depend on the policy set by the Board of Directors of Phoenix Insurance, see Section 3 above.

   To assess the Company’s future cash flows, the Company assumes a payment of dividend by Phoenix Insurance to the Company in accordance with the work plan.

   The Company considers its holding in a Restricted Tier 1 capital instrument of Phoenix Insurance as a source of liquidity and classifies this holding as a financial investment. For more information regarding the revised dividend policy, see Section 1.3.8.3 above.

B. Phoenix Pension and Provident - - the dividend paid by Phoenix Pension and Provident depends on the capital requirements set by the Banking Supervision Department, and the dividend distribution policy of Phoenix Pension and Provident. The Company does not expect payment of dividend by Phoenix Pension and Provident in the next two years. However, for purposes of the future cash flow, the Company takes into account the repayment of the loan it extended to Phoenix Pension and Provident.

Furthermore, the Company controls the following entities which are not subject to special Regulatory Restrictions in addition to the Companies Law:

A. Phoenix Agencies – in accordance with Phoenix Agencies’ dividend policy, which was revised for a quarterly distribution, the annual dividend rate was revised to at least 80% of the income.

B. Phoenix Capital Partners (formerly - Phoenix Investments and Finances Ltd.) – a dividend policy has not yet been set. For further details regarding the merger of Phoenix Investments with Phoenix Financial and the establishment of Capital Partners, see Section 1.3.6 above.

C. Phoenix Gama – in accordance with Phoenix Gama’s dividend policy, which was revised for a quarterly distribution, the annual dividend rate was revised to at least 30% of the income.

D. Phoenix Investment House – in accordance with Phoenix Investment House’s dividend policy, which was revised for a quarterly distribution, the annual dividend rate was revised to at least 70% of the income.

It is noted that such work plans are reflected in the Company's targets as stated in Section 5 above.

6.7.2.2. The following is a table describing the dividend declared from subsidiaries

Activity		Q1/2025 NIS million	Dividend distribution rate policy	Comments
Phoenix Insurance		170	40%-60%	See Section 1.3.8.4 above.
Asset Management	Wealth & Investments	70	70%	Was declared and will be distributed in the second quarter of 2025
	Brokers & Advisors (Agencies)	64	80%	Was declared and will be distributed in the second quarter of 2025
	Financing (Credit)	12	30%	Was declared and will be distributed in the second quarter of 2025
	Total	146		
Total dividend from the Asset Management Activity and Insurance Activity		316		
Dividend declared by the Company		230	At least 40%	See Section 1.3.8.2 above.

6.7.2.3. The following is a table detailing the net financial debt (the table includes the Company's separate data):

	As of March 31 2025	As of December 31 2024
	NIS thousand	
Financial assets		
Cash and cash equivalents	158	157
Associates[3]	117	232
Dividend receivable	-	574
Other financial investments[1]	2,165	1,442
Total assets	2,441	2,404
Less current maturities		
Current financial liabilities	237	173
Current financial assets net of current maturities	**2,204**	**2,231**
Non-current financial liabilities		
Non-current financial liabilities	2,277	1,734
Other liabilities	-	-
Total liabilities	2,277	1,734
Net financial asset (debt)	**(74)**	**497**
Declared dividend	230	565
Net financial debt after declared dividend	**(304)**	**(68)**
LTV [2]	**2%**	**1%**

(1) The other financial investments include, among other things, an investment in a Restricted Tier 1 capital instrument of Phoenix Insurance, which is traded on the Tel Bond Index, totaling NIS 1,280 million as of March 31, 2025 (fair value as of December 31, 2024 - approx. NIS 1,276 million).

(2) The Company's LTV is calculated as net financial asset (debt) as described above, with respect to the Company's market cap as of March 31, 2025. For the calculation of LTV in accordance with financial covenants, see Section 9.2 below.

(3) For further details regarding a seed investment in the fund, see Note 42C(12) to the Annual Financial Statements.

7. Disclosure on Exposure to Market Risks and Management Thereof

Generally, during the Reporting Period there were no material changes in the exposure to market risks and the manner of management of those risks compared to what is described in the 2024 Periodic Report, except as follows:

During the first quarter of 2025, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 174,242 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 473,120 thousand p.v. in Bonds (Series 6). The total consideration arising to the Company from the two expansions amounted to NIS 600 million.

Following this issuance, there was a change in the exposure to CPI-linked interest rate and NIS interest rate compared to the data as of December 31, 2024.

The following table summarizes the results of the sensitivity tests to the **linked interest rate** on profit before tax, as of March 31, 2025. The results are presented in NIS million, and do not include the Insurance Company, Gama, Phoenix Investment House and Brokers & Advisors (Agencies):

	Profit (loss) from changes in the risk factor				Profit (loss) from changes in the risk factor		
Type of instrument	Absolute increase of 2%	10% increase	5% increase	Fair value	5% decrease	10% decrease	Absolute decrease of 2%
Government bonds	(13.8)	(1.2)	(0.6)	270.1	0.6	1.2	13.8
Corporate bonds	(4.3)	(0.4)	(0.2)	646.5	0.2	0.4	4.3
Capital note to the insurance company	(147.5)	(16.8)	(8.4)	1,290.0	8.5	17.0	172.4
Total assets	**(165.6)**	**(18.3)**	**(9.2)**	**2,206.7**	**9.2**	**18.6**	**190.6**
Phoenix bonds	78.6	7.8	3.9	(1,039.6)	(3.9)	(7.8)	(87.1)
Total liabilities	**78.6**	**7.8**	**3.9**	**(1,039.6)**	**(3.9)**	**(7.8)**	**(87.1)**
Total	**(87.0)**	**(10.6)**	**(5.3)**	**1,167.1**	**5.3**	**10.7**	**103.4**

The following table summarizes the results of the sensitivity tests to the NIS interest rate on profit, as of March 31, 2025. The results are presented in NIS million, and do not include the insurance company:

	Profit (loss) from changes in the risk factor				Profit (loss) from changes in the risk factor		
Type of instrument	Absolute increase of 2%	10% increase	5% increase	Fair value	5% decrease	10% decrease	Absolute decrease of 2%
Government bonds	(1.2)	(0.3)	(0.1)	12.4	0.1	0.3	1.2
Corporate bonds	(2.9)	(0.5)	(0.3)	472.4	0.3	0.5	2.9
Total assets	**(4.1)**	**(0.8)**	**(0.4)**	**484.8**	**0.4**	**0.8**	**4.1**
Loans from banking corporations	-	-	-	(1,234.9)	-	-	-
Phoenix bonds*	66.6	14.8	7.5	(1,340.3)	(7.5)	(15.2)	(75.1)
Total liabilities	**66.6**	**14.8**	**7.5**	**(2,575.2)**	**(7.5)**	**(15.2)**	**(75.1)**
Total	**62.5**	**14.0**	**7.1**	**(2,090.4)**	**(7.1)**	**(14.4)**	**(71.0)**

Assumptions underlying the calculations

Fair value: Fair value was calculated using the discounted cash flow model, using the suitable interest rate for the cash flow period. The discount rate was calculated based on the market interest rate for the cash flow period, plus the risk premium derived from the security's rating.

Scenarios: For the interest risk, the calculation was based on absolute increase/decrease of 2% during the course of a day. This scenario was selected after a study of the yield curve database found that in the past 10 years, no absolute change exceeding 2% was observed in any single day. Scenario outcomes were calculated at the single asset level, so as to avoid distorting results by aggregating different instruments.

8. Corporate Governance Aspects

8.1. Effectiveness of internal control over financial reporting and disclosure

8.1.1. Securities Regulations

Amendment No. 3 to the Securities Regulations (Periodic and Immediate Reports), 2009 (hereinafter - "**ISOX**"), which deals with internal controls over financial reporting and the disclosure thereof (hereinafter - the "**Regulations**"), was published in December 2009. The amendment enacts a number of changes aimed at improving the quality of financial reporting and disclosure by reporting corporations.

As from the publication date of the ISOX amendment, and as detailed in the Company's previous Reports of the Board of Directors, the Company has acted and is acting on an ongoing basis to implement the required procedure in Phoenix group in accordance with the provisions of the ISOX amendment. In accordance with the provisions of the ISOX amendment, the Company opted to implement to the internal controls of all of its consolidated institutional entities the provisions of the circulars of the Commissioner of the Capital Market, Insurance and Savings applicable thereto - the Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Institutional Entities Circular 2010-9-6, "Management's Responsibility for Internal Control over Financial Reporting - Amendment"; Circular 2010-9-7 "Internal Control over Financial Reporting - Statements, Reports and Disclosures" (hereinafter - "**Management's Responsibility Circulars**").

The reports and statements required in accordance with the ISOX amendment are attached below to the periodic Financial Statements, see Part 5 - Report on the Effectiveness of Internal Controls over Financial Reporting and Disclosure.

The processes relating to the activities of institutional entities are also addressed in the Insurance Commissioner's Circulars, see Section 8.1.2 below.

8.1.2. The Insurance Commissioner's circulars

Alongside the process described in Section 8.1.1 above, the Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal controls over financial reporting of an institutional entity, and implement the procedures required in connection therewith, as detailed below; this is done in accordance with the stages and dates set out in the abovementioned circulars and in collaboration with external consultants engaged for that purpose. As part of this process, the Group's institutional entities adopted the internal control model of COSO - the Committee of Sponsoring Organization of the Treadway Commission - which is a generally accepted framework for assessment of internal controls.

8.1.3. Application of IFRS 17 and IFRS 9

IFRS 17 and IFRS 9 came into force at the beginning of 2025; the financial reporting for the 1st quarter of 2025 is the first full report in accordance with the New Standards, and therefore, this report includes significant changes in the manner of measurement and presentation of the financial reporting line items.

Under the Standards' adoption process, the Company carried out comprehensive preparations, which included application and integration of a new core system (Moody's), made changes to infrastructure in order to adapt the databases, and updated the required work processes and calculations in accordance with a methodology approved by Company's management. In addition, the Company tested and mapped the required controls and the flow of information to the financial statements.

Under the preparations for the application of the Standard, the Company set up several committees: a Steering Committee headed by the Company's CEO, and a Steering Committee for the Application of IFRS 17 participated by members of the Balance Sheet Committee, who convened regularly to assess and approve the methodology and working assumptions, and to hold an in-depth discussion of the analysis of the calculation results.

As an integral part of the steps taken by the Company to apply the Standard, controls were implemented on an ongoing basis and an in-depth analysis process was carried out regarding the 2024 data, under which the Company worked to improve the databases and interfaces and conducted an orderly process of learning and drawing lessons. The parallel run for 2024 was carried out in Moody's system (in the testing environment).

For first quarter 2025 data, the calculations were carried out in full in the production environments of the new system.

During the preparation of the current report, the Company gained further insights as to the method of analysis and the required controls, and it applies them on an ongoing basis in the work processes.

In accordance with the roadmap for the adoption of IFRS 17 published by the Capital Market Authority, the Company acted to map the risks in the relevant work processes and, accordingly, to design new key controls, including ITGC controls, and revise the existing control matrix, in accordance with the changes in the reporting process.

The effectiveness of the controls under the revised matrix will be carried out in accordance with the Company's sampling methodology, through the reporting date of the 2025 annual financial statements.

Under the Company's activity for the application of the Standard and in accordance with the changes made to the work processes during the course of this activity, an orderly work plan is in place for the development of additional controls to ensure the adequacy of financial reporting.

In order to prepare the work plans, the Company created a parallel model, whose results were compared to the actual normalized results.

For additional information regarding the application of the Standard, see Section 5 above.

- **Disclosure controls and procedures**

Managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the said institutional entities' disclosure in their Financial Statements as of the end of the period covered in this report. Based on this assessment, the CEOs and CFOs of the institutional entities in the Phoenix group 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 entities are required to disclose in their quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner of the Capital Market, Insurance, and Savings and on the date set out in these provisions.

- **Internal control over financial reporting**

During the Reporting Period ending March 31, 2025, no changes took place in the internal control over financial reporting of the Group's institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting. Furthermore, the Group's institutional entities are improving and streamlining processes and/or internal controls and/or customer service.

The Financial Statements relating to the relevant processes are attached to the Financial Statements of Phoenix group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

8.2. Disclosure regarding the Financial Statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive regarding disclosures required in the Report of the Board of Directors as to the Financial Statements' approval process in a reporting entity, the corporate organs charged with governance in the corporation should be identified, and disclosure must be made of the procedures implemented by those charged with governance in the corporation, prior to the Financial Statements' approval. The directive does not apply to insurance companies. The Group's institutional entities are subject to the Supervisor's directives and accordingly follow Sections 404 and 302 to the Sarbanes-Oxley Act of 2002 (hereinafter - "**SOX**"), including review of work processes and internal controls in institutional entities. The Financial Statements of the said institutional entities include officers' statements as to the fairness of the financial data presented in the Financial Statements and the existence and effectiveness of internal controls with respect to these Financial Statements. For further details, see Section 5.4 to the Report on the Corporation's Business.

As part of the review of the financial results, meetings are held which are attended by the CEO, the CFO, division heads and other relevant officers, in which participants discuss material issues concerning financial reporting, including material transactions outside the ordinary course of business, material valuations used in the Financial Statements, the reasonability of the data and the accounting policies applied.

The Company's Board of Directors is the organ charged with governance and approval of the Financial Statements. The Company's Board of Directors has appointed a Financial Statements Review Committee (hereinafter - the "**Balance Sheet Committee**" or the "**Committee**"); the Committee submits to the Board of Directors its recommendations concerning the approval of the Financial Statements, prior to their approval by the Board. The Committee is not an Audit Committee.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31, 2025

	NIS								
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	Provident and pension companies in Israel	Credit company in Israel	ETNs - linkage to various indices	Israeli insurance company	Total
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	-	-	-	17,869,854	17,869,854
Other cash and cash equivalents	440,722	-	20,000	-	55,794	11,217	-	2,028,744	2,556,477
Financial investments for yield-dependent contracts measured at fair value	-	-	-	-	-	-	-	95,797,968	95,797,968
Other financial investments measured at fair value	14,849	152,528	61,891	129,946	292,078	-	-	28,619,967	29,271,259
Other financial investments measured at depreciated cost	213,025	496,340	31,000	-	1,000,967	-	-	2,501,779	4,243,111
Financial investments for holders of certificates of deposit and structured bonds	-	-	-	-	-	-	115,000	-	115,000
Receivables and debit balances	430,096	-	823	-	31,838	12,515	-	616,137	1,091,409
Current tax assets	-	18,296	-	-	5,781	3,298	-	-	27,375
Insurance contract assets	-	-	-	-	-	-	-	851,343	851,343
Reinsurance contract assets	-	-	-	-	-	-	-	4,386,211	4,386,211
Credit assets for factoring, acquiring and financing	-	-	-	-	-	4,984,835	-	-	4,984,835
Equity-accounted investments	10,690	23,563	124,459	161,374	-	189,335	-	1,355,623	1,865,044
Investment property for yield-dependent contracts	-	-	-	-	-	-	-	2,474,496	2,474,496
Investment property - other	-	-	-	-	-	-	-	1,357,337	1,357,337
Property, plant, and equipment measured at fair value	-	-	-	52,575	-	-	-	1,403,141	1,455,716
Other property, plant and equipment	-	-	-	241,303	863	16,515	-	144,803	403,484
Credit for purchase of securities	1,106,000	-	109,000	-	-	-	-	-	1,215,000
Intangible assets	-	-	-	2,421,343	490,691	63,982	-	1,054,261	4,030,277
Costs of obtaining investment management service contracts	-	-	-	-	1,307,587	-	-	245,467	1,553,054
Deferred tax assets	-	-	-	83,672	137	15,697	-	336	99,842
Total assets	**2,215,382**	**690,727**	**347,173**	**3,090,213**	**3,185,736**	**5,297,394**	**115,000**	**160,707,467**	**175,649,092**
Loans and credit	2,286,502	1,162,399	113,000	-	625,637	4,088,912	-	6,437,435	14,713,885
Liabilities for derivative instruments	712,000	466,000	-	-	-	-	-	2,193,112	3,371,112
Liabilities for structured products	-	-	-	-	-	-	114,000	-	114,000
Payables and credit balances	667,683	-	191	-	167,094	124,606	-	1,579,391	2,538,965
Payable dividend	-	-	-	-	-	-	-	-	-
Liability for current taxes	-	21,040	-	-	104	13,895	-	62,562	97,601
Liabilities for yield-dependent investment contracts	-	-	-	-	-	-	-	35,622,956	35,622,956
Liabilities for non-yield-dependent investment contracts	-	-	-	-	1,103,686	-	-	-	1,103,686
Liabilities for insurance contracts	-	-	-	-	-	-	-	105,397,413	105,397,413
Labilities for reinsurance contracts	-	-	-	-	-	-	-	30,390	30,390
Liabilities for employee benefits, net	33,946	-	-	-	-	8,665	-	48,512	91,123
Liabilities for deferred taxes	-	-	-	27,617	104,886	-	-	593,256	725,759
Total liabilities	**3,700,131**	**1,649,439**	**113,191**	**27,617**	**2,001,407**	**4,236,078**	**114,000**	**151,965,027**	**163,806,890**
Total exposure	**(1,484,749)**	**(958,712)**	**233,982**	**3,062,596**	**1,184,329**	**1,061,316**	**1,000**	**8,742,440**	**11,842,202**

(*) Against CPI-linked financial liabilities, the Company holds Series PHONIX B12 Bonds, which is CPI-linked.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of March 31, 2024

	NIS								
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	Provident and pension companies in Israel	Credit companies in Israel	ETNs - linkage to various indices	Israeli insurance company	Total
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	-	-	-	17,890,179	17,890,179
Other cash and cash equivalents	617,333	-	23,008	-	132,826	19,723	-	1,935,762	2,728,652
Financial investments for yield-dependent contracts measured at fair value	-	-	-	-	-	-	-	82,542,478	82,542,478
Other financial investments measured at fair value	198,950	21,338	32,239	120,233	218,983	-	-	27,899,333	28,491,076
Other financial investments measured at depreciated cost	200,709	495,719	237,000	-	954,106	-	-	1,110,873	2,998,407
Financial investments for holders of certificates of deposit and structured bonds	-	-	-	-	-	-	153,000	-	153,000
Receivables and debit balances	395,753	-	510	-	64,182	7,291	-	474,607	942,343
Current tax assets	-	19,666	-	-	441	4	-	126,540	146,651
Insurance contract assets	-	-	-	-	-	-	-	465,316	465,316
Reinsurance contract assets	-	-	-	-	-	-	-	4,626,315	4,626,315
Credit assets for factoring, acquiring and financing	-	-	-	-	-	4,255,367	-	-	4,255,367
Equity-accounted investments	37,283	21,150	260,437	159,983	-	-	-	1,439,514	1,918,367
Investment property for yield-dependent contracts	-	-	-	-	-	-	-	2,300,749	2,300,749
Investment property - other	-	-	-	-	-	-	-	1,252,782	1,252,782
Property, plant, and equipment measured at fair value	-	-	-	11,785	-	-	-	1,192,225	1,204,010
Other property, plant and equipment	-	-	-	176,709	1,525	41,817	-	168,840	388,891
Credit for purchase of securities	599,000	-	83,000	-	-	-	-	-	682,000
Intangible assets	-	-	-	2,169,695	491,293	14,205	-	1,064,922	3,740,115
Costs of obtaining investment management service contracts	-	-	-	-	1,184,316	-	-	143,781	1,328,097
Deferred tax assets	-	-	-	87,048	23	15,556	-	1,149	103,776
Total assets	**2,049,028**	**557,873**	**636,194**	**2,725,453**	**3,047,695**	**4,353,963**	**153,000**	**144,635,365**	**158,158,571**
Loans and credit	1,720,639	966,692	337,341	-	477,431	3,112,633	-	4,938,896	11,553,632
Liabilities for derivative instruments	920,000	-	237,000	-	443	-	-	1,230,287	2,387,730
Liabilities for structured products	-	-	-	-	-	-	152,000	-	152,000
Payables and credit balances	667,683	-	191	-	167,094	124,606	-	716,663	1,676,237
Payable dividend	-	-	-	265,000	-	-	-	-	265,000
Liability for current taxes	-	28,691	-	-	-	2,677	-	618	31,986
Liabilities for yield-dependent investment contracts	-	-	-	-	-	-	-	25,545,662	25,545,662
Liabilities for non-yield-dependent investment contracts	-	-	-	-	1,064,689	-	-	-	1,064,689
Liabilities for insurance contracts	-	-	-	-	-	-	-	104,408,225	104,408,225
Labilities for reinsurance contracts	-	-	-	-	-	-	-	30,042	30,042
Liabilities for employee benefits, net	31,156	-	-	-	-	10,826	-	54,231	96,213
Liabilities for deferred taxes	-	-	-	20,979	91,922	-	-	423,847	536,748
Total liabilities	**3,339,478**	**995,383**	**574,532**	**285,979**	**1,801,579**	**3,250,742**	**152,000**	**137,348,471**	**147,748,164**
Total exposure	**(1,290,450)**	**(437,510)**	**61,662**	**2,439,474**	**1,246,116**	**1,103,221**	**1,000**	**7,286,894**	**10,410,407**

(*) Against CPI-linked financial liabilities, the Company holds Series PHONIX B12 Bonds, which is CPI-linked.

Linkage bases of assets and liabilities in the consolidated balance sheet (in NIS thousand) as of December 31, 2024

	NIS								
	Non-linked	CPI-linked	Foreign currency	Other non-monetary items	Provident and pension companies in Israel	Credit company in Israel	ETNs - linkage to various indices	Israeli insurance company	Total
Cash and cash equivalents for yield-dependent contracts	-	-	-	-	-	-	-	17,724,306	17,724,306
Other cash and cash equivalents	420,460	-	48,902	-	51,988	32,079	-	2,188,598	2,742,027
Financial investments for yield-dependent contracts measured at fair value							-	93,777,952	93,777,952
Other financial investments measured at fair value	15,218	76,253	-	176,275	309,935		-	28,205,284	28,782,965
Other financial investments measured at depreciated cost	121,294	594,800	279,202		983,993		-	2,478,133	4,457,422
Financial investments for holders of certificates of deposit and structured bonds	-						110,000	-	110,000
Receivables and debit balances	392,260		199		83,387	14,104	-	808,272	1,298,222
Current tax assets	-	23,478	-	-	5,330	3,878	-	-	32,686
Insurance contract assets	-	-	-	-	-	-	-	766,337	766,337
Reinsurance contract assets	-	-	-	-	-	-	-	4,556,395	4,556,395
Credit assets for factoring, acquiring and financing	-	-	-	-	-	4,970,234	-	-	4,970,234
Equity-accounted investments	32,929	24,432	-	443,001	-	-	-	1,501,932	2,002,294
Investment property for yield-dependent contracts	-	-	-	-	-	-	-	2,425,542	2,425,542
Investment property - other	-	-	-	-	-	-	-	1,323,367	1,323,367
Property, plant, and equipment measured at fair value	-	-	-	12,001	-	-	-	1,376,724	1,388,725
Other property, plant and equipment	-	-	-	216,615	1,006	16,295	-	152,871	386,787
Credit for purchase of securities	969,000	-	53,000	-	-	-	-	-	1,022,000
Intangible assets	-	-	-	2,273,809	490,345	19,216	-	1,049,024	3,832,394
Costs of obtaining investment management service contracts	-	-	-	-	1,259,198	-	-	206,855	1,466,053
Deferred tax assets	-	-	-	86,276	-	15,012	-	696	101,984
Total assets	**1,951,161**	**718,963**	**381,303**	**3,207,977**	**3,185,182**	**5,070,818**	**110,000**	**158,542,288**	**173,167,692**
Loans and credit	1,871,941	950,044	330,872	-	626,303	4,108,639	-	6,319,921	14,207,720
Liabilities for derivative instruments	1,221,000	-	-	21,000	174	-	-	1,739,412	2,981,586
Liabilities for structured products	-	-	-	-	-	-	134,000	-	134,000
Payables and credit balances	495,024	-	107	-	149,195	75,602	-	1,361,933	2,081,861
Payable dividend	-	-	-	-	-	-	-	-	-
Liability for current taxes	-	49,571	-	-	135	3,998	-	58,437	112,141
Liabilities for yield-dependent investment contracts	-	-	-	-	-	-	-	32,751,129	32,751,129
Liabilities for non-yield-dependent investment contracts	-	-	-	-	1,101,836	-	-	-	1,101,836
Liabilities for insurance contracts	-	-	-	-	-	-	-	107,121,777	107,121,777
Labilities for reinsurance contracts	-	-	-	-	-	-	-	30,162	30,162
Liabilities for employee benefits, net	31,430	-	-	-	-	7,868	-	45,435	84,733
Liabilities for deferred taxes	-	-	-	27,677	97,431	-	-	612,887	737,995
Total liabilities	**3,619,395**	**999,615**	**330,979**	**48,677**	**1,975,074**	**4,196,107**	**134,000**	**150,041,093**	**161,344,940**
Total exposure	**(1,668,234)**	**(280,652)**	**50,324**	**3,159,300**	**1,210,108**	**874,711**	**(24,000)**	**8,501,195**	**11,822,752**

(*) Against CPI-linked financial liabilities, the Company holds Series PHONIX B12 Bonds, which is CPI-linked.

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

10.1. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 10 to the Financial Statements.

10.2. Dedicated disclosure for the Company's bond holders

Series/issuance date	Bonds (Series 4)	Bonds (Series 5)	Bonds (Series 6)
Rating agency	Midroog / Maalot	Midroog / Maalot	Midroog / Maalot
Rating as of the report date	Aa2.il / ilAA	Aa2.il / ilAA	Aa2.il / ilAA
Par value on issuance date	NIS 487,564,542	NIS 1,131,820,000	NIS 1,210,770,000
Interest type	Unlinked	CPI-linked	Unlinked
Nominal interest	The Bank of Israel's variable quarterly interest rate plus a 1.28% spread	0.44%	1.94%
Effective interest rate on issuance date	1.7%	0.55%	4.6%
Listed on the TASE	Yes	Yes	Yes
Principal payment dates	2 equal annual installments of 12% on July 31 of each of the years 2020 and 2021 and 4 equal annual installments of 19% on July 31 of each of the years 2025 through 2028.	3 equal annual installments of 4% on July 1 of each of the years 2022 through 2024, one installment of 28% on May 1, 2028, and 2 equal annual installments of 30% on May 1 of each of the years 2029 through 2030.	9 annual installments: 1 installment of 4% on December 31, 2024, 3 equal installments of 12% on December 31 of each of the years 2025 through 2027, 3 equal installments of 10% on December 31 of each of the years 2028 through 2030, and 2 installments of 15% in each of the years 2031 through 2032.
Interest payment dates	Quarterly interest on January 31, April 30, July 31, and October 31	Semi-annual interest on May 1 and November 1	Semi-annual interest on June 30 and December 31
Nominal p.v. as of December 31, 2024	NIS 398 million	NIS 1,027 million	NIS 1,062 million
CPI-linked nominal p.v. as of December 31, 2024	NIS 398 million	NIS 1,185 million	NIS 1,062 million
Carrying value of the bonds' outstanding balances as of December 31, 2024	Approx. NIS 397 million	Approx. NIS 1,138 million	Approx. NIS 947 million
Carrying value of interest payable as of December 31, 2024	Approx. NIS 3.7 million	Approx. NIS 2.1 million	Approx. NIS 5.1 million
Market value as of December 31, 2024 (1)	Approx. NIS 405 million	Approx. NIS 1.1 million	Approx. NIS 946 million
Series' materiality	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970	The series is material as this term is defined in Regulation 10(b)13(a) of the Securities Regulations (Periodic and Immediate Reports), 1970

1) The market value includes interest accrued as of December 31, 2024.

Contractual restrictions and financial covenants

As part of the deed of trust of the Company's Bonds (Series 4), the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 4) are not repaid in full, unless it has obtained the bond holders' consent in advance and placed on that date a lien of the same rank in favor of Series 4 bond holders. Furthermore, with respect to Bonds (Series 4), the Company assumed restrictions on dividend distribution and expansion of the Bonds (Series 4); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 2.9 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. For further details, see the Shelf Offering Report dated May 7, 2019.

As part of the deed of trust of the Company's Bonds (Series 5), the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 5) are not repaid in full, unless it has obtained the bond holders' consent in advance and placed on that date a lien of the same rank in favor of Series 5 bond holders.

Furthermore, with respect to Bonds (Series 5), the Company assumed restrictions on dividend distribution; the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.2 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 50% for two consecutive quarters. In addition, a mechanism for adjusting the rate of change in interest rate due to noncompliance with financial covenants was set: In the event that the Company's shareholders' equity falls below NIS 3.5 billion, the annual interest rate will increase by the rate set in Section 5.9 of the Deed of Trust. For further details, see the shelf offering report dated February 20, 2020.

As part of the deed of trust of the Company's Bonds (Series 6), the Company undertook not to place a general floating charge on its assets as long as Bonds (Series 6) are not repaid in full, unless it has obtained the bond holders' consent in advance and placed on that date a lien of the same rank in favor of Series 6 bond holders. Furthermore, with respect to Bonds (Series 6), the Company assumed restrictions on dividend distribution and expansion of the Bonds (Series 6); the Company also undertook to comply with financial covenants whereby its shareholders' equity will not fall below NIS 3.6 billion for two consecutive quarters, and that the Company's net financial debt to total assets ratio will not exceed 48% for two consecutive quarters. For further details, see the Shelf Offering Report dated January 5, 2022.

For details regarding the issuance of additional Bonds (Series 5 and 6) by the Company by way of series expansion, see Section 1.3.5 above.

As of balance sheet date, the Company complies with the financial covenants described above. The net financial debt ratio as of March 31, 2025 was approx. 1.08% (including Restricted Tier 1 capital instrument issued by Phoenix Insurance through Phoenix Capital Raising), and the Company's shareholders' equity as per its separate financial statements as of March 31, 2025, was approx. NIS 11,487 million, which is higher than the above required shareholders' equity.

For further details, see Note 5 to the Company's financial statements as of March 31, 2025.

The members of the Board of Directors thank the Company's management, employees and agents for their contribution to the Company.

Benjamin Gabbay **Chairman of the Board of Directors**	**Eyal Ben Simon** **CEO**

May 28, 2025

Part 2

Consolidated Interim Financial Statements

Reuven Rubin, Open Window, ca. 1922–3, Oil on canvas, Phoenix Collection

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Auditors' Review Report to the Shareholders of The Phoenix Financial Ltd.

Introduction

We have reviewed the accompanying financial information of The Phoenix Financial Ltd. and subsidiaries ("the Company"), the condensed consolidated statement of financial statement of financial position as of March 31, 2025, the related condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Company's Board of Directors and management are responsible for the preparation and presentation of interim financial information for this interim period in accordance with IAS 34, “Interim Financial Reporting”, and are responsible for the disclosure requirements set by the Commissioner of the Capital Market, Insurance and Savings and in accordance with the Financial Services (Insurance) Supervision Law, 1981 and they are also responsible for preparing financial information for this interim period under Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation that consolidates an insurance company. Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We did not review the condensed interim financial information of certain subsidiaries, whose assets included in consolidation constitute approximately 3.1% of total consolidated assets as of March 31, 2025, and whose revenues included in consolidation constitute approximately 3.8% of total consolidated revenues for the three-month period then ended. Furthermore, we did not review the condensed financial information for an interim period of companies presented on the basis of the equity method. The investment in which, at equity, amounted to approximately NIS 921,709 thousand as of March 31, 2025, and the Company's share in the earning amounted to approximately NIS 33,257 thousand for the period of three-month period then ended. The condensed interim financial information of those companies was reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of those companies, is based on the review reports of the other independent auditors.

Scope of Review

We conducted our review in accordance with 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 of applying analytical and other review procedures. A review is substantially less in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we are not express an audit opinion.

Conclusion

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

In addition to that which is stated in the previous paragraph, based on our review and the review reports of other 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 Israel Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating an insurance company.

Emphasis of matter

Without qualifying the above conclusion, we draw attention to Note 9 to the financial statements regarding exposure to contingent liabilities.

Tel Aviv,
May 28, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	Note	March 31, 2025	March 31, 2024	December 31, 2024
		As of		
		Unaudited		
		NIS thousand		
Assets				
Cash and cash equivalents in respect of yield-dependent contracts		**17,869,854**	**17,890,179**	**17,724,306**
Other cash and cash equivalents		**2,556,477**	**2,728,652**	**2,742,027**
Financial investments in respect of yield-dependent contracts measured at fair value	5A	**95,797,968**	**82,542,478**	**93,777,952**
Other financial investments measured at fair value	5B	**29,271,259**	**28,491,076**	**28,782,965**
Other financial investments measured at depreciated cost	5B	**4,243,111**	**2,998,407**	**4,457,422**
Financial investments for holders of certificates of deposit and structured bonds		**115,000**	**153,000**	**110,000**
Receivables and debit balances		**1,091,409**	**942,343**	**1,298,222**
Current tax assets		**27,375**	**146,651**	**32,686**
Insurance contract assets	3	**851,343**	**465,316**	**766,337**
Reinsurance contract assets	3	**4,386,211**	**4,626,315**	**4,556,395**
Credit assets for factoring, acquiring and financing	5C	**4,984,835**	**4,255,367**	**4,970,234**
Equity-accounted investments		**1,865,044**	**1,918,367**	**2,002,294**
Investment property in respect of yield-dependent contracts		**2,474,496**	**2,300,749**	**2,425,542**
Investment property - other		**1,357,337**	**1,252,782**	**1,323,367**
Property, plant, and equipment measured at fair value		**1,455,716**	**1,204,010**	**1,388,725**
Other property, plant and equipment		**403,484**	**388,891**	**386,787**
Credit for purchase of securities		**1,215,000**	**682,000**	**1,022,000**
Intangible assets		**4,030,277**	**3,740,115**	**3,832,394**
Costs of obtaining investment management service contracts		**1,553,054**	**1,328,097**	**1,466,053**
Deferred tax assets		**99,842**	**103,776**	**101,984**
Total assets		**175,649,092**	**158,158,571**	**173,167,692**
Total assets for yield-dependent contracts		**116,466,923**	**103,027,021**	**114,264,373**

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

	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	5D	14,713,885	11,553,632	14,207,720
Liabilities in respect of derivative instruments	5D	3,371,112	2,387,730	2,981,586
Liabilities in respect of structured products		114,000	152,000	134,000
Payables and credit balances		2,538,965	1,676,237	2,081,861
Payable dividend		-	265,000	-
Liability for current taxes		97,601	31,986	112,141
Liabilities in respect of yield-dependent investment contracts	3	35,622,956	25,545,662	32,751,129
Liabilities in respect of non-yield-dependent investment contracts (*)	3	1,103,686	1,064,689	1,101,836
Total liabilities in respect of insurance contracts	3	105,397,413	104,408,225	107,121,777
Labilities in respect of reinsurance contracts	3	30,390	30,042	30,162
Liabilities for employee benefits, net		91,123	96,213	84,733
Liabilities in respect of deferred taxes		725,759	536,748	737,995
Total liabilities		163,806,890	147,748,164	161,344,940
Equity				
Share capital		316,118	313,664	315,764
Share premium		917,054	863,725	899,856
Treasury shares		(397,659)	(193,866)	(376,885)
Capital reserves		(173,809)	(100,523)	(185,645)
Surplus		10,825,523	9,222,826	10,836,804
Total equity attributable to Company's shareholders	6	11,487,227	10,105,826	11,489,894
Non-controlling interests		354,975	304,581	332,858
Total equity		11,842,202	10,410,407	11,822,752
Total current liabilities and equity		175,649,092	158,158,571	173,167,692

(*) This line item includes liabilities in respect of contracts for management of guaranteed return provident funds.

Benjamin Gabbay	Eyal Ben Simon	Eli Schwartz
Chairman of the Board	CEO	EVP, CFO

Approval date of the financial statements - May 28, 2025

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

	Note	For the three months ended March 31 2025	For the three months ended March 31 2024	For the year ended December 31 2024
		Unaudited		
		NIS thousand		
Revenues from insurance services		2,361,312	2,260,763	9,278,187
Expenses from insurance services		1,696,230	1,741,242	6,929,538
Income from insurance services before reinsurance contracts held		**665,082**	**519,521**	**2,348,649**
Expenses from reinsurance		369,262	356,396	1,498,950
Reinsurance revenue		142,462	248,349	887,815
Net expenses from reinsurance contracts held		**(226,800)**	**(108,047)**	**(611,135)**
Income from insurance services	7	**438,282**	**411,474**	**1,737,514**
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts		**807,591**	**5,276,244**	**13,996,077**
Investment income from other investments, net				
Interest revenues calculated using the effective interest method		49,673	34,096	182,992
Losses (reversal of losses), net from impairment of financial assets		7,873	(14,962)	(30,166)
Other investment income, net		178,424	575,960	2,550,410
Share in profits of equity-accounted investees		50,463	25,168	103,254
Total income from other investments, net		**270,687**	**650,186**	**2,866,822**
Total investment income, net		**1,078,278**	**5,926,430**	**16,862,899**
Finance expenses, net arising from insurance contracts		665,873	4,377,123	11,691,614
Finance revenues (expenses), net arising from reinsurance contracts		(3,347)	75,648	247,157
Decrease (increase) in liabilities for investment contracts due to the yield component		(174,352)	(1,340,229)	(3,763,568)
Income (loss) from investments and financing, net		234,706	284,726	1,654,874
Income (loss), net from insurance and investment	8	**672,988**	**696,200**	**3,392,388**
Revenues from management fees		444,321	340,388	1,560,626
Revenues from investment management		97,000	96,000	393,000
Revenues from Financing and Acquiring		117,606	102,204	432,213
Revenues from Brokers & Advisors (Agencies) commissions		194,309	135,492	645,410
Other operating expenses		552,846	472,329	2,178,695
Other income (expenses), net		(8,230)	(7,126)	(86,258)
Other finance expenses		124,605	99,917	491,629
Profit before income tax		**840,543**	**790,912**	**3,667,055**
Taxes on income		249,875	250,837	1,159,974
Income for the period		**590,668**	**540,075**	**2,507,081**
Attributable to:				
Company’s shareholders		**552,837**	**510,162**	**2,391,031**
Non-controlling interests		**37,831**	**29,913**	**116,050**
Income for the period		**590,668**	**540,075**	**2,507,081**
Earnings per share attributable to the Company's shareholders (in NIS)				
Basic earnings				
Income from continuing operations per ordinary share of NIS 1 par value		**2.20**	**2.01**	**9.51**
Diluted earnings				
Income from continuing operations		**2.19**	**2.00**	**9.44**

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

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
Income for the period	590,668	540,075	2,507,081
Items of other comprehensive income not subsequently carried to profit or loss:			
Revaluation of property, plant, and equipment, net	-	-	(16,279)
Income from remeasurement of defined benefit plan for employees	-	-	239
Total other comprehensive income not to be subsequently carried to profit or loss before income tax	-	-	(16,040)
Income tax associated with investment in equity instruments measured at fair value through other comprehensive income.	-	-	3,744
Income tax associated with items of other comprehensive income not to be subsequently carried to profit or loss	-	-	(42)
Total other comprehensive loss not to be subsequently carried to profit or loss, net of tax	-	-	(12,338)
Items of other comprehensive income which were subsequently carried or will be carried to profit or loss:			
Group's share in other comprehensive income (loss) of equity-accounted investees	15,662	(439)	(10,029)
Total other comprehensive loss which has been or will be carried to profit or loss, net of tax	15,662	(439)	(10,029)
Total other comprehensive loss for the period, net of tax	15,662	(439)	(22,367)
Total comprehensive income for the period	606,330	539,636	2,484,714
Attributable to:			
Company's shareholders	568,499	509,723	2,368,692
Non-controlling interests	37,831	29,913	116,022
Comprehensive income for the period	606,330	539,636	2,484,714

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

	Attributable to Company's shareholders											
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder - bonus	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total	Non-con-trolling interests	Total equity
	Unaudited											
	NIS thousand											
Balance as of January 1, 2025 (*)	315,764	899,856	(376,885)	10,836,804	(467,819)	11,000	60,642	212,520	(1,988)	11,489,894	332,858	11,822,752
Income	-	-	-	552,837	-	-	-	-	-	552,837	37,831	590,668
Other comprehensive income	-	-	-	-	-	-	-	-	15,662	15,662	-	15,662
Total comprehensive income	-	-	-	552,837	-	-	-	-	15,662	568,499	37,831	606,330
Share-based payment	-	13,730	-	-	-	-	2,929	-	-	16,659	-	16,659
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(44,291)	(44,291)
Acquisition of treasury shares (see Note 10F)	-	-	(20,774)	-	-	-	-	-	-	(20,774)	-	(20,774)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	13,112	13,112
Exercise of employee options	354	3,468	-	-	-	-	(3,822)	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	882	-	-	-	(882)	-	-	-	-
Dividend (Note 10E)	-	-	-	(565,000)	-	-	-	-	-	(565,000)	-	(565,000)
Acquisition of minority interests	-	-	-	-	(2,653)	-	-	-	-	(2,653)	404	(2,249)
Allocation of shares of a consolidated company to minority interests	-	-	-	-	-	-	-	-	-	-	15,523	15,523
Transaction with minority interest	-	-	-	-	602	-	-	-	-	602	(462)	140
Balance as of March 31, 2025	316,118	917,054	(397,659)	10,825,523	(469,870)	11,000	59,749	211,638	13,674	11,487,227	354,975	11,842,202

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2.

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

	Attributable to Company's shareholders											
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transaction with controlling shareholder - bonus	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total	Non-controlling interests	Total equity
	NIS thousand											
Balance as of January 1, 2024 (audited) (*)	313,340	860,345	(193,866)	8,976,662	(395,095)	11,000	69,507	228,941	8,041	9,878,875	300,968	10,179,843
Income	-	-	-	510,162	-	-	-	-	-	510,162	29,913	540,075
Other comprehensive loss	-	-	-	-	-	-	-	-	(439)	(439)	-	(439)
Total comprehensive income (loss)	-	-	-	510,162	-	-	-	-	(439)	509,723	29,913	539,636
Share-based payment	-	416	-	-	-	-	3,449	-	-	3,865	-	3,865
Dividend to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(24,401)	(24,401)
Exercise of employee options	324	2,964	-	-	-	-	(3,288)	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	1,002	-	-	-	(1,002)	-	-	-	-
Dividend	-	-	-	(265,000)	-	-	-	-	-	(265,000)	-	(265,000)
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	2,300	2,300
Transaction with minority interest	-	-	-	-	(21,637)	-	-	-	-	(21,637)	(4,199)	(25,836)
Balance as of March 31, 2024 (unaudited)	313,664	863,725	(193,866)	9,222,826	(416,732)	11,000	69,668	227,939	7,602	10,105,826	304,581	10,410,407
					-							

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2.

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

	Attributable to Company's shareholders											
	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Capital reserve from transactions with controlling shareholders	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total	Non-controlling interests	Total equity
	NIS thousand											
Balance as of January 1, 2024 (audited) (*)	313,340	860,345	(193,866)	8,976,662	(395,095)	11,000	69,507	228,941	8,041	9,878,875	300,968	10,179,843
Net income	-	-	-	2,391,031	-	-	-	-	-	2,391,031	116,050	2,507,081
Other comprehensive income (loss)	-	-	-	225	-	-	-	(12,535)	(10,029)	(22,339)	(28)	(22,367)
Total comprehensive income	-	-	-	2,391,256	-	-	-	(12,535)	(10,029)	2,368,692	116,022	2,484,714
Share-based payment	-	13,653	-	-	-	-	19,417	-	-	33,070	-	33,070
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(111,959)	(111,959)
Acquisition of treasury shares	-	-	(183,019)	-	-	-	-	-	-	(183,019)	-	(183,019)
Commencement of consolidation	-	-	-	-	-	-	-	-	-	-	17,995	17,995
Exercise of employee options	2,424	25,858	-	-	-	-	(28,282)	-	-	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	3,886	-	-	-	(3,886)	-	-	-	-
Dividend	-	-	-	(535,000)	-	-	-	-	-	(535,000)	-	(535,000)
Transaction with minority interest	-	-	-	-	10,670	-	-	-	-	10,670	16,819	27,489
Allocation of shares of a consolidated company to minority interests	-	-	-	-	-	-	-	-	-	-	24,148	24,148
Acquisition of non-controlling interests	-	-	-	-	(83,394)	-	-	-	-	(83,394)	(31,135)	(114,529)
Balance as of December 31, 2024 (unaudited)	315,764	899,856	(376,885)	10,836,804	(467,819)	11,000	60,642	212,520	(1,988)	11,489,894	332,858	11,822,752

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2.

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

	Appendix	For the three months ended March 31 2025	For the three months ended March 31 2024	For the year ended December 31 2024
		Unaudited	Unaudited	
		NIS thousand	NIS thousand	NIS thousand
Cash flows from operating activities				
Income for the period		590,668	540,075	2,507,081
Adjustments required to present cash flows from operating activities	(a)	(186,594)	(129,931)	(3,208,622)
Net cash provided by operating activities		404,074	410,144	(701,541)
Cash flows used for investing activities				
Purchase of property, plant and equipment		(87,144)	(98,622)	(359,431)
Proceeds from disposal of property, plant and equipment		3	500	1,750
Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios		-	1,287	3,220
Investment in associates		(7,042)	(271,834)	(637,401)
Dividend from associates		5,028	2,555	24,276
Acquisition of consolidated companies consolidated for the first time	(b)	(41,314)	(159)	(76,771)
Acquisition of minority interest in a consolidated company		(2,249)	-	(114,529)
Change in loans granted to associates		-	(360)	5,066
Proceeds from disposal of investment in associate		123,383	50,131	391,657
Acquisition and capitalization of intangible assets costs		(110,176)	(248,464)	(535,721)
Net cash used for investing activities		(119,511)	(564,966)	(1,297,884)
Cash flows provided by financing activities				
Acquisition of Company shares		(20,774)	-	(183,019)
Issuance of shares to non-controlling interests in a consolidated company		-	-	50,000
Repayment of contingent liability in respect of a put option to non-controlling interests		(8,686)	-	(15,872)
Short-term credit from banks, net		(170,834)	59,000	239,792
Repayment of financial liabilities		(133,774)	(443,518)	(1,873,547)
Dividend to shareholders		(565,000)	-	(535,000)
Repayment of lease liability principal		(9,408)	(14,067)	(54,212)
Issuance of financial liabilities		620,907	274,808	2,623,761
Change in liability for REPO, net		7,295	(1,434,739)	(30,756)
Dividend paid to non-controlling interests		(44,291)	(24,401)	(111,959)
Net cash provided by (used in) financing activities		(324,565)	(1,582,917)	109,188
Increase in cash and cash equivalents		(40,002)	(1,737,739)	(1,890,237)
Balance of cash and cash equivalents at beginning of period	(d)	20,466,333	22,356,570	22,356,570
Balance of cash and cash equivalents at end of period	(d)	20,426,331	20,618,831	20,466,333

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

		For the three months ended March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		
		NIS thousand		
(a)	Adjustments required to present cash flows from operating activities:			
	Items not involving cash flows			
	Net gains on financial investments in respect of insurance contracts and yield-dependent investment contract	(700,517)	(5,037,242)	(13,008,517)
	Change in fair value of investment property in respect of yield-dependent contracts	-	-	(37,216)
	Net (gains) losses on other financial investments	(206,639)	(663,317)	(2,929,210)
	Depreciation and amortization	144,102	138,149	562,147
	Loss from disposal of property, plant and equipment	(90)	3	(606)
	Change in fair value of investment property	-	-	(5,098)
	Gain on notional disposal as a result of assuming control of an investee	(16,638)	966	966
	Change in financial liabilities	535,020	(153,157)	628,772
	Income tax expenses	249,875	250,837	1,159,974
	Share in profits of equity-accounted investees	(50,463)	(25,168)	(103,254)
	Payroll expenses in respect of share-based payment	18,452	3,449	44,908
	Issuance of shares to non-controlling interests in a consolidated company	-	2,300	-
	Changes in other on-balance sheet line items, net:			
	Change in liabilities in respect of non-yield-dependent investment contracts	1,850	1,595	38,742
	Change in liabilities in respect of yield-dependent investment contracts	2,871,827	6,012,818	13,218,285
	Change in liabilities in respect of insurance contracts	(1,724,364)	(2,365,993)	347,559
	Changes in liabilities for reinsurance contracts	228	(7,649)	(7,529)
	Change in liabilities for notes, ETFs	(20,000)	(19,000)	(37,000)
	Change in financial investments for holders of ETFs, certificates of deposit	(5,000)	20,000	63,000
	Change in credit assets in respect of factoring, acquiring and financing	14,107	36,987	(677,880)
	Change in insurance contract assets	(85,006)	(57,436)	(358,457)
	Change in reinsurance contract assets	170,184	(73,917)	(3,997)
	Change in costs of obtaining investment management service contracts	(87,001)	(46,798)	(184,754)
	Change in liabilities for employee benefits, net	6,390	21,807	9,293
	Change in receivables and debit balances	205,893	33,767	(301,050)
	Change in payables and credit balances	445,508	55,175	417,484
	Change in credit for purchase of securities	(193,000)	35,000	(305,000)
	Change in loans granted to associates	(83)	(331)	(1,129)
	Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:			
	Acquisition of real estate properties	(48,954)	(17,686)	(105,263)
	Proceeds on sale of real estate properties	-	-	-
	Sale of financial investments, net	(1,319,499)	1,057,767	(2,206,432)
	Financial investments and other investment property:			
	Sales (acquisitions), net of financial investments	(96,052)	801,228	1,305,856
	Acquisition of real estate properties	(33,970)	(14,257)	(79,745)
	Proceeds on sale of real estate properties	-	-	-
	Cash paid and received during the year for:			
	Taxes paid	(340,098)	(119,670)	(804,415)
	Taxes received	77,344	(158)	150,944
	Total cash flows provided by operating activities	(186,594)	(129,931)	(3,208,622)

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2.

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

		For the three months ended March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		
		NIS thousand		
(b)	Acquisition of consolidated companies consolidated for the first time			
	Assets and liabilities of the consolidated companies as of acquisition date:			
	Working capital (excluding cash and cash equivalents)	20,339	105	22,264
	Property, plant and equipment, net	(774)	(1,638)	(4,539)
	Goodwill arising from acquisition	(154,974)	-	(57,241)
	Intangible assets	(48,606)	(4,073)	(82,958)
	Deferred taxes	8,291	134	18,398
	Minority interests	13,112	-	17,995
	Disposal of investment in an associate	94,294	-	-
	Financial liabilities	27,004	1,061	7,719
	Liabilities for employee benefits	-	-	1,273
	Financial assets	-		(3,907)
	Loan from parent company	-	4,252	4,225
		(41,314)	(159)	(76,771)
(c)	Cash and cash equivalents			
	Balance of cash and cash equivalents at beginning of period:			
	Cash and cash equivalents	2,742,027	3,053,023	3,053,023
	Cash and cash equivalents in respect of yield-dependent contracts	17,724,306	19,303,547	19,303,547
		20,466,333	22,356,570	22,356,570
	Balance of cash and cash equivalents at end of period:			
	Cash and cash equivalents	2,556,477	2,728,652	2,742,027
	Cash and cash equivalents in respect of yield-dependent contracts	17,869,854	17,890,179	17,724,306
		20,426,331	20,618,831	20,466,333
(d)	Significant non-cash activities			
	Payable dividend	-	265,000	-
	Recognition of right-of-use asset against a lease liability	(23,428)	(61,926)	(127,351)
(e)	Breakdown of amounts included in operating activities			
	Interest paid	74,182	83,970	429,465
	Interest received	123,203	103,728	1,329,157
	Dividend received	9,827	5,220	61,812

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

NOTE 1 - GENERAL

A. Phoenix Financial Ltd., (hereinafter - the “**Company**”) is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. The Company does not have a control core. These financial statements were prepared in condensed format as of March 31 2025 and for the three-month period then ended (hereinafter - the “**Condensed 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 from the Consolidated Interim Financial Statements as of March 31, 2024, except for the adjustments following the application of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments, which were reviewed but not yet audited.

B. <u>Definitions</u>

The Company	-	Phoenix Financial Ltd.
The Group	-	Phoenix Financial Ltd. and its consolidated companies.
Phoenix Insurance	-	Phoenix Insurance Company Ltd., a wholly-owned subsidiary of the Company.
Phoenix Capital Partners		Phoenix Capital Partners Ltd., a wholly-owned subsidiary of the Company; for details regarding the restructuring, see Section C.
Phoenix Investments	-	Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company, which was merged into the Company as of January 1, 2025. For details regarding the restructuring, see Section C.
Phoenix Investment House	-	Phoenix Investment House Ltd., a subsidiary of controlled by the Company.
Gama		Gama Management and Clearing Ltd., a subsidiary wholly-owned by The Company. For details regarding the restructuring, see Section C.
Phoenix Agencies	-	Phoenix Insurance Agencies 1989 Ltd. - a company under the Company’s control.
Phoenix Pension and Provident	-	Phoenix Pension and Provident Funds Ltd., a wholly-owned subsidiary of the Company.

NOTE 1 - GENERAL (cont.)

B. Definitions (cont.)

Phoenix Advanced Investments	-	Phoenix Advanced Investments Ltd., a wholly-owned subsidiary of Phoenix Capital Partners.
Phoenix Capital Raising	-	Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of Phoenix Insurance.
Platinum	-	Platinum Finance & Factoring Ltd., a wholly-owned subsidiary of the Company, which was merged into the Company as of January 1, 2025. For details regarding the restructuring, see Section C.
The Commissioner		The Commissioner of the Capital Market, Insurance and Savings.

C. Completion of the merger between Group companies

During the Reporting Period, the Company transferred to Phoenix Capital Partners Ltd. - a new privately-owned subsidiary established and wholly-owned by the Company - the entire Wealth & Alternatives business carried out in Phoenix Investments prior to the merger date and ownership interests in several other companies. Upon completion of the merger, Phoenix Investments and Platinum ceased to exist.

In addition, the Company transferred to Gama, effective January 1, 2025, Phoenix Consumer Credit Ltd., which was wholly-owned by the Company, in exchange for issuance of shares.

In addition, in the reporting period, the Company transferred its 19.9% holding stake in El Al Frequent Flyer Ltd. shares (hereinafter - "**El Al Club**") to Phoenix Gama, in consideration for issuance of shares. The transfer was carried out after the completion of the distribution of El Al Club shares as a dividend in kind from Phoenix Insurance to the Company. For further details, see the Company's report dated November 27, 2024 and February 25, 2025 (Ref. Nos.: 2024-01-619565 and 2025-01-012796, respectively).

NOTE 1 - GENERAL (cont.)

D. The Iron Swords War

On October 7, 2023, the Iron Swords War between the State of Israel and the Gaza-based “Hamas” terror organization broke out (hereinafter - the “**War**”), following a murderous attack by Hamas on localities in southern Israel. In addition to the War in Gaza, Israel is involved in an armed conflict and military operational activity of varying intensities and in a number of fronts. The War and all of the activities in the various fronts have an adverse effect on the Israeli economy. As of the report publication date, the fighting in Gaza was resumed at varying intensity.

Due to the War, the international rating agencies downgraded the State of Israel’s credit rating. The abovementioned rating downgrade also affected Phoenix Insurance's international rating. However, on March 26, 2025, the international credit rating agency Moody's reiterated Phoenix Insurance’s Baa1 existing rating and changed the rating outlook from negative to stable, due to, among other things, Phoenix Insurance’s ability to maintain the resilience of its capital surplus and liquidity and its high and stable level of profits since the outbreak of the War. For further details, see the immediate report dated March 26, 2025 (Ref. No.: 2025-01-020871).

Due to its activity, Phoenix Group is exposed to declines in the financial markets, a slowdown in activity, and to other risks arising from the War. For further details on exposure to risk factors, see also Note 41 to the Consolidated Annual Financial Statements. At this stage, there is uncertainty as to the development of the War, its scope and duration. Therefore, at this stage it is impossible to assess the full effect of the War on the Company and its results in the medium term; however, as of the report publication date, this effect is not expected to be material.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the 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 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 that 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 a consolidated subsidiary, which falls within the scope of the definition of insurer, 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 Phoenix Insurance 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:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts

As detailed in Note 2D regarding first-time application of IFRS 17, Insurance Contracts (hereinafter - "**IFRS 17**"), the Company has 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 the first quarter and for 2024. The following are the accounting policies based on the provisions of the IFRSs and the circular “Professional Issues Pertaining to the Application of IFRS 17 in Israel” published by the Commissioner.

1. 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 Company issues insurance contracts in its ordinary course of business, in which it accepts a significant insurance risk from the policyholders. The Company determines whether it has 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 the Company, such as a guaranteed rate of return.

Some of the contracts entered into by the Company have the legal form of insurance contracts 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 Company under which it transfers to reinsurers a significant insurance risk relating to underlying insurance contracts. The purpose of the reinsurance contracts held is to mitigate the Company’s 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. The Company expects to pay the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and

C. The Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

1. Classification of insurance contracts and reinsurance contracts (cont.)

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.

2. 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.

An investment component represents amounts which the Company 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 the Company's life insurance contracts include a savings component, which constitutes an investment component. The Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

2. Separating components from insurance contracts (cont.)

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 Company provides a significant service in integrating the good or non-insurance service with the insurance components.

After separating distinct components, the Company implements IFRS 17 for all components not separated from the host insurance contract and accounts for them as a single insurance contract.

The Company did not identify any components, which should be separated from the insurance contract

3. Level of aggregation and combination of insurance contracts

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

In order to determine the groups, the Company first identifies insurance contract portfolios. A portfolio comprises contracts subject to similar risks and managed together. The Company 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, excluding individual medical expenses and disability, collective medical expenses and disability and personal accidents, which is recognized as a single portfolio. Once it has identified a portfolio, the Company divides 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.

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

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 the Company 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 Company’s relative share in compulsory motor insurance policies issued through the Pool meets this requirement; therefore, the Company opted to include its relative share in these policies in the same group as the compulsory motor insurance policies sold by the Company.

The Company sells 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 Company normally allocates 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 Company separates the coverages and recognizes them as separate insurance contracts. This approach is materially different from the Company’s policy under IFRS 4, whereunder the Company normally recognized and measured each coverage separately.

In addition, in certain cases the Company contracts 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 Company recognizes and measures 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 Company classifies the contract as a whole in accordance with the portfolio to which the main coverage in the contract is attributed.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

The Company exercises 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 Company's 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.

4. Recognition

The Company recognizes a group of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts
- 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 Company recognizes 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 Company defers 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 Company 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 Company adds new contracts to the group during the reporting period in which the contract meets one of the abovementioned recognition criteria.

5. Cash flow for purchase of insurance

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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

5. Cash flow for purchase of insurance (cont.)

The Company allocates 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.

6. Contract boundary

The Company includes 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 Company has 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 Company has 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

6. Contract boundary (cont.)

Cash flows are within the boundary of a reinsurance contract held if they arise from substantive rights and obligations, which exist during the reporting period, in which the Company is compelled to pay amounts to the reinsurer or has a substantive right to receive services from the policyholder. 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.

7. Measurement model

There are three models for measuring insurance contracts:

- The general measurement model (the GMM model) – the Company 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) – the Company 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 Company applies 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.

8. 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, the Company measures a group of insurance contracts as the total of: (a) the fulfillment cash flows, and (b) the contractual service margin (CSM).

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

Measurement on initial recognition (cont.)

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:

- 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.

- Subsequent measurement of fulfillment cash flows
- 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 the determination of insurance revenue.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

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 revenues 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 the Company'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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

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

- A variable fee in exchange for the future services provided by the insurance contract, which is the Company'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. The Company provides investment management services under these contracts by providing a guaranteed return on investments based on underlying items, in addition to insurance coverage.

When measuring a group of contracts with direct participation features, the Company 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. The Company 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 Company applied the risk mitigation option 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;
    - 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 insurance revenues in respect of services provided during the period.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

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

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.

Risk mitigation option

Under the management of its business and as part of its regulatory obligations, the Company is required to manage investment portfolios of assets held for yield-dependent insurance policies. Under such portfolios, the Company 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 expenses (revenues) from insurance contracts' concurrently with the revenues or expenses, which will arise in respect of the abovementioned assets. It is noted that the Company 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, if any.

Subsequent measurement of loss component

For contracts, which are not measured under the PAA model, the Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

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

Subsequent measurement of loss component (cont.)

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.

9. Insurance contracts measured under the PAA model

The Company 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 Company reasonably expects that such simplification would produce a measurement of the liability for the remaining coverage period provided by the group that would not differ materially from the measurement that would result from applying the General Measurement Model.

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 Company compares the liability in respect of the remaining coverage period, which will be produced from applying the PPA mode and the liability which will be produced from applying the General Measurement Model under possible future scenarios (PPA model eligibility test).

The Company has two-year personal accident policies and dental insurance policies. In accordance with the eligibility criteria implemented by the Company, these contracts qualify for application of the PAA model.

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 Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

9. Insurance contracts measured under the PAA model (cont.)

For all groups of the Company's insurance contracts measured when applying the PAA model, the Company has opted to recognize the acquisition expenses directly attributable to the groups of insurance contracts in profit or loss over the coverage period in a systematic way on the basis of 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 Company measures 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
- Cash flow for purchase of insurance; with an added
- Amounts recognized as amortization of insurance acquisition cash flows; net of
- Amounts recognized as insurance revenues 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 Company recognizes 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.

The Company estimates the LIC as the fulfillment cash flows relating to incurred claims. The standard 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 Company does not implement the abovementioned expedient.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

10. 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, the Company 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 initial recognition of insurance contracts, the net cost is immediately recognized in profit or loss. Furthermore, if the underlying insurance contracts are onerous, the Company 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 the Company 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.

The Company 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 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

10. 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.

11. 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 Company measures 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 Company adjusts the ARC balance since under the PAA model there is no CSM.

12. Derecognition and modifications to the terms of an insurance contract

The Company derecognizes 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 Company derecognizes 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 Company treats changes in the cash flows arising from the modification of terms as changes in the estimated fulfillment cash flows.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

13. Disclosure and presentation

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

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 Company divides the amounts recognized in the statement of income and other comprehensive income into:

A. Insurance service results, comprising insurance revenues and insurance service expenses; and

B. Finance revenues or finance expenses from insurance.

IFRS 17 does not require disaggregation of the RA between insurance service results and finance revenues or finance expenses from insurance. The Company opted not to apply this expedient and to disaggregate the RA between insurance service results and finance revenues or finance expenses from insurance. The Company presents separately revenues or expenses from reinsurance contracts held and revenues or expenses from insurance contracts issued.

Insurance service results

Insurance revenues reflect the amount to which the Company expects 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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

13. Disclosure and presentation (cont.)

Insurance service results (cont.)

(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.

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 in respect of insurance acquisition cash flows.

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 Company expects 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 Company expects 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 Company expects 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Insurance contracts (cont.)

13. Disclosure and presentation (cont.)

Finance revenues or finance expenses from insurance

Finance revenues 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 Company recognizes in profit or loss insurance finance revenues or expenses for the period.

C. Financial instruments

1. 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 Company classifies and measures the debt instruments in its financial statements based on the following criteria:

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

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

The Company measures 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.

Subsequent to initial recognition, instruments in this group are measured at amortized cost in accordance with their terms, using the effective interest method, less provision for impairment.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Financial instruments (cont.)

1. Financial assets (cont.)

The Company measures debt instruments at amortized cost when: (cont.)

At the initial recognition, a company may irrevocably designate a debt instrument for measurement at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency, for example, when the underlying financial liability is also measured at fair value through profit or loss.

This group mainly includes debt assets, which do not back insurance portfolios.

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 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, unless they are designated to be used as hedging instruments and the hedging is effective in accordance with the provisions of IFRS 9.

2. Impairment of financial assets

At each reporting date, the Company tests the provision for loss in respect of financial debt instruments that are not measured at fair value through profit or loss should be estimated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Financial instruments (cont.)

2. Impairment of financial assets (cont.)

The Company differentiates between two situations of recognition of a provision for loss:

a) **ECL (Expected Credit Loss)**

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) **Life time ECL**

Debt instruments with significant deterioration in credit quality since the initial recognition date and their credit risk is not low, the provision for loss recognized will take into account the current expected credit losses - over the balance of the useful life of the instrument.

The Company 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 Company estimates 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.

The Company has financial assets with short credit periods, such as accounts receivable for a lease, to which it applies the expedient set forth in IFRS 9, i.e., the Company measures the impairment provision at an amount equal to current expected credit losses throughout the entire life of the instrument.

The Company applies the relief provided in IFRS 9, according to which it assumes 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 Company estimates that when contractual payments for a debt instrument are more than 30 days past due, a significant increase in credit risk occurred, unless there is reasonable and supportable information proving that credit risk has not increased substantially.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Financial instruments (cont.)

2. Impairment of financial assets (cont.)

The Company deems a financial asset to have defaulted when contractual payments for the financial asset are more than 90 days past due. However, there are situations in which the Company deems a financial asset to have defaulted when external or internal information is received whereby the Company is not expected to receive all contractual payments.

The Company considers 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.

Evidence that a financial asset is credit-impaired include observable data regarding the following events:

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 difficultiesץ

F. The purchase or origination of a financial asset at a deep discount, which reflects the incurred credit losses.

Derecognition of financial assets

The Company derecognizes a financial asset if and only if:

(a) The contractual rights to the cash flows from the financial asset have expired, or

(b) The Company transfers 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 Company retains the contractual rights to receive the cash flows arising from the financial asset but assumes a contractual obligation to pay these cash flows in full to a third party, without any substantial delay.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Financial instruments (cont.)

2. Impairment of financial assets (cont.)

Derecognition of financial assets (cont.)

If the Company transfers its rights to receive cash flows from an asset but neither transfers nor retains substantially all the risks and rewards of the asset nor transfers control of the asset, a new asset is recognized to the extent of the Company's continuing involvement in the asset. When continuing involvement takes the form of guaranteeing the transferred asset, the extent of the continuing involvement is the lower of the original carrying amount of the asset and the maximum amount of consideration received that the Company could be required to repay (the guarantee amount).

3. Financial liabilities

Financial liabilities measured at amortized cost

At initial recognition, the Company measures 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 Company measures 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 guarantee contracts;

(c) Commitment to advance a loan at an interest rate which is lower than the market interest rate;

(d) 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 liabilities held-for-trading including derivatives and liabilities for short sale. Furthermore, they include financial liabilities, which meet certain criteria, designated upon initial recognition to the fair value through profit or loss category.

At initial recognition, the Company designates a financial liability as a liability measured at fair value through profit or loss.

Upon initial recognition, the Company measures these financial liabilities at fair value, and transaction costs are stated in profit or loss. Subsequent to initial recognition, changes in fair value are recognized in profit or loss, other than changes that may be attributed to changes in the credit risk of the financial liability, which are presented in other comprehensive income.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Financial instruments (cont.)

4. Derecognition of financial liabilities

The Company derecognizes 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 Company assesses 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 Company 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.

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 Company updates 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.

5. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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 directives of the Capital Market, Insurance and Savings Authority.

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.

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 initial application. 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.

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:

A. 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 insurance revenues 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 insurance revenues and insurance service expenses. The above disaggregation shall increase transparency as to the Company’s sources of income.

The Company applies the PAA model to simplify the measurement of contracts in the P&C Insurance Segment and in 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 Company includes 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.

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.)

A. 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 Section B above.

B. 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. Under the full retrospective application approach, on January 1, 2024 the Company:

- Identified, recognized and measured each group of insurance contracts and reinsurance contracts as if IFRS 17 is applied retrospectively.
- Derecognized balances reported in the past, which would not have existed had IFRS 17 always been applied. These balances include deferred acquisition costs in respect of insurance contracts, intangible assets relating to insurance contracts and other insurance receivables and payables. Under IFRS 17, these balances are included in the measurement of insurance contracts.
- Recognized any differences in equity.

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 applied 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

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.)

B. Transitional provisions (cont.)

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 Company applied the full retrospective application approach to its P&C insurance portfolios and to certain health insurance portfolios, such as travel, dental, foreign workers, and short-term personal accidents insurance policies.

The Company 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.

- 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).

Therefore, the Company applied the modified retrospective approach to critical illness, life, individual and collective permanent health insurance portfolios for underwriting years 2020-2023.

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

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.)

B. Transitional provisions (cont.)

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.

The Company’s remaining insurance contracts groups will be measured in accordance with the FVA approach.

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.

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.)

B. 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 Company'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 the Company'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.

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.)

B. Transitional provisions (cont.)

The fair value approach - FVA (cont.)

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, the Company 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.

(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 Company's 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 fair value through other comprehensive income, with gains or losses recognized in profit or loss upon derecognition
- Equity instruments at fair value through other comprehensive income, with gains or losses not being recognized in profit or loss upon derecognition
- 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.

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

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: (cont.)

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.

Provisions for the Transitional Period

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.
  - Designation of investments in equity instruments to fair value through other comprehensive income.
- 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.

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 of IFRS 17 and IFRS 9:

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items:

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	As of January 1, 2024, according to IFRS
			Audited NIS thousand	
Assets				
Cash and cash equivalents in respect of yield-dependent contracts		19,303,547	-	19,303,547
Other cash and cash equivalents		3,053,023	-	3,053,023
Financial investments in respect of yield-dependent contracts measured at fair value		82,817,937	-	82,817,937
Other financial investments measured at fair value	1	14,198,423	14,663,141	28,861,564
Other financial investments measured at depreciated cost	1	16,572,861	(13,210,774)	3,362,087
Financial investments for holders of deposit certificates and structured bonds		173,000		173,000
Credit assets for factoring, acquiring and financing		3,700,349	-	3,700,349
Receivables and debit balances		1,047,092	(68,853)	978,239
Current tax assets		157,662	-	157,662
Insurance contract assets	6	-	407,880	407,880
Reinsurance contract assets		4,028,261	524,137	4,552,398
Equity-accounted investments		1,651,832	-	1,651,832
Investment property in respect of yield-dependent contracts		2,283,063	-	2,283,063
Investment property - other		1,238,524	-	1,238,524
Property, plant, and equipment measured at fair value		1,123,002	-	1,123,002
Other property, plant and equipment		337,390	-	337,390
Intangible assets and goodwill		3,597,868	-	3,597,868
Collectible premium	2	998,295	(998,295)	-
Deferred acquisition costs	2	1,404,972	(1,404,972)	-
Costs of obtaining investment management service contracts	3	1,281,298	-	1,281,298
Deferred tax assets		109,330	-	109,330
Credit for purchase of securities		717,000	-	717,000
Total assets		**159,794,729**	**(87,736)**	**159,706,993**
Total assets for yield-dependent contracts		**104,769,512**	**-**	**104,769,512**
Liabilities				
Loans and credit		13,044,524	-	13,044,524
Liabilities in respect of derivative instruments		2,531,385	-	2,531,385
Payables and credit balances	4	3,669,165	(2,083,607)	1,585,558
Liability for current taxes		74,408	-	74,408
Liabilities in respect of yield-dependent investment contracts		23,787,779	-	23,787,779
Liabilities in respect of non-yield-dependent investment contracts (*)		1,063,093	-	1,063,093
Total liabilities in respect of insurance contracts	7	103,719,615	3,054,603	106,774,218
Labilities in respect of reinsurance contracts			37,691	37,691
Liabilities for employee benefits, net		74,406	-	74,406
Liabilities in respect of deferred taxes	9	764,322	(381,234)	383,088
Liabilities in respect of structured products		171,000	-	171,000
Total liabilities		**148,899,697**	**627,453**	**149,527,150**
Equity				
Share capital		313,340	-	313,340
Share premium		860,345	-	860,345
Capital reserves	5	1,101,414	(1,179,020)	(77,606)
Treasury shares		(193,866)	-	(193,866)
Surplus		8,499,062	477,600	8,976,662
Total equity attributable to Company's shareholders		10,580,295	(701,420)	9,878,875
Non-controlling interests		314,737	(13,769)	300,968
Total equity		**10,895,032**	**(715,189)**	**10,179,843**

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 of IFRS 17 and IFRS 9: (cont.)

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items: (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	As of March 31, 2024, according to IFRS
			Unaudited NIS thousand	
Assets				
Cash and cash equivalents in respect of yield-dependent contracts		17,890,179	-	17,890,179
Other cash and cash equivalents		2,728,652	-	2,728,652
Financial investments in respect of yield-dependent contracts measured at fair value		82,542,478	-	82,542,478
Other financial investments measured at fair value	1	13,909,088	14,581,988	28,491,076
Other financial investments measured at depreciated cost	1	16,055,712	(13,057,305)	2,998,407
Financial investments for holders of deposit certificates and structured bonds		153,000	-	153,000
Receivables and debit balances		1,065,049	(122,706)	942,343
Current tax assets		146,651	-	146,651
Insurance contract assets	6		465,316	465,316
Reinsurance contract assets		4,062,034	564,281	4,626,315
Credit assets for factoring, acquiring and financing		4,255,367	-	4,255,367
Equity-accounted investments		1,918,367	-	1,918,367
Investment property in respect of yield-dependent contracts		2,300,749	-	2,300,749
Investment property - other		1,252,782	-	1,252,782
Property, plant, and equipment measured at fair value		1,204,010	-	1,204,010
Other property, plant and equipment		388,891	-	388,891
Credit for purchase of securities		682,000	-	682,000
Intangible assets and goodwill	2	3,740,115	-	3,740,115
Collectible premium	2	926,945	(926,945)	-
Deferred acquisition costs	3	1,424,350	(1,424,350)	-
Costs of obtaining investment management service contracts		1,328,097	-	1,328,097
Deferred tax assets		103,776	-	103,776
Total assets		**158,078,292**	**80,279**	**158,158,571**
Total assets for yield-dependent contracts		**103,027,021**	**-**	**103,027,021**
Liabilities				
Loans and credit		11,553,632	-	11,553,632
Liabilities in respect of derivative instruments		2,387,730	-	2,387,730
Liabilities in respect of structured products		152,000	-	152,000
Payables and credit balances	4	3,632,926	(1,956,689)	1,676,237
Payable dividend		265,000	-	265,000
Liability for current taxes		31,986	-	31,986
Liabilities in respect of yield-dependent investment contracts		25,473,777	71,885	25,545,662
Liabilities in respect of non-yield-dependent investment contracts (*)		1,064,689	-	1,064,689
Total liabilities in respect of insurance contracts	7	101,713,953	2,694,272	104,408,225
Labilities in respect of reinsurance contracts		-	30,042	30,042
Liabilities for employee benefits, net		96,213	-	96,213
Liabilities in respect of deferred taxes	8	806,480	(269,732)	536,748
Total liabilities		**147,178,387**	**569,778**	**147,748,164**
Equity				
Share capital		313,664	-	313,664
Share premium		863,725	-	863,725
Treasury shares	5	(193,866)	-	(193,866)
Capital reserves		1,144,615	(1,245,138)	(100,523)
Surplus		8,453,418	769,408	9,222,826
Total equity attributable to Company's shareholders		10,581,556	(475,730)	10,105,826
Non-controlling interests		318,350	(13,769)	304,581
Total equity		**10,899,906**	**(489,499)**	**10,410,407**

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 of IFRS 17 and IFRS 9: (cont.)

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items: (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 Audited	Effect of first-time application Unaudited	As of December 31, 2024, according to IFRS Unaudited
			NIS thousand	
Assets				
Cash and cash equivalents in respect of yield-dependent contracts		17,724,306	-	17,724,306
Other cash and cash equivalents		2,742,027	-	2,742,027
Financial investments in respect of yield-dependent contracts measured at fair value		93,777,952	-	93,777,952
Other financial investments measured at fair value	1	15,932,536	12,850,429	28,782,965
Other financial investments measured at depreciated cost	1	15,872,959	(11,415,537)	4,457,422
Financial investments for holders of deposit certificates and structured bonds		110,000	-	110,000
Receivables and debit balances		1,334,092	(35,870)	1,298,222
Current tax assets		32,686	-	32,686
Insurance contract assets	6	-	766,337	766,337
Reinsurance contract assets		3,917,402	638,993	4,556,395
Credit assets for factoring, acquiring and financing		4,970,234	-	4,970,234
Equity-accounted investments		2,002,294	-	2,002,294
Investment property in respect of yield-dependent contracts		2,425,542	-	2,425,542
Investment property - other		1,323,367	-	1,323,367
Property, plant, and equipment measured at fair value		1,388,725	-	1,388,725
Other property, plant and equipment		386,787	-	386,787
Credit for purchase of securities		1,022,000	-	1,022,000
Intangible assets and goodwill	2	3,832,394	-	3,832,394
Collectible premium	2	825,140	(825,140)	-
Deferred acquisition costs	3	1,381,910	(1,381,910)	-
Costs of obtaining investment management service contracts		1,466,053	-	1,466,053
Deferred tax assets		101,984	-	101,984
Total assets		**172,570,390**	**597,302**	**173,167,692**
Total assets for yield-dependent contracts		**114,264,373**	**-**	**114,264,373**
Liabilities				
Loans and credit		14,207,720	-	14,207,720
Liabilities in respect of derivative instruments		2,981,586	-	2,981,586
Liabilities in respect of structured products		134,000	-	134,000
Payables and credit balances	4	4,129,300	(2,047,439)	2,081,861
Liability for current taxes		112,141	-	112,141
Liabilities in respect of yield-dependent investment contracts		32,422,762	328,367	32,751,129
Liabilities in respect of non-yield-dependent investment contracts (*)		1,101,836	-	1,101,836
Total liabilities in respect of insurance contracts	7	104,167,924	2,953,853	107,121,777
Labilities in respect of reinsurance contracts		-	30,162	30,162
Liabilities for employee benefits, net		84,733	-	84,733
Liabilities in respect of deferred taxes	8	975,977	(237,982)	737,995
Total liabilities		**160,317,979**	**1,026,961**	**161,344,940**
Equity				
Share capital		315,764	-	315,764
Share premium		899,856	-	899,856
Treasury shares	5	(376,885)	-	(376,885)
Capital reserves		1,284,710	(1,470,355)	(185,645)
Surplus		9,785,999	1,050,805	10,836,804
Total equity attributable to Company's shareholders		11,909,444	(419,550)	11,489,894
Non-controlling interests		342,967	(10,109)	332,858
Total equity		**12,252,411**	**(429,659)**	**11,822,752**

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 of IFRS 17 and IFRS 9: (cont.)

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items: (cont.)

1. Most of the change arises from revaluation to fair value of designated bonds instead of measurement at adjusted cost. In addition, other financial investments measured at amortized cost include a balance of credit losses totaling approx. NIS 15 million, which are fully allocated to the Other Equity Return Segment.

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. Deferred acquisition costs attributable to long-term products in the Life and Health Insurance Segment were derecognized on the transition date against a decrease in equity. As from 2024, deferred acquisition expenses attributed to insurance contracts policies will be included in the measurement of the insurance contracts as part of the present value of the future cash flows and will reduce the value of the CSM.

3. Costs of obtaining investment management service contracts constitute deferred acquisition expenses in respect of investment contracts.

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

5. Capital reserve in respect of available-for-sale financial assets were classified to retained earnings. Financial investments measured at fair value through other comprehensive income in accordance with IAS 39 will be measured at fair value through profit and loss under IFRS 9.

6. The recognition of insurance assets arises from the measurement of life and critical illness insurance portfolios 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. For details regarding the measurement method, see Note 2B.

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 of IFRS 17 and IFRS 9: (cont.)

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items: (cont.)

7. The revaluation of liabilities in respect of insurance contracts is mainly due to the recognition of CSM and RA and the transition to discounting the liabilities based on a risk-free interest.

8. As of the report publication date, the 2025 sectoral tax agreement has not yet been finalized, which also includes the effect of the Standards' initial application on the transition date for income tax purposes (January 1, 2025); therefore, the tax calculations in respect of the abovementioned effects of first-time application were recorded against deferred taxes.

Disclosure regarding Contractual Service Margin (CSM) and Risk Adjustment (RA) as of January 1, 2024:

	Life and Long-Term Savings	Health	P&C	Total
	NIS thousand			
	Audited			
Contractual service margin (CSM)				
Contractual service margin (CSM), gross	3,496,844	7,929,334	-	11,426,178
Contractual service margin (CSM), reinsurance	450,942	1,259,454	-	1,710,396
Contractual service margin (CSM), net	**3,045,902**	**6,669,880**	**-**	**9,715,782**
Risk adjustment (RA)				
Risk adjustment (RA), gross	762,963	1,152,464	493,199	2,408,626
Risk adjustment (RA), reinsurance	108,606	233,846	198,008	540,460
Risk adjustment (RA), net	**654,357**	**918,618**	**295,191**	**1,868,166**

Life Insurance and Long-Term Savings Segment

Out of the said balances, the share of CSM and RA attributed to savings portfolios, including the premium collected to cover the risk included in those portfolios totals approx. NIS 2 billion and approx. NIS 0.5 billion, gross from reinsurance, respectively. The remaining CSM and RA balances are for life insurance risk products.

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 of IFRS 17 and IFRS 9: (cont.)

(a) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Financial Position line items: (cont.)

Health Insurance Segment

Out of the said balances, the portion of the CSM and RA attributed to the individual LTC portfolio (a subsegment the Company has discontinued), net of reinsurance, totals approx. NIS 1.9 billion and a total of approx. NIS 0.5 billion, respectively. The remaining CSM and RA balances are for health and critical illness risk products, with most of the amount attributed to a health portfolio. On June 30, 2024, the Company reclassified approx. NIS 300 million from CSM to RA for the individual long-term care portfolio. The reclassification was carried out following the publication of a draft revised circular by the Capital Market Authority according to which RA should be calculated in the individual long-term care portfolio before the effect of diversification.

Property and Casualty Segment

Most of the RA balance in this segment is in respect of the compulsory motor and liability subsegments.

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 of IFRS 17 and IFRS 9: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items:

Following is a reconciliation between the Statement of Comprehensive Income for the three-month period ended March 31, 2024, as previously reported, and the Statement of Comprehensive Income according to the IFRS:

Line items of the statement of comprehensive income in accordance with IFRS 4 and IAS 39				Line items of the statement of comprehensive income in accordance with IFRS 17 and IFRS 9	
Item	Amount	Adjustments		Amount	Item
		NIS thousand			
		Unaudited			
Premiums earned, gross	2,661,491				
Revenues from management fees for insurance contracts	116,496				
	2,777,987	(517,224)	1	2,260,763	Revenues from insurance services
Payments and change in liabilities in respect of insurance contracts	5,853,490				
Fees and commissions, marketing expenses and other acquisition costs for insurance contracts	436,819				
General and administrative expenses	159,582				
	6,449,891	(4,708,649)	2	1,741,242	Expenses from insurance services
				519,521	**Income from insurance services before reinsurance contracts held**
Premiums earned by reinsurers	401,086	(44,690)	3	356,396	Expenses from reinsurance
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	252,983	(4,634)	4	248,349	Reinsurance revenue
				(108,047)	**Revenues (expenses), net from reinsurance contracts held**
Revenue from reinsurance fees and commissions	95,397	(95,397)	4		
				411,474	**Income (loss) from insurance services**
Investment income (losses), net and finance revenues from assets held against insurance contracts and yield-dependent investment contracts	5,276,244	-		5,276,244	Investment income (losses), net from assets held against insurance contracts and yield-dependent investment contracts
					Income (losses) from other investments, net:
		34,096		34,096	Interest revenues calculated using the effective interest method
		(14,962)		(14,962)	Impairment losses (reversal of impairment losses) for financial assets
Investment income (losses), net and finance revenues from other investments	438,822	137,138	5	575,960	Income (losses) from other investments, net
Share in profits (losses) of equity-accounted investees	25,168	-		25,168	Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity
				650,186	**Total income (losses) from other investments, net**
				5,926,430	**Total investment revenues (losses), net**
		4,377,123	6	4,377,123	Finance expenses (revenues), net arising from insurance contracts
		75,648	6	75,648	Finance revenues (expenses), net arising from reinsurance contracts
Payments and change in liabilities in respect of investment contracts, gross	(1,773,943)	433,714		(1,340,229)	Decrease (increase) in liabilities for investment contracts due to the yield component
				284,726	**Income (loss) from investments and financing, net**
				696,200	**Income (loss), net from insurance and investment**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. <u>First-time application of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments</u> (cont.)

(3) <u>Effect of first-time application of IFRS 17 and IFRS 9</u>: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items: (cont.)

Following is a reconciliation between the Statement of Comprehensive Income for the three-month period ended March 31, 2024, as previously reported, and the Statement of Comprehensive Income according to the IFRS: (cont.)

Line items of the statement of comprehensive income in accordance with IFRS 4 and IAS 39				Line items of the statement of comprehensive income in accordance with IFRS 17 and IFRS 9	
Item	Amount	Adjustments		Amount	Item
		NIS thousand			
		Unaudited			
Revenues from management fees	340,388	-		340,388	Revenues from management fees
Revenue from financial and other services	96,000	-		96,000	Revenues from Wealth & Investments
Operating revenues from the Financing (Credit) Activity	102,204	-		102,204	Revenues from Financing (Credit) and Acquiring
Revenue from fees and commissions of Brokers & Advisors (Agencies)	135,492	-		135,492	Revenues from Brokers & Advisors (Agencies) commissions
Other operating expenses	449,315	23,014		472,329	Other operating expenses
Other income (expenses), net	(18,038)	10,912	7	(7,126)	Other income (expenses), net
Other finance expenses	111,400	(11,483)	8	99,917	Other finance expenses
Income (loss) before income tax	**<u>337,012</u>**			**<u>790,912</u>**	**Income (loss) before income tax**
Taxes on income	88,745	162,092		250,837	Taxes on income
Income (loss) for the period	**<u>248,267</u>**			**<u>540,075</u>**	**Income (loss) for the period**
Other comprehensive income (loss):					**Other comprehensive income (loss):**
<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>		-			**<u>Amounts that will be or that have been reclassified to profit or loss when specific conditions are met</u>**
Net change in fair value of available for sale financial assets, carried to capital reserves	202,059	(202,059)			
Net change in fair value of available for sale financial assets carried to the income statement	(155,383)	155,383			
Impairment gain of available-for-sale financial assets carried to the income statement	70,033	(70,033)			
Company's share in other comprehensive loss, net of equity-accounted companies	(439)	-		(439)	Company's share in other comprehensive loss, net of equity-accounted companies
Tax effect	(50,591)	50,591			Tax effect
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss	65,679	(66,118)		(439)	**Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss**
Total other comprehensive income (loss), net	**<u>65,679</u>**			**<u>(439)</u>**	**Total other comprehensive income (loss), net**
Total comprehensive income	**<u>313,946</u>**			**<u>539,636</u>**	**Total comprehensive income**
<u>Attributable to:</u>					**<u>Attributable to:</u>**
Company's shareholders	284,033	225,690		509,723	Company's shareholders
Non-controlling interests	29,913	-		29,913	Non-controlling interests
Comprehensive income	**313,946**	225,690		**<u>539,636</u>**	**Comprehensive income**

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. <u>First-time application of IFRS 17, Insurance Contracts, and IFRS 9, Financial Instruments</u> (cont.)

(3) Effect of first-time application of IFRS 17 and IFRS 9: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items: (cont.)

Following is a reconciliation between the Statement of Comprehensive Income for 2024, as previously reported, and the Statement of Comprehensive Income according to the IFRS:

Line items of the statement of comprehensive income in accordance with IFRS 4 and IAS 39				Line items of the statement of comprehensive income in accordance with IFRS 17 and IFRS 9	
Item	Amount	Adjustments		Amount	Item
		NIS thousand			
Audited				Unaudited	
Premiums earned, gross	10,868,714				
Revenues from management fees for insurance contracts	565,722				
	11,434,436	(2,156,249)	1	9,278,187	Revenues from insurance services
Payments and change in liabilities in respect of insurance contracts	13,795,232				
Fees and commissions, marketing expenses and other acquisition costs for insurance contracts	1,942,271				
General and administrative expenses	621,791				
	16,359,294	(9,429,756)	2	6,929,538	Expenses from insurance services
				2,348,649	**Income from insurance services before reinsurance contracts held**
Premiums earned by reinsurers	1,661,159	(162,209)	3	1,498,950	Expenses from reinsurance
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	912,513	(24,698)	4	887,815	Reinsurance revenue
				(611,135)	**Revenues (expenses), net from reinsurance contracts held**
Revenue from reinsurance fees and commissions	362,548	(362,548)	4		
				1,737,514	**Income (loss) from insurance services**
Investment income (losses), net and finance revenues from assets held against insurance contracts and yield-dependent investment contracts	13,996,077	-		13,996,077	**Investment income (losses), net from assets held against insurance contracts and yield-dependent investment contracts**
					Income (losses) from other investments, net:
		182,992		182,992	Interest revenues calculated using the effective interest method
		(30,166)		(30,166)	Impairment losses (reversal of impairment losses) for financial assets
Investment income (losses), net and finance revenues from other investments	2,330,009	220,401	5	2,550,410	Income (losses) from other investments, net
Share in profits (losses) of equity-accounted investees	103,254	-		103,254	Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity
		-		**2,866,822**	**Total income (losses) from other investments, net**
		-		**16,862,899**	**Total investment revenues (losses), net**
		11,691,614	6	11,691,614	Finance expenses (revenues), net arising from insurance contracts
		247,157	6	247,157	Finance revenues (expenses), net arising from reinsurance contracts
Payments and change in liabilities in respect of investment contracts, gross	8,634,983	4,871,415		(3,763,568)	Decrease (increase) in liabilities for investment contracts due to the yield component
				1,654,874	**Income (loss) from investments and financing, net**
				3,392,388	**Income (loss), net from insurance and investment**
Revenues from management fees - investment contract	1,560,626	-		1,560,626	Revenues from management fees
Revenues from Wealth & Investments	393,000	-		393,000	Revenues from Wealth & Investments
Revenues from Financing (Credit) and Clearing	432,213	-		432,213	Revenues from Financing (Credit) and Acquiring
Revenue from fees and commissions of Brokers & Advisors (Agencies)	645,410	-		645,410	Revenues from fees and commissions of Brokers & Advisors (Agencies)

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 of IFRS 17 and IFRS 9: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items: (cont.)

Following is a reconciliation between the Statement of Comprehensive Income for 2024, as previously reported, and the Statement of Comprehensive Income according to the IFRS: (cont.)

Line items of the statement of comprehensive income in accordance with IFRS 4 and IAS 39				Line items of the statement of comprehensive income in accordance with IFRS 17 and IFRS 9	
Item	Amount	Adjustments		Amount	Item
		NIS thousand			
Audited					Unaudited
Other operating expenses	2,074,906	103,789		2,178,695	Other operating expenses
Other income (expenses), net	(115,899)	29,641	7	(86,258)	Other income (expenses), net
Finance expenses	547,439	(55,810)	8	491,629	Other finance expenses
Income (loss) before income tax	**2,776,406**			**3,667,055**	**Income (loss) before income tax**
Taxes on income	846,190	313,784		1,159,974	Taxes on income
Income (loss) for the period	**1,930,216**			**2,507,081**	**Income (loss) for the period**
Other comprehensive income (loss):					**Other comprehensive income (loss):**
Amounts that will be or that have been reclassified to profit or loss when specific conditions are met					**Amounts that will be or that have been reclassified to profit or loss when specific conditions are met**
Net change in fair value of available for sale financial assets, carried to capital reserves	763,548	(763,548)		-	
Net change in fair value of available for sale financial assets carried to the income statement	(505,378)	505,378		-	
Impairment gain of available-for-sale financial assets carried to the income statement	203,697	(203,697)		-	
Company's share in other comprehensive loss, net of equity-accounted companies	(10,029)	-		(10,029)	Company's share in other comprehensive loss, net of equity-accounted companies
Tax effect	(170,532)	170,532			Tax effect
Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss	**281,306**			**(10,029)**	**Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss**
Amounts that shall not be subsequently reclassified to profit or loss:					**Amounts that shall not be subsequently reclassified to profit or loss:**
Revaluation of property, plant, and equipment	(16,279)	-		(16,279)	Revaluation of property, plant, and equipment
Actuarial gain (loss) in respect of defined benefit plans	239	-		239	Actuarial gain (loss) in respect of defined benefit plans
Tax effect	3,702	-		3,702	Tax effect
Total components of other comprehensive income that will not be subsequently reclassified to profit or loss	**(12,338)**			**(12,338)**	**Total components of other comprehensive income** that will not be subsequently reclassified to profit or loss
Total other comprehensive income (loss), net	**268,968**			**(22,367)**	**Total other comprehensive income (loss), net**
Total comprehensive income	**2,199,184**			**2,484,714**	**Total comprehensive income**
Attributable to:					**Attributable to:**
Company's shareholders	2,086,822	281,870		2,368,692	Company's shareholders
Non-controlling interests	112,362	3,660		116,022	Non-controlling interests
Comprehensive income	**2,199,184**	285,530		**2,484,714**	**Comprehensive income**

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 of IFRS 17 and IFRS 9: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items: (cont.)

1. The adjustments are mainly due to the fact that 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 charged during the period and the fact that investment components/premium refunds in the savings policies are not recognized in insurance revenue.

2. The main adjustments arise from 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.

3. The adjustments are mainly due to the fact that 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 in respect of reinsurance.

4. The adjustments are mainly due to reinsurance commissions, whose amount is derived from claims for the underlying contracts, and which are presented under the reinsurance claims; revenues from reinsurance fees and commissions are classified to reinsurance revenues and expenses under IFRS 17.

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 of IFRS 17 and IFRS 9: (cont.)

(b) Effect of first-time application of IFRS 17 and IFRS 9 on the Statement of Comprehensive Income line items: (cont.)

5. The main difference is due to the revaluation of designated bonds and other illiquid debt assets to fair value through profit or loss instead of measurement at amortized cost.

6. For an explanation regarding the measurement method, see Note 2B.

7. The adjustment arises from the classification of expenses, which are not directly attributable to insurance contracts, to the other operating expenses line item.

8. The adjustments are mainly due to the deduction of interest expenses for reinsurers and exchange rate differences in respect of reinsurers' deposits.

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 of IFRS 17 and IFRS 9: (cont.)

(c) Transition from IAS 39 to IFRS 9:

Following is the effect of the transition on each class of financial assets as of January 1, 2024:

	Measurement in accordance with IAS 39 Category	Amount	Reclassification	Remeasurement Expected credit losses	Other	Measurement in accordance with IFRS 9 Amount	Category
			Audited NIS thousand				
Financial investments held against yield-dependent contracts	Fair value through profit or loss	82,817,937				82,817,937	Fair value through profit or loss
Other financial investments:							
Illiquid debt instruments	Amortized cost	16,572,861	(13,195,774)	(15,000)		3,362,087	Amortized cost
Illiquid debt instruments	Fair value through profit and loss	21,060	13,195,774	-	1,467,367	14,684,201	Fair value through profit and loss
Liquid debt instruments	Available for sale / fair value through profit and loss	5,773,437				5,773,437	Fair value through profit and loss
Capital instruments	Available for sale / fair value through profit and loss	2,287,592				2,287,592	Fair value through profit and loss
Other investments	Available for sale / fair value through profit and loss	6,116,334				6,116,334	Fair value through profit and loss
Total other financial investments		**30,771,284**	**-**	**(15,000)**	**1,467,367**	**32,223,651**	

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 of IFRS 17 and IFRS 9: (cont.)

(c) Transition from IAS 39 to IFRS 9: (cont.)

Following is the effect of the transition on each class of financial assets as of March 31, 2024:

	Measurement in accordance with IAS 39 Category	Amount	Reclassification	Remeasurement Expected credit losses	Other	Measurement in accordance with IFRS 9 Amount	Category
		Unaudited NIS thousand					
Financial investments held against yield-dependent contracts	Fair value through profit or loss	82,542,478				82,542,478	Fair value through profit or loss
Other financial investments:							
Illiquid debt instruments	Amortized cost	16,055,712	(13,042,305)	(15,000)		2,998,407	Amortized cost
Illiquid debt instruments	Fair value through profit and loss	21,428	13,042,305	-	1,539,683	14,603,416	Fair value through profit and loss
Liquid debt instruments	Available for sale / fair value through profit and loss	5,767,356				5,767,356	Fair value through profit and loss
Capital instruments	Available for sale / fair value through profit and loss	2,479,826				2,479,826	Fair value through profit and loss
Other investments	Available for sale / fair value through profit and loss	5,640,478				5,640,478	Fair value through profit and loss
Total other financial investments		**29,964,800**	**-**	**(15,000)**	**1,539,683**	**31,489,483**	

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 of IFRS 17 and IFRS 9: (cont.)

(c) Transition from IAS 39 to IFRS 9: (cont.)

Following is the effect of the transition on each class of financial assets as of December 31, 2024:

	Measurement in accordance with IAS 39 Category	Amount	Reclassification	Remeasurement Expected credit losses	Other	Amount	Category
	NIS thousand	Audited				Unaudited	
Financial investments held against yield-dependent contracts	Fair value through profit or loss	93,777,952				93,777,952	Fair value through profit or loss
Other financial investments:							
Illiquid debt instruments	Amortized cost	15,872,959	(11,400,537)	(15,000)		4,457,422	Amortized cost
Illiquid debt instruments	Fair value through profit and loss	32,081	11,400,537	-	1,449,892	12,882,510	Fair value through profit and loss
Liquid debt instruments	Available for sale / fair value through profit and loss	6,414,692				6,414,692	Fair value through profit and loss
Capital instruments	Available for sale / fair value through profit and loss	3,006,488				3,006,488	Fair value through profit and loss
Other investments	Available for sale / fair value through profit and loss	6,479,275				6,479,275	Fair value through profit and loss
Total other financial investments		**31,805,495**	**-**	**(15,000)**	**1,449,892**	**33,240,387**	

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, to the extent that the financial risks are not included in the estimates of the future cash flows; and
- Risk adjustment in respect of non-financial risk

The Company's goal in estimating the future cash flows is to determine the expected value of a full range of possible outcomes. The Company primarily uses deterministic forecasts to estimate the present value of the future cash flows.

Estimated future cash flows

In estimating future cash flows the Company 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 the Company'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, the Controller 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 substantively enacted.

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:

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Fulfillment cash flows (cont.)

Fulfillment cash flows include: (cont.)

Estimated future cash flows (cont.)

- Claims handling costs, policy management and maintenance costs;
- Current commissions to agents received on the basis of premium collection (recurring commissions);
- Costs incurred by the Company in respect of the provision of investment management services;
- Costs, which the Company will incur in performing investment activities to the extent that the Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Contract boundary (cont.)

Following are the contract boundary of material policies, which were identified:

A. 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 of the Capital Market, Insurance and Savings (hereinafter - 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 in respect of 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.

B. 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 the standard's recognition rules.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Contract boundary (cont.)

C. Reinsurance contracts held

In accordance with IFRS 17, except for cash flows in respect of underlying contracts transferred to the reinsurer as of the balance sheet date, the reinsurance contract boundary may also include cash flows in respect of underlying contracts, which the Company expects to sell (and deliver to the reinsurance) in the reporting period, if the Company and the reinsurer do not have the right to cancel or reprice the obligation to deliver those futures.

Key assumptions used in the Life and Health Segment

A. Mortality and morbidity rates

1) Active mortality – based on the CMI Series 2000 standard British mortality table, adjusted to reflect the Company's claims history in accordance with periodic mortality studies for the relevant products.

2) Mortality of pensioners (with respect to annuity recipients) - 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 Circular Provisions 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. 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Key assumptions used in the Life and Health Segment (cont.)

A. Mortality and morbidity rates (cont.)

3) Morbidity rates refer to the prevalence of claims for morbidity from critical illnesses, PHI, long-term care, surgery and hospitalization, accident disability, etc. These rates are determined based on the Company's experience or studies by reinsurers. In the long-term care and PHI Subsegments, the annuity payment period is based on Company's experience or studies of reinsurers.

4) 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, surgery and hospitalization, and accidental disability insurance.

B. 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. In some of the contracts, the policyholder may select the track at the retirement date. Since the estimated future cash flows differs in each of these two tracks, the Company must determine the rate of policies in which the policyholders will select the annuity track. This rate is set in accordance with the Company's experience as observed in periodic studies, the different policy types and funds. As from 2008, all savings premiums deposited under life insurance are designated for annuity.

C. Cancellation rates

(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.

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.

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 key underlying assumption of these techniques is that past development of the Company's 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 payments 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 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.

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.

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.)

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 Company's experts and the recommendations of their legal counsel.

The estimate of the contingent claims in the Compulsory Motor Subsegment for the Company's 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 taking into account the type of agreement (proportional or non-proportional) and the actual claims data.

Discount rates

The Company determines 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 Company will 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Discount rates (cont.)

The following are the discount rates used by the Company, excluding the illiquidity premium(*):

	The portfolio's duration								
	One year	3 years	5 years	10 years	15 years	25 years	35 years	45 years	60 years
As of March 31, 2025	1.9%	2.0%	2.1%	2.3%	2.3%	2.3%	2.5%	2.6%	2.6%
As of March 31, 2024	1.0%	1.6%	1.9%	2.0%	2.1%	2.2%	2.5%	2.6%	2.6%
As of December 31, 2024	1.9%	1.8%	2.0%	2.1%	2.0%	2.2%	2.5%	2.6%	2.6%

(*) In savings portfolios (which include paid annuity policies) an illiquidity premium of 50% to 100% is added to the risk-free interest rate curve. In the long-term care portfolio an illiquidity premium of 80% to 100% is added to the risk-free interest rate curve. In all other life and health insurance portfolios a uniform illiquidity premium of 50% is added to the risk-free interest rate curve.

(**) Following is a change in the liquidity premium rate, in 100% terms:

As of March 31, 2025	(0.02%)
As of March 31, 2024	(0.26%)
As of December 31, 2024	(0.35%)

Risk adjustment in respect of non-financial risk

The RA represents the compensation which the Company 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

1. Insurance contracts (cont.)

Risk adjustment in respect of non-financial risk (cont.)

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 Company the implements 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%.

In determining the non-financial risk adjustment at the portfolio level, the Company takes into account the compensation for diversification between the Company’s various portfolios and segments. For reinsurance contracts held, the Company calculates 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 the Company 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)

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.)

- 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.

The Company has identified an Investment-Return Service in policies which include a non-yield-dependent savings component.

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.

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.)

For the purpose of allocating the contractual service margin to the coverage units, the Company discounts the coverage units.

When a group of insurance contracts comprises several types of insurance coverage, the Company weighs the coverage units in accordance with the relative scope of the insurance service of the type of coverage, which is measured in accordance with the relative cost of the type of coverage. In addition, when a group of insurance contracts comprises an insurance service and an investment service, the Company weighs the different coverage units in accordance with the relative cost of the type of 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 scope of the services provided.

The following are the coverage units used to release the contractual service margin of the main portfolios:

Main portfolio		Coverage units
Non yield-dependent savings component (guaranteed)	-	The insurance amount (the amount at risk), insofar as there is a risk of death, and the annuity amount during the annuity period (excluding the guaranteed annuity period), plus the amount of accumulated savings during the accumulation period, and the present value of paid annuity during the guaranteed annuity period
Yield-dependent savings component (participating)	-	The insurance amount (the amount at risk), insofar as there is a risk of death, and the annuity amount during the annuity period (excluding the guaranteed annuity period), plus the amount of accumulated savings during the accumulation period, and the present value of paid annuity during the annuity period

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.)

Main portfolio		Coverage units
Life/ permanent health insurance coverage - individual and collective	-	The amount of the claim (insurance amount in life insurance, present value of expected payments in a permanent health insurance claim)
Individual Long-Term Care	-	The amount of the claim (present value of expected payments in a claim)
Medical expenses - individual, collective and personal accidents	-	Number of medical expenses coverages, insurance amount for personal accidents, with a conversion formula between the number of coverages and the insurance amount
Critical illnesses	-	Insurance amount

Investment component

The Company 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 the Company is not committed to pay any amount if the policyholder does not redeem the contract and does not survive 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.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

E. Significant estimates and judgments (cont.)

2. Financial assets

Impairment of financial assets

At each reporting date, the Company assesses whether the credit risk of a financial instrument has increased substantially since the initial recognition date. The entity measures 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. Disclosure of the new IFRSs in the period prior to their application

1. IFRS 18, Presentation and Disclosure in Financial Statements

In April 2024, the International Accounting Standards Board (IASB) published IFRS 18, Presentation and Disclosure in Financial Statements (hereinafter - the "**New Standard**") - which supersedes IAS 1 - *Presentation of Financial Statements* (hereinafter - "**IAS 1**").

The New Standard is aimed at improving the comparability and transparency of communication of financial statements.

The New Standard includes requirements previously included in IAS 1 and introduces new requirements on presentation within the statement of profit or loss, including the presentation of totals and subtotals required under the New Standard, disclosure of management-defined performance measures, and new requirements for the aggregation and disaggregation of financial information.

The New Standard does not change the provisions regarding recognition and measurement of items in the financial statements. However, since items in the statement of profit or loss must be classified into one of five categories (operating, investing, financing, income taxes, and discontinued operations), it may change the structure of the entity's statement of income. In addition, the publication of the New Standard triggered limited amendments to other accounting standards, including IAS 7 - Statement of Cash Flow - and IAS 34 - Interim Financial Reporting.

The New Standard was applied retrospectively as from annual periods beginning on January 1, 2027 or thereafter. In accordance with the resolution of the Israel Securities Authority, early application is permitted as from the period starting on January 1, 2025, provided a disclosure is made.

The Company is studying the effect - on the consolidated financial statements - of the New Standard, including the effect of consequential amendments to other accounting standards.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Disclosure of the new IFRSs in the period prior to their application (cont.)

2. Amendment to IAS 21 - The Effects of Changes in Foreign Exchange Rates

In August 2023, the IASB issued an amendment to IAS 21, The Effects of Changes in Foreign Exchange Rates (hereinafter - the “**Amendment**”) in order to clarify how an entity assesses whether a currency is exchangeable into another currency, and the accounting requirements (measurement and disclosure), that an entity is required to comply with in instances where a currency is not exchangeable into another currency.

The Amendment sets the manner by which a spot exchange rate will be set when a currency is not exchangeable. The disclosure requirements as per the Amendment are designed to assist and enable users of the financial statements to understand how the currency which is not exchangeable into the other currency, affects, or is expected to affect, the entity’s financial performance, financial position, and cash flows.

The Amendment was applied for annual reporting periods beginning on January 1, 2025 or thereafter. Early application is permitted but will need to be disclosed. In applying the Amendment, an entity shall not restate comparative information. Alternatively, if the currency is not exchangeable at the beginning of the annual reporting period in which the Amendment is implemented for the first time (the first-time application date), an entity shall translate assets, liabilities and equity in accordance with the provisions of the Amendment, and the differences on the first-time application date shall be recognized as an adjustment to the opening balance of the retained earnings and/or the reserve from translation differences, in accordance with the provisions of the Amendment.

The Company believes that the above amendment is not expected to have a material effect on the Company’ consolidated financial statements.

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

	CPI		
	Known CPI	In lieu CPI	USD representative exchange rate
	%	%	%
For the three months ended on:			
March 31, 2025	0.29	1.06	1.9
March 31, 2024	0.29	0.95	1.5
For the year ended December 31, 2024	3.4	3.2	0.6

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. Accordingly, for management purposes, the Company operates in the following operating segments:

1. **Life and Long-Term Savings Segment**

The Life and Long-Term Savings Segment includes the life insurance subsegments and related coverages. The segment includes various categories of insurance policies as well insurance coverages in respect of various risks such as: death, disability, permanent health insurance, etc.

2. **Health Insurance Segment**

The Health Insurance Segment includes the Company's health insurance activity. The segment includes long-term care, medical expenses, surgery and transplants, dental, travel and foreign workers insurance, etc.

3. **Property and Casualty Segment**

The Property and Casualty Insurance Segment includes the liability and property subsegments. In accordance with the Commissioner's Directives, the Property and Casualty Insurance Segment is broken down into the Compulsory Motor Insurance, Motor Property, Property and Other Liability Subsegments.

- Compulsory Motor Subsegment

  The Compulsory Motor Subsegment focuses on coverage, the purchase of which by the vehicle owner or driver is mandatory, in respect of bodily injury caused as a result of the use of a motor vehicle (to the driver, passengers, or pedestrians). as well as compulsory motor vehicle policies sold through the pool corporation.

- Motor Property Subsegment

  The Motor Property Subsegment focuses on coverage against property damage to the policyholder's vehicle and third-party property damage caused by the insured vehicle, including third party coverage.

- Other Property Liability subsegments

  - Business insurance: Property loss and comprehensive business insurance including liability and other riders, including employer liability insurance, product liability insurance and third-party insurance sold as a separate policy.
  - Comprehensive home insurance, including liability and other riders, including home insurance sold with respect to mortgage.
  - Professional liability insurance, including for board members and officers:

NOTE 3 - OPERATING SEGMENTS (cont.)

3. **Property and Casualty Segment (cont.)**

- Other Property Liability subsegments (cont.)

  - Engineering insurance, including liability riders.

- Guarantees, including Sale Law guarantees.
- Other insurance subsegments, including aircraft, marine, cargo and shipping.

4. **Retirement Segment**

The Retirement Segment mostly includes the management of pension funds and provident funds through Phoenix Pension and Provident, which is a wholly-owned subsidiary of the Company. In accordance with the Commissioner’s directives, segment activity is described separately for the Retirement Activity.

5. **Wealth & Investments Segment (formerly Financial Services)**

The Wealth & Investments Segment includes the following activities:

- Phoenix Investment House’s activities relating to various aspects of capital market investment: investment marketing and management for customers; management and operation of mutual funds; trading services on the TASE and related services; trust services (in the framework of options and management of employee compensation plans as well as mergers and acquisitions); family office services; marketing of alternative products as well as sale of related products.
- Phoenix Capital Partners - including Phoenix group’s alternative investment funds.
- Management of investment contract policies - savings policies only without risk-weighted components. Through the 2024 Financial Statements, this activity was presented under the Life Insurance and Long-Term Savings Segment. As from the financial statements for the first quarter of 2025, the activity was classified into the Wealth & Investments Segment and the comparative figures were adjusted.

6. **Brokers & Advisors (Agencies) Segment**

The Brokers & Advisors (Agencies) Segment includes the activity of the pension arrangement agencies and other insurance agencies in the group.

NOTE 3 - OPERATING SEGMENTS (cont.)

7. **Financing (Credit) Segment**

The Financing (Credit) Segment mostly includes Gama. Gama is a credit aggregator providing financing against post-dated checks (factoring), acquiring, and management of credit vouchers services, financing against real estate properties, loans and credit, equipment financing and supplier financing. On January 1, 2024, Phoenix Financing and Construction was transferred from the Company to Gama, such that, as of that date, the segment includes the operating results of Phoenix Financing and Construction. In addition, the results of the segment include the consumer credit activity, providing all-purpose loans.

8. **Activity not attributed to operating segments**

This activity includes part of the Group’s HQ function which is not attributed to the operating segments and involves holding assets and liabilities against the Company’s share capital.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment

	For the three-month period ended March 31, 2025									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Revenues from insurance services	511,917	648,833	1,200,562	-	-	-	-	-	-	2,361,312
Expenses from insurance services	438,516	432,806	824,908	-	-	-	-	-	-	1,696,230
Income from insurance services before reinsurance contracts held	73,401	216,027	375,654	-	-	-	-	-	-	665,082
Expenses from reinsurance	68,199	50,339	250,724	-	-	-	-	-	-	369,262
Reinsurance revenue	48,036	31,649	62,777	-	-	-	-	-	-	142,462
Revenues (expenses), net from reinsurance contracts held	(20,163)	(18,690)	(187,947)	-	-	-	-	-	-	(226,800)
Income (loss) from insurance services	53,238	197,337	187,707	-	-	-	-	-	-	438,282
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	633,179	16,590	-	-	157,822	-	-	-	-	807,591
Income (losses) from other investments, net:										
Interest revenues calculated using the effective interest method	-	-	-	15,760	-	-	-	33,913	-	49,673
Impairment losses for financial assets	-	-	-	120	-	-	-	7,753	-	7,873
Other investment income (losses), net	34,936	45,378	51,161	7,577	(390)	1,971	-	51,870	(14,079)	178,424
Share in profits (losses) of equity-accounted investees	9,759	13,724	6,697	-	10,891	(1,387)	10,064	715	-	50,463
Total income from other investments, net	44,695	59,102	57,858	23,217	10,501	584	10,064	78,745	(14,079)	270,687
Total investment income, net	677,874	75,692	57,858	23,217	168,323	584	10,064	78,745	(14,079)	1,078,278
Finance expenses, net arising from insurance contracts	605,690	40,404	19,779	-	-	-	-	-	-	665,873

	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	For the three-month period ended March 31, 2025									
	Unaudited									
	NIS thousand									
Finance revenues (expenses), net arising from reinsurance contracts	191	(8,075)	4,537	-	-	-	-	-	-	(3,347)
Decrease (increase) in liabilities for investment contracts due to the yield component	-	-	-	(16,530)	(157,822)	-	-	-	-	(174,352)
Net investment and finance income	72,375	27,213	42,616	6,687	10,501	584	10,064	78,745	(14,079)	234,706
Income, net from insurance and investment	125,613	224,550	230,323	6,687	10,501	584	10,064	78,745	(14,079)	672,988
Revenues from management fees	-	-	-	221,515	229,500	1,263	-	7,084	(15,041)	444,321
Revenues from Wealth & Investments	-	-	-	-	97,000	-	-	-	-	97,000
Revenues from Financing (Credit) and Acquiring	-	-	-	-	-	-	124,412	-	(6,806)	117,606
Revenue from fees and commissions of Brokers & Advisors (Agencies)	-	-	-	-	-	265,957	-	-	(71,648)(f)	194,309
Other operating expenses	12,348	8,998	7,366	174,143	209,751	161,996	43,847	28,431	(94,034)	552,846
Other income (expenses)	(12,848)	(668)	(374)	(5,919)	(10,454)	15,722	(2,030)	8,880	(539)	(8,230)
Finance expenses	-	-	-	9,356	8,510	8,592	37,727	74,499	(14,079)	124,605
Operating profit (loss)	100,417	214,884	222,583	38,784	108,286	112,938	50,872	(8,221)	-	840,543
Other comprehensive income before income tax	4,157	5,185	6,178	-	142	-	-	-	-	15,662
Other comprehensive income (loss) before income tax	104,574	220,069	228,761	38,784	108,428	112,938	50,872	(8,221)	-	856,205
Total segment assets	94,940,679	9,966,960	7,311,597	3,227,933	39,593,050	1,447,815	5,297,394	15,840,097	(1,976,433)	175,649,092
Total segment assets for yield-dependent contracts	78,360,335	2,238,165	-	-	35,868,423	-	-	-	-	116,466,923
Total segment liabilities	94,437,644	9,966,960	7,184,809	2,044,211	38,110,658	848,312	4,236,078	8,954,651	(1,976,433)	163,806,890

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

(a) For additional data regarding the Life Insurance and Savings Subsegments, see Section B below.

(b) For additional data regarding the Health Insurance Subsegments, see Section C below.

(c) For additional data regarding the Property and Casualty Insurance Subsegments, see Section d below.

(d) For more data regarding the Retirement subsegments, see Section E below.

(e) For additional data regarding investment policies included see Section F below.

(f) Arises from fees and commissions revenues from agencies owned by the Group, mainly from activities in the Life Insurance and Retirement Segments.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the three-month period ended March 31, 2024									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Revenues from insurance services	514,550	621,343	1,124,870	-	-	-	-	-	-	2,260,763
Expenses from insurance services	442,101	415,049	884,092	-	-	-	-	-	-	1,741,242
Income from insurance services before reinsurance contracts held	72,449	206,294	240,778	-	-	-	-	-	-	519,521
Expenses from reinsurance	72,533	50,184	233,679	-	-	-	-	-	-	356,396
Reinsurance revenue	57,999	32,958	157,392	-	-	-	-	-	-	248,349
Net expenses from reinsurance contracts held	(14,534)	(17,226)	(76,287)	-	-	-	-	-	-	(108,047)
Income from insurance services	57,915	189,068	164,491	-	-	-	-	-	-	411,474
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	3,423,106	528,968	-	-	1,324,170	-	-	-	-	5,276,244
Income (losses) from other investments, net:										
Interest revenues calculated using the effective interest method	-	-	-	15,760	-	-	-	18,336	-	34,096
Reversal of net losses from impairment of financial assets	-	-	-	-	-	-	-	(14,962)	-	(14,962)
Other investment income, net	204,296	62,201	99,370	7,481	12,268	4,519	-	192,688	(6,863)	575,960
Share in profits (losses) of equity-accounted investees	(4,420)	15,282	6,603	-	4,243	580	-	2,880	-	25,168
Total income from other investments, net	199,876	77,483	105,973	23,241	16,511	5,099	-	228,866	(6,863)	650,186
Total investment income, net	3,622,982	606,451	105,973	23,241	1,340,681	5,099	-	228,866	(6,863)	5,926,430
Finance expenses, net arising from insurance contracts	3,586,216	731,371	59,536	-	-	-	-	-	-	4,377,123
Finance revenues (expenses), net arising from reinsurance contracts	(7)	58,224	17,431	-	-	-	-	-	-	75,648

	For the three-month period ended March 31, 2024									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Increase in liabilities in respect of investment contracts due to the yield component	-	-	-	(16,059)	(1,324,170)	-	-	-	-	(1,340,229)
Income (loss) from investments and financing, net	36,759	(66,696)	63,868	7,182	16,511	5,099	-	228,866	(6,863)	284,726
Income, net from insurance and investment	94,674	122,372	228,359	7,182	16,511	5,099	-	228,866	(6,863)	696,200
Revenues from management fees	-	-	-	199,335	154,555	1,429	200	750	(15,881)	340,388
Revenues from Wealth & Investments	-	-	-	-	96,000	-	-	-	-	96,000
Revenues from Financing (Credit) and Acquiring	-	-	-	-	-	-	102,204	-	-	102,204
Revenue from fees and commissions of Brokers & Advisors (Agencies)	-	-	-	-	-	206,935	-	-	(71,443)(f)	135,492
Other operating expenses	18,198	7,793	7,277	161,137	173,645	134,614	40,756	17,317	(88,408)	472,329
Other income (expenses), net	6,305	1,970	-	(8,259)	(951)	(2,853)	(2,030)	(966)	(342)	(7,126)
Other finance expenses	-	-	-	6,561	8,018	3,536	28,681	59,316	(6,195)	99,917
Profit before income tax	82,781	116,549	221,082	30,560	84,452	72,460	30,937	152,017	74	790,912
Other comprehensive income (loss) before income tax:	(3,005)	(486)	3,052	-	-	-	-	-	-	(439)
Total comprehensive income before income tax	79,776	116,063	224,134	30,560	84,452	72,460	30,937	152,017	74	790,473
Total segment assets	90,149,715	10,421,541	8,008,703	3,047,695	29,755,480	1,211,749	4,353,963	12,286,385	(1,076,660)	158,158,571
Total segment assets for yield-dependent contracts	74,176,137	3,305,222	-	-	25,545,662	-	-	-	-	103,027,021
				-	-					
Total segment liabilities	88,438,517	11,499,791	7,892,710	1,771,893	27,779,626	651,667	3,522,241	7,174,209	(982,490)	147,748,164

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

(a) For additional data regarding the Life Insurance and Savings Subsegments, see Section B below.

(b) For additional data regarding the Health Insurance Subsegments, see Section C below.

(c) For additional data regarding the Property and Casualty Insurance Subsegments, see Section d below.

(d) For more data regarding the Retirement Subsegments, see Section E below.

(e) For additional data regarding investment policies included see Section F below.

(f) Arises from fees and commissions revenues from agencies owned by the Group, mainly from activities in the Life Insurance and Retirement Segments.

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

	For the year ended December 31, 2024									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Revenues from insurance services	2,055,136	2,551,324	4,671,727	-	-	-	-	-	-	9,278,187
Expenses from insurance services	1,838,322	1,762,971	3,328,245	-	-	-	-	-	-	6,929,538
Income from insurance services before reinsurance contracts held	216,814	788,353	1,343,482	-	-	-	-	-	-	2,348,649
Expenses from reinsurance	290,990	204,726	1,003,234	-	-	-	-	-	-	1,498,950
Reinsurance revenue	238,838	123,344	525,633	-	-	-	-	-	-	887,815
Net expenses from reinsurance contracts held	(52,152)	(81,382)	(477,601)	-	-	-	-	-	-	(611,135)
Income from insurance services	164,662	706,971	865,881	-	-	-	-	-	-	1,737,514
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	9,632,023	697,547	-	-	3,666,507	-	-	-	-	13,996,077
Income (losses) from other investments, net:										
Interest revenues calculated using the effective interest method	-	-	-	105,230	-	-	-	77,762	-	182,992

	For the year ended December 31, 2024									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Reversal of net losses from impairment of financial assets	-	-	-	-	-	-	-	(30,166)	-	(30,166)
Other investment income (losses), net	889,164	221,496	366,229	13,389	158	15,479	-	1,112,286	(67,791)	2,550,410
Share in profits (losses) of equity-accounted investees	(3,819)	25,420	40,578	-	38,404	2,733	-	(62)	-	103,254
Total income from other investments, net	885,345	246,916	406,807	118,619	38,562	18,212	-	1,220,152	(67,791)	2,866,822
Total investment revenues (losses), net	10,517,368	944,463	406,807	118,619	3,705,069	18,212		1,220,152	(67,791)	16,862,899
Finance expenses, net arising from insurance contracts	10,228,231	1,163,825	299,558	-	-	-	-	-	-	11,691,614
Finance revenues (expenses), net arising from reinsurance contracts	(1,582)	158,713	90,026	-	-	-	-	-	-	247,157
Decrease (increase) in liabilities for investment contracts due to the yield component	-	-	-	(97,061)	(3,666,507)	-	-	-	-	(3,763,568)
Income (loss) from investments and financing, net	287,555	(60,649)	197,275	21,558	38,562	18,212	-	1,220,152	(67,791)	1,654,874
Income, net from insurance and investment	452,217	646,322	1,063,156	21,558	38,562	18,212	-	1,220,152	(67,791)	3,392,388
Revenues from management fees	-	-	-	827,892	789,782	6,588	958	23,010	(87,604)	1,560,626
Revenues from	-	-	-	-	393,000	-	-	-	-	393,000

	For the year ended December 31, 2024									
	Life insurance (a)	Health insurance (b)	P&C insurance (c)	Retirement (d)	Wealth & Investments (e)	Brokers & Advisors (Agencies)	Financing (Credit)	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited									
	NIS thousand									
Wealth & Investments Revenues from Financing (Credit) and Acquiring	-	-	-	-	-	-	432,213	-	-	432,213
Revenue from fees and commissions of Brokers & Advisors (Agencies)	-	-	-	-	-	896,716	-	-	(251,306) (f)	645,410
Other operating expenses	73,324	30,379	25,908	692,777	794,760	569,158	158,343	199,886	(365,840)	2,178,695
Other income (expenses)	(4,502)	7,939	(3,646)	(29,412)	(40,137)	(10,500)	(8,118)	2,884	(766)	(86,258)
Finance expenses	-	-	-	34,207	43,483	41,649	129,725	286,636	(44,071)	491,629
Profit before income tax	374,391	623,882	1,033,602	93,054	342,964	300,209	136,985	759,524	2,444	3,667,055
Other comprehensive income (loss) before income tax	(6,512)	(1,048)	(2,468)	-	860	87	266	(15,569)	(1,685)	(26,069)
Total comprehensive income before income tax	367,879	622,834	1,031,134	93,054	343,824	300,296	137,251	743,955	759	3,640,986
Total segment assets	96,139,545	8,534,975	8,111,472	3,183,230	37,337,135	1,352,239	5,070,818	13,831,147	(392,869)	173,167,692
Total segment assets for yield-dependent contracts	78,698,272	2,814,971	-	-	32,751,130	-	-	-	-	114,264,373
				-	-	-	-	-	-	-
Total segment liabilities	92,566,712	10,774,297	8,040,754	1,974,731	35,288,200	702,203	4,196,107	8,700,670	(898,734)	161,344,940

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Reportable segment (cont.)

(a) For additional data regarding the Life Insurance and Savings Subsegments, see Section B below.

(b) For additional data regarding the Health Insurance Subsegments, see Section C below.

(c) For additional data regarding the Property and Casualty Insurance Subsegments, see Section d below.

(d) For more data regarding the Retirement Subsegments, see Section E below.

(e) For additional data regarding investment policies included see Section F below.

(f) Arises from fees and commissions revenues from agencies owned by the Group, mainly from activities in the Life Insurance and Retirement Segments.

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the Life Insurance and Long-Term Savings Segment by main portfolio groups (1)

	For the three-month period ended March 31, 2025			
	Policies with a non-yield-dependent savings component (2)	Policies with a yield-dependent savings component (3)(6)	Policies without a savings component (4)	Total
	Unaudited NIS thousand			
Breakdown of results for the three-month period ended March 31, 2025, recognized in profit or loss				
Revenues from insurance services	47,932	193,669	270,316	511,917
Expenses from insurance services (*)	45,850	186,523	206,143	438,516
Income from insurance services before reinsurance contracts held	2,082	7,146	64,173	73,401
Expenses from reinsurance	453	30,171	37,575	68,199
Reinsurance revenue	370	9,372	38,294	48,036
Revenues (expenses), net from reinsurance contracts held (7)	(83)	(20,799)	719	(20,163)
Income (loss) from insurance services	1,999	(13,653)	64,892	53,238
Total investment income, net (6)	37,260	639,809	805	677,874
Finance expenses (revenues), net arising from insurance contracts	(71,248)	635,764	41,174	605,690
Finance revenues (expenses), net arising from reinsurance contracts	(1,473)	647	1,017	191
Income (loss) from investments and financing, net	107,035	4,692	(39,352)	72,375
Income (loss), net from insurance and investment	109,034	(8,961)	25,540	125,613
Other operating expenses	1,833	5,530	4,985	12,348
Other expenses, net	-	(12,848)	-	(12,848)
Investment income (loss), net recognized in other comprehensive income	3,319	922	(84)	4,157
Total comprehensive income (loss) before tax	110,520	(26,417)	20,471	104,574
(*) Of which:				
Claims and other insurance service expenses incurred	49,421	172,068	202,633	424,122
Changes relating to past service - adjustment for liabilities for incurred claims	(3,571)	(34,745)	(18,886)	(57,202)
Breakdown of assets and liabilities as of March 31, 2025				
Total liabilities, net for insurance contracts	13,206,215	75,420,691	(195,478)	88,431,428
(**) Of which: CSM balance for insurance contracts	82,690	1,598,593	1,218,099	2,899,382
Total assets, net for reinsurance contracts (7)				215,917
(**) Of which: CSM balance for reinsurance contracts				458,628
Additional information for the 3-month period ended March 31, 2025				
Gross premiums for insurance contracts net of reimbursement of premiums (***)	10,537	912,371	209,251	1,132,159
(***) Of which: Savings component	9,661	849,738	-	859,399
Variable management fees (5)	-	-	-	-
Fixed management fees	243	118,797	-	119,040
Annualized premium for insurance contracts - new business	-	925	18,035	18,960
One-time premium for insurance contracts	-	356,668	-	356,668

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the Life Insurance and Long-Term Savings Segment by main portfolio groups (1) (cont.)

	For the three-month period ended March 31, 2024			
	Policies with a non-yield-dependent savings component (2)	Policies with a yield-dependent savings component (3)(6)	Policies without a savings component (4)	Total
	Unaudited NIS thousand			
Breakdown of results for the three-month period ended March 31, 2024, recognized in profit or loss				
Revenues from insurance services	46,772	206,710	261,068	514,550
Expenses from insurance services (*)	55,316	178,803	207,982	442,101
Income from insurance services before reinsurance contracts held	(8,544)	27,907	53,086	72,449
Expenses from reinsurance	404	36,488	35,641	72,533
Reinsurance revenue	162	27,912	29,925	57,999
Net expenses from reinsurance contracts held (7)	(242)	(8,576)	(5,716)	(14,534)
Income (loss) from insurance services	(8,786)	19,331	47,370	57,915
Total investment income, net (6)	180,017	3,424,890	18,075	3,622,982
Finance expenses, net arising from insurance contracts	140,900	3,430,291	15,025	3,586,216
Finance revenues (expenses), net arising from reinsurance contracts	(901)	(1,359)	2,253	(7)
Income (loss) from investments and financing, net	38,216	(6,760)	5,303	36,759
Income, net from insurance and investment	29,430	12,571	52,673	94,674
Other operating expenses	1,949	10,949	5,300	18,198
Other revenues, net	676	3,793	1,836	6,305
Investment loss, net recognized in other comprehensive income	(1,982)	(425)	(598)	(3,005)
Total comprehensive income before tax	26,175	4,990	48,611	79,776
(*) Of which:				
Claims and other insurance service expenses incurred	44,849	155,914	239,956	440,719
Changes relating to past service - adjustment for liabilities for incurred claims	10,467	23,840	(49,177)	(14,870)
Breakdown of assets and liabilities as of March 31, 2024				
Total liabilities, net for insurance contracts	13,459,694	72,297,092	83,854	85,840,640
(**) Of which: CSM balance for insurance contracts	124,902	2,043,335	1,361,039	3,529,276
Total assets, net for reinsurance contracts (7)				223,992
(**) Of which: CSM balance for reinsurance contracts				435,743
Additional information for the 3-month period ended March 31, 2024				
Gross premiums for insurance contracts net of reimbursement of premiums (***)	12,094	814,543	201,833	1,028,470
(***) Of which: Savings component	11,093	745,395	-	756,488
Variable management fees	-	-	-	-
Fixed management fees	224	116,866	152	117,242
Annualized premium for insurance contracts - new business	-	1,268	12,309	13,577
One-time premium for insurance contracts	266	178,402	-	178,668

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the Life Insurance and Long-Term Savings Segment by main portfolio groups (1) (cont.)

	For the year ended December 31, 2024			
	Policies with a non-yield-dependent savings component (2)	Policies with a yield-dependent savings component (3)(6)	Policies without a savings component (4)	Total
	Unaudited NIS thousand			
Breakdown of results for the year ended December 31, 2024, recognized in profit or loss				
Revenues from insurance services	185,511	794,911	1,074,714	2,055,136
Expenses from insurance services (*)	237,857	779,566	820,899	1,838,322
Income from insurance services before reinsurance contracts held	(52,346)	15,345	253,815	216,814
Expenses from reinsurance	1,886	140,981	148,123	290,990
Reinsurance revenue	844	115,303	122,691	238,838
Net expenses from reinsurance contracts held (7)	(1,042)	(25,678)	(25,432)	(52,152)
Income (loss) from insurance services	(53,388)	(10,333)	228,383	164,662
Total investment income, net (6)	809,924	9,668,094	39,350	10,517,368
Finance expenses (revenues), net arising from insurance contracts	562,025	9,688,725	(22,519)	10,228,231
Finance revenues (expenses), net arising from reinsurance contracts	(4,214)	(7,729)	10,361	(1,582)
Income (loss) from investments and financing, net	243,685	(28,360)	72,230	287,555
Income (loss), net from insurance and investment	190,297	(38,693)	300,613	452,217
Other operating expenses	7,852	44,115	21,357	73,324
Other income (expenses), net	(483)	(2,708)	(1,311)	(4,502)
Investment income (loss), net recognized in other comprehensive income	(4,809)	(1,176)	(527)	(6,512)
Total comprehensive income (loss) before tax	177,153	(86,692)	277,418	367,879
(*) Of which:				
Claims and other insurance service expenses incurred	185,803	656,619	875,068	1,717,490
Changes relating to past service - adjustment for liabilities for incurred claims	52,055	86,144	(129,260)	8,939
Breakdown of assets and liabilities as of December 31, 2024				
Total liabilities, net for insurance contracts	13,453,669	75,663,928	(125,935)	88,991,662
(**) Of which: CSM balance for insurance contracts	109,344	1,489,142	1,272,097	2,870,583
Total assets, net for reinsurance contracts (7)				295,305
(**) Of which: CSM balance for reinsurance contracts				485,709
Additional information for the year ended December 31, 2024				
Gross premiums for insurance contracts net of reimbursement of premiums (***)	45,093	3,179,361	836,486	4,060,940
(***) Of which: Savings component	41,299	2,912,298	-	2,953,597
Variable management fees (5)	-	105,266	-	105,266
Fixed management fees	900	463,428	308	464,636
Annualized premium for insurance contracts - new business	1	5,763	57,036	62,800
One-time premium for insurance contracts	269	756,415	-	756,684

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data regarding the Life Insurance and Long-Term Savings Segment by main portfolio groups (1) (cont.)

1. The breakdown into columns between policies, which include a non-yield dependent savings component, and policies, which include a yield-dependent savings component, is in accordance with the breakdown of the list of portfolios as defined in the Commissioner's circular.

2. Policies, which include a non-yield-dependent savings component issued until 1990 (including increases in respect thereof), with a guaranteed return, backed mainly by designated bonds.

3. Policies, which include a yield-dependent savings component and include variable management fees issued primarily until 2003, and policies, which include a yield-dependent savings component and only fixed management fees - issued since 2004.

4. Life, disability, and permanent health insurance policies without a savings component.

5. As of March 31, 2025 and 2024, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approx. NIS 1 million and NIS 218 million, respectively.

6. Total net investment revenues (losses) in policies which include a yield-dependent savings component, include mainly investment revenues or losses, which were carried to participating policies.

7. Net assets in respect of a reinsurance contract are contracts in respect of life and permanent health insurance coverages included in each of the portfolios.

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment

	For the three-month period ended March 31, 2025					
	Long-term care		Health - other			
	Individual	Collective (5)	Medical expenses and disabilities - individual (1)	Medical expenses and disabilities - collective (1)	Other (2)	Total
	Unaudited NIS thousand					
Breakdown of results for the three-month period ended March 31, 2025, recognized in profit or loss						
Revenues from insurance services	104,946	-	245,085	114,318	184,484	648,833
Expenses from insurance services (*)	67,768	5,194	146,617	107,437	105,790	432,806
Income from insurance services before reinsurance contracts held	37,178	(5,194)	98,468	6,881	78,694	216,027
Expenses from reinsurance	23,425	-	19,713	-	7,201	50,339
Reinsurance revenue	12,760	1,879	13,329	-	3,681	31,649
Revenues (expenses), net from reinsurance contracts held (6)	(10,665)	1,879	(6,384)	-	(3,520)	(18,690)
Income (loss) from insurance services	26,513	(3,315)	92,084	6,881	75,174	197,337
Total investment revenues (losses), net	51,494	16,751	11,285	-	(3,838)	75,692
Finance expenses (revenues), net arising from insurance contracts	(85,225)	15,294	66,576	2,705	41,054	40,404
Finance revenues (expenses), net arising from reinsurance contracts	(9,334)	1,184	(1,721)	-	1,796	(8,075)
Income (loss) from investments and financing, net	127,385	2,641	(57,012)	(2,705)	(43,096)	27,213
Income (loss), net from insurance and investment	153,898	(674)	35,072	4,176	32,078	224,550
Other operating expenses	817	-	3,333	2,442	2,406	8,998
Other income (expenses), net	-	-	-	-	(668)	(668)
Investment income (loss), net recognized in other comprehensive income	4,197	291	980	-	(283)	5,185
Total comprehensive income (loss) before tax	157,278	(383)	32,719	1,734	28,721	220,069
(*) Of which:						
Claims and other insurance service expenses incurred	66,336	431	152,505	115,264	110,356	444,892
Changes relating to past service - adjustment for liabilities for incurred claims	1,432	4,764	(9,680)	(7,827)	(19,273)	(30,584)
Breakdown of assets and liabilities as of March 31, 2025						
Total liabilities, net for insurance contracts	6,416,829	1,968,679	1,084,929	263,031	(467,395)	9,266,073
(**) Of which: CSM balance for insurance contracts	2,545,165	-	3,488,431	139,669	1,464,705	7,637,970
Total assets, net for reinsurance contracts (6)						2,019,095
(**) Of which: CSM balance for reinsurance contracts						1,269,714
Additional information for the 3-month period ended March 31, 2025						
Gross premiums net of reimbursement of premiums (3)	79,821	-	320,534	-	358,229	758,584
Annualized premium for insurance contracts - new business (4)	-	-	9,221	-	153,961	163,182

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment (cont.)

	For the three-month period ended March 31, 2024					
	Long-term care		Health - other			
	Individual	Collective (5)	Medical expenses and disabilities - individual (1)	Medical expenses and disabilities - collective (1)	Other (2)	Total
	Unaudited NIS thousand					
Breakdown of results for the three-month period ended March 31, 2024, recognized in profit or loss						
Revenues from insurance services	114,141	-	234,252	109,869	163,081	621,343
Expenses from insurance services (*)	60,750	2,632	143,561	113,188	94,918	415,049
Income from insurance services before reinsurance contracts held	53,391	(2,632)	90,691	(3,319)	68,163	206,294
Expenses from reinsurance	21,941	-	21,318	-	6,925	50,184
Reinsurance revenue	10,728	302	18,041	-	3,887	32,958
Revenues (expenses), net from reinsurance contracts held (6)	(11,213)	302	(3,277)	-	(3,038)	(17,226)
Income (loss) from insurance services	42,178	(2,330)	87,414	(3,319)	65,125	189,068
Total investment revenues (losses), net	86,401	509,343	15,041	-	(4,334)	606,451
Finance expenses (revenues), net arising from insurance contracts	192,502	509,850	28,724	1,459	(1,164)	731,371
Finance revenues, net arising from reinsurance contracts	39,153	3,575	6,428	-	9,068	58,224
Income (loss) from investments and financing, net	(66,948)	3,068	(7,255)	(1,459)	5,898	(66,696)
Income (loss), net from insurance and investment	(24,770)	738	80,159	(4,778)	71,023	122,372
Other operating expenses	759	-	2,998	2,364	1,672	7,793
Other revenues, net	191	-	758	598	423	1,970
Investment income (loss), net recognized in other comprehensive income	(385)	(34)	(94)	-	27	(486)
Total comprehensive income (loss) before tax	(25,723)	704	77,825	(6,544)	69,801	116,063
(*) Of which:						
Claims and other insurance service expenses incurred	69,909	1,330	138,481	109,832	102,324	421,876
Changes relating to past service - adjustment for liabilities for incurred claims	(9,161)	1,302	3,987	3,357	(20,378)	(20,893)
Breakdown of assets and liabilities as of March 31, 2024						
Total liabilities, net for insurance contracts	6,264,950	3,197,781	1,226,260	257,879	(312,451)	10,634,419
(**) Of which: CSM balance for insurance contracts	2,708,999	-	3,444,238	150,069	1,470,412	7,773,718
Total assets, net for reinsurance contracts (6)						2,075,879
(**) Of which: CSM balance for reinsurance contracts						1,258,488
Additional information for the 3-month period ended March 31, 2024						
Gross premiums net of reimbursement of premiums (3)	78,718	-	301,395	-	236,012	616,125
Annualized premium for insurance contracts - new business (4)	-	-	2,628	-	92,181	94,809

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment (cont.)

	For the year ended December 31, 2024					
	Long-term care		Health - other			
	Individual	Collective (5)	Medical expenses and disabilities - individual (1)	Medical expenses and disabilities - collective (1)	Other (2)	Total
	Unaudited NIS thousand					
Breakdown of results for the year ended December 31, 2024, recognized in profit or loss						
Revenues from insurance services	421,903	-	972,019	437,294	720,108	2,551,324
Expenses from insurance services (*)	260,674	50,676	575,979	428,323	447,319	1,762,971
Income from insurance services before reinsurance contracts held	161,229	(50,676)	396,040	8,971	272,789	788,353
Expenses from reinsurance	89,574	-	84,764	-	30,388	204,726
Reinsurance revenue	36,174	20,247	53,509	-	13,414	123,344
Revenues (expenses), net from reinsurance contracts held (6)	(53,400)	20,247	(31,255)	-	(16,974)	(81,382)
Income (loss) from insurance services	107,829	(30,429)	364,785	8,971	255,815	706,971
Total investment revenues (losses), net	270,132	639,774	49,147	-	(14,590)	944,463
Finance expenses (revenues), net arising from insurance contracts	503,307	642,419	57,616	2,157	(41,674)	1,163,825
Finance revenues, net arising from reinsurance contracts	103,255	13,600	25,574	-	16,284	158,713
Income (loss) from investments and financing, net	(129,920)	10,955	17,105	(2,157)	43,368	(60,649)
Income (loss), net from insurance and investment	(22,091)	(19,474)	381,890	6,814	299,183	646,322
Other operating expenses	2,958	-	11,988	8,915	6,518	30,379
Other revenues, net	773	-	3,133	2,330	1,703	7,939
Investment income (loss), net recognized in other comprehensive income	(874)	(54)	(201)	-	81	(1,048)
Total comprehensive income (loss) before tax	(25,150)	(19,528)	372,834	229	294,449	622,834
(*) Of which:						
Claims and other insurance service expenses incurred	279,405	5,242	579,138	435,882	416,424	1,716,091
Changes relating to past service - adjustment for liabilities for incurred claims	(18,734)	45,434	(9,348)	(7,559)	(43,176)	(33,383)
Breakdown of assets and liabilities as of December 31, 2024						
Total liabilities, net for insurance contracts	6,518,271	2,533,184	1,083,464	264,321	(511,371)	9,887,869
(**) Of which: CSM balance for insurance contracts	2,568,718	-	3,539,313	141,705	1,484,693	7,734,429
Total assets, net for reinsurance contracts (6)						2,025,070
(**) Of which: CSM balance for reinsurance contracts						1,282,277
Additional information for the year ended December 31, 2024						
Gross premiums net of reimbursement of premiums (3)	317,097	-	1,234,352	-	840,703	2,392,152
Annualized premium for insurance contracts - new business (4)	-	-	44,511	-	369,868	414,379

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment (cont.)

(1) Medical expenses and disability - individual and collective - including personal accidents.

(2) Including a critical illness, foreign workers and travel abroad portfolio.

(3) Premiums received based on billing dates.

(4) Enlargements of existing policies are not included as part of the annualized premium in respect of new business, but as part of the operating results of the original policy, except if recorded as a new policy in the policies system.

(5) Until December 31, 2023, the Company provided collective long-term care insurance services to the members of Maccabi Healthcare Services (hereinafter - “**Maccabi**”), including operational services for long-term care policyholders of Maccabi Magen - Mutual Medical Insurance Association Ltd. In accordance with the agreement with Maccabi, The Company will continue paying insurance benefits in the existing claims and will deal with new claims that will be filed as long as the insured event took place through December 31, 2023. For that purpose, the Company will retain under its management a claims reserve, which will include the reserves amount, plus a margin of conservatism of 20%, in accordance with the provisions of the agreement. In accordance with the above, most of the decrease in liabilities in respect of insurance contracts and yield-dependent investment contracts in the Health Insurance Segment arises from the discontinuation of long-term care insurance for Maccabi members.

(6) Net assets in respect of reinsurance contracts are mainly contracts in respect of individual long-term care and medical expenses coverages.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment:

	For the three-month period ended March 31, 2025			
	Compulsory motor insurance	Motor property	Other (a)	Total
	Unaudited NIS thousand			
Breakdown of results for the three-month period ended March 31, 2025, recognized in profit or loss				
Revenues from insurance services	203,059	494,528	502,975	1,200,562
Expenses from insurance services (*)	190,420	419,479	215,009	824,908
Income from insurance services before reinsurance contracts held	12,639	75,049	287,966	375,654
Expenses from reinsurance	4,168	-	246,556	250,724
Reinsurance revenue	5,366	1	57,410	62,777
Revenues (expenses), net from reinsurance contracts held	1,198	1	(189,146)	(187,947)
Income from insurance services	13,837	75,050	98,820	187,707
Total investment income, net	24,638	13,375	19,845	57,858
Finance expenses, net arising from insurance contracts	6,649	3,163	9,967	19,779
Finance revenues (expenses), net arising from reinsurance contracts	(213)	-	4,750	4,537
Net investment and finance income	17,776	10,212	14,628	42,616
Income, net from insurance and investment	31,613	85,262	113,448	230,323
Other operating expenses	1,991	2,988	2,387	7,366
Other expenses, net	(112)	(262)	-	(374)
Investment income, net recognized in other comprehensive income	2,631	1,428	2,119	6,178
Total comprehensive income before tax	32,141	83,440	113,180	228,761
(*) Of which:				
Claims and other insurance service expenses incurred	164,860	329,771	222,280	716,911
Changes relating to past service - adjustment for liabilities for incurred claims	(3,590)	(6,600)	(120,282)	(130,472)
Breakdown of assets and liabilities as of March 31, 2025				
Total liabilities, net for insurance contracts	2,618,453	810,198	3,419,918	6,848,569
Total assets, net for reinsurance contracts	318,830	(10)	1,801,989	2,120,809
Additional information for the 3-month period ended March 31, 2025				
Gross premiums net of reimbursement of premiums	231,676	523,126	495,646	1,250,448

(a) Other Property and Casualty Insurance includes Property and Casualty Insurance Subsegments other than compulsory motor and motor property and consists mainly of the results of the following insurance groups: businesses, professional liability, and homeowners - which constitute 81% of the total revenues from insurance services in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment (cont.)

	For the three-month period ended March 31, 2024			
	Compulsory motor insurance	Motor property	Other (a)	Total
	Unaudited NIS thousand			
Breakdown of results for the three-month period ended March 31, 2024, recognized in profit or loss				
Revenues from insurance services	187,955	470,014	466,901	1,124,870
Expenses from insurance services (*)	163,581	396,760	323,751	884,092
Income from insurance services before reinsurance contracts held	24,374	73,254	143,150	240,778
Expenses from reinsurance	8,571	-	225,108	233,679
Income (expenses) from reinsurance	5,638	(11)	151,765	157,392
Net expenses from reinsurance contracts held	(2,933)	(11)	(73,343)	(76,287)
Income from insurance services	21,441	73,243	69,807	164,491
Total investment income, net	46,546	23,170	36,257	105,973
Finance expenses, net arising from insurance contracts	29,822	4,417	25,297	59,536
Finance revenues, net arising from reinsurance contracts insurance contracts	5,490	-	11,941	17,431
Net investment and finance income	22,214	18,753	22,901	63,868
Income, net from insurance and investment	43,655	91,996	92,708	228,359
Other operating expenses	1,215	3,098	2,964	7,277
Investment income, net recognized in other comprehensive income	1,307	651	1,094	3,052
Total comprehensive income before tax	43,747	89,549	90,838	224,134
(*) Of which:				
Claims and other insurance service expenses incurred	153,991	351,975	223,884	729,850
Changes relating to past service - adjustment for liabilities for incurred claims	(10,108)	(40,873)	(1,045)	(52,026)
Breakdown of assets and liabilities as of March 31, 2024				
Total liabilities, net for insurance contracts	2,962,692	910,983	3,594,175	7,467,850
Total assets, net for reinsurance contracts	472,255	3	1,824,144	2,296,402
Additional information for the 3-month period ended March 31, 2024				
Gross premiums net of reimbursement of premiums	178,001	511,609	457,731	1,147,341

(a) Other Property and Casualty Insurance includes Property and Casualty Insurance Subsegments other than compulsory motor and motor property and consists mainly of the results of the following insurance groups: businesses, professional liability, and homeowners - which constitute 85% of the total revenues from insurance services in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

D. Additional data regarding the Property and Casualty Insurance Segment (cont.)

	For the year ended December 31, 2024			
	Compulsory motor insurance	Motor property	Other (a)	Total
	Unaudited NIS thousand			
Breakdown of results for the year ended December 31, 2024, recognized in profit or loss				
Revenues from insurance services	761,540	1,930,679	1,979,508	4,671,727
Expenses from insurance services (*)	530,055	1,689,708	1,108,482	3,328,245
Income from insurance services before reinsurance contracts held	231,485	240,971	871,026	1,343,482
Expenses from reinsurance	27,070	-	976,164	1,003,234
Reinsurance revenue	(4,937)	(38)	530,608	525,633
Net expenses from reinsurance contracts held	(32,007)	(38)	(445,556)	(477,601)
Income from insurance services	199,478	240,933	425,470	865,881
Total investment income, net	179,046	90,033	137,728	406,807
Finance expenses, net arising from insurance contracts	132,663	23,494	143,401	299,558
Finance revenues, net arising from reinsurance contracts insurance contracts	22,672	1	67,353	90,026
Net investment and finance income	69,055	66,540	61,680	197,275
Income, net from insurance and investment	268,533	307,473	487,150	1,063,156
Other operating expenses	4,259	11,428	10,221	25,908
Other expenses, net	(2,027)	(1,503)	(116)	(3,646)
Investment loss, net recognized in other comprehensive income	(1,041)	(571)	(856)	(2,468)
Total comprehensive income before tax	261,206	293,971	475,957	1,031,134
(*) Of which:				
Claims and other insurance service expenses incurred	598,910	1,424,395	902,543	2,925,848
Changes relating to past service - adjustment for liabilities for incurred claims	(156,583)	(110,139)	(237,329)	(504,051)
Breakdown of assets and liabilities as of December 31, 2024				
Total liabilities, net for insurance contracts	2,700,904	1,022,956	3,752,049	7,475,909
Total assets, net for reinsurance contracts	331,923	7	1,873,928	2,205,858
Additional information for the year ended December 31, 2024				
Gross premiums net of reimbursement of premiums	811,754	2,027,331	2,042,579	4,881,664

(a) Other Property and Casualty Insurance includes Property and Casualty Insurance subsegments other than compulsory motor and motor property and consists mainly of the results of the following insurance groups: businesses, professional liability, and homeowners - which constitute 82% of the total revenues from insurance services in these subsegments.

NOTE 3 - OPERATING SEGMENTS (cont.)

E. Additional data regarding the Retirement Segment

	For the three-month period ended March 31, 2025		
	Provident	Pension	Total
	Unaudited		
	NIS thousand		
Total investment income, net	**18,479**	**4,738**	**23,217**
Decrease (increase) in liabilities for investment contracts due to the yield component	(16,530)	-	(16,530)
Net investment and finance income	**1,949**	**4,738**	**6,687**
Revenues from management fees	124,881	96,634	221,515
Other operating expenses	95,936	78,207	174,143
Other expenses, net	(3,666)	(2,253)	(5,919)
Other finance expenses	3,430	5,926	9,356
Total comprehensive income before income tax	**23,798**	**14,986**	**38,784**

	For the three-month period ended March 31, 2024		
	Provident	Pension	Total
	Unaudited		
	NIS thousand		
Total investment income, net	**19,139**	**4,102**	**23,241**
Decrease (increase) in liabilities for investment contracts due to the yield component	(16,059)	-	(16,059)
Income (loss) from investments and financing, net	**3,080**	**4,102**	**7,182**
Revenues from management fees	112,809	86,526	199,335
Other operating expenses	86,006	75,131	161,137
Other expenses, net	(4,954)	(3,305)	(8,259)
Other finance expenses	2,340	4,221	6,561
Total comprehensive income before income tax	**22,589**	**7,971**	**30,560**

	For the year ended December 31, 2024		
	Provident	Pension	Total
	Unaudited		
	NIS thousand		
Total investment income, net	100,946	17,673	118,619
Decrease (increase) in liabilities for investment contracts due to the yield component	(97,061)	-	(97,061)
Net investment and finance income	3,885	17,673	21,558
Revenues from management fees	473,099	354,793	827,892
Other operating expenses	378,230	314,547	692,777
Other expenses, net	(16,321)	(13,091)	(29,412)
Other finance expenses	14,194	20,013	34,207
Total comprehensive income before income tax	**68,239**	**24,815**	**93,054**

NOTE 3 - OPERATING SEGMENTS (cont.)

F. Additional data regarding investment contracts

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	157,822	1,324,170	3,666,507
Decrease (increase) in liabilities for investment contracts due to the yield component	(157,822)	(1,324,170)	(3,666,507)
Income (loss) from investments and financing, net	-	-	-
Revenues from management fees	70,837	49,794	213,776
Other operating expenses	52,911	37,048	173,123
Income (loss) for the period	17,926	12,746	40,653
Total segment assets for yield-dependent contracts	35,868,423	25,689,443	32,957,985
Total segment liabilities	35,868,423	25,689,443	32,957,985
Additional information regarding investment contracts			
Proceeds from investment contracts	3,705,380	1,464,058	9,740,419
Annualized receipts for investment contracts - new business	20,568	9,112	51,835
One-off proceeds for investment contracts	3,647,937	1,412,618	9,530,253

NOTE 4 - BUSINESS COMBINATIONS

A. Assuming control over Phoenix RealTech Ltd. (hereinafter - “**Phoenix RealTech**”) - Phoenix RealTech is a company in which Phoenix Capital has a 50% stake (a subsidiary controlled by Phoenix Advanced Investments). Phoenix RealTech serves as a General Partner of alternative investment funds focusing mainly on underlying assets of real estate debt. On December 31, 2024, Phoenix Advanced Investments signed an agreement to purchase further 30% of Phoenix RealTech, the acquisition was subject to the Israel Competition Authority’s approval. During February 2025, the Israel Competition Authority’s approval was received, such that subsequent to the acquisition, the Company has an ownership stake of approx. 72% in Phoenix RealTech through Phoenix Advanced Investments and Phoenix Capital. As a result of assuming control, the Company recorded an immaterial amount in income.

B. In December 2024, Oren Mizrach, a company controlled by Phoenix Agencies, signed an agreement for the purchase of 51% of the shares of T.A.I.S. Shades Life Insurance Agency (1987) Ltd. (hereinafter - "**Gvanim**”); during the reporting period all the conditions precedent were met and the transaction was completed. Subsequent to the abovementioned acquisition, the Company has an ownership stake - directly and indirectly - of approx. 83% of Gvanim’s shares, instead of a 50% ownership stake. The Company started consolidating Gvanim on January 1, 2025. Subsequent to the completion of the transaction and as a result of assuming control in Gvanim, the Company recorded in the first quarter an income from assuming control of approx. NIS 16 million. As of the report date, the Company recognized the fair value of the assets acquired and the liabilities assumed under the business combination based on a provisional measurement. As of the approval date of the financial statements, a final valuation has not yet been received by an external appraiser in relation to the fair value of the identified assets acquired and the liabilities assumed. A final adjustment of the consideration for the acquisition as well as the fair value of the assets and liabilities acquired can be carried out up to 12 months from the acquisition date. At the final measurement date, the adjustments are made by way of a restating the comparative figures previously reported according to the provisional measurement. The company has opted to measure the non-controlling interests in the acquired company according to the proportionate share of the non-controlling interests in the fair value of the net identified assets of the acquiree. In accordance with this valuation, the consideration allocated to intangible assets is approx. NIS 31 million, of which approx. NIS 11 million is in respect of goodwill.

C. During the reporting period, Phoenix Agencies acquired insurance portfolios / a controlling stake in insurance agencies. As a result of these acquisitions, Phoenix Agencies recorded intangible assets totaling approx. NIS 65 million, of which approx. NIS 35 million is in respect of goodwill.

NOTE 5 - FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

1. Following is a breakdown of assets held against insurance contracts and investment contracts presented at fair value through profit and loss:

	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	61,530	61,062	58,570
Illiquid corporate bonds	765,541	626,072	780,091
Loans (including investees)	6,946,088	7,035,321	6,841,646
Other illiquid debt instruments	537,561	451,631	454,397
Total illiquid debt instruments	8,310,720	8,174,086	8,134,704
Liquid debt instruments:			
Government Bonds	10,564,088	7,394,961	10,356,314
Liquid corporate bonds	15,493,031	13,969,083	14,892,326
Total liquid debt instruments	26,057,119	21,364,044	25,248,640
Total debt instruments	34,367,839	29,538,130	33,383,344
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	2,661,432	2,265,590	2,557,461
Liquid equity instruments:			
Liquid shares	19,864,601	17,589,886	19,757,414
Total equity instruments	22,526,033	19,855,476	22,314,875
Other investments:			
Other investments	37,804,433	31,627,992	36,220,407
Derivative instruments	1,099,663	1,520,880	1,859,326
Total other financial investments	38,904,096	33,148,872	38,079,733
Total financial investments	95,797,968	82,542,478	93,777,952

2. Fair value of financial assets by level:

The following table presents an analysis of assets held against insurance contracts and investment contracts presented at fair value through profit and loss. The different 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.

For financial instruments periodically recognized at fair value, the Company estimates, at the end of each reporting period, whether transfers have been made between the various levels of the fair value hierarchy.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

A. Assets for yield-dependent contracts (cont.)

2. Fair value of financial assets by level: (cont.)

During the reporting periods there were no material transfers between Level 1 and Level 2.

During the reporting period, a notice from the Capital Market Authority regarding the results of a new tender for selecting a supplier for the revaluation of illiquid debt assets for the institutional entities. In accordance with the notice, "Ness Fair Value Ltd." was selected as the new revaluation supplier, following a comprehensive tender conducted in accordance with the provisions of the law. The Company is looking into 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, including the implication regarding the measurement and classification of fair value hierarchies.

The Company holds the financial instruments measured at fair value according to the following classifications:

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments	-	5,620,216	2,690,504	8,310,720
Liquid debt instruments	19,536,767	6,520,352	-	26,057,119
Capital instruments	19,817,616	46,985	2,661,432	22,526,033
Other investments	13,583,805	1,836,438	23,483,853	38,904,096
Total financial assets	52,938,188	14,023,991	28,835,789	95,797,968

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments	-	5,449,939	2,724,147	8,174,086
Liquid debt instruments	15,759,545	5,604,499	-	21,364,044
Capital instruments	17,466,646	123,240	2,265,590	19,855,476
Other investments	11,932,358	883,887	20,332,627	33,148,872
Total financial assets	45,158,549	12,061,565	25,322,364	82,542,478

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments	-	5,311,093	2,823,611	8,134,704
Liquid debt instruments	18,943,206	6,305,434	-	25,248,640
Capital instruments	19,713,417	43,997	2,557,461	22,314,875
Other investments	13,209,934	2,450,033	22,419,766	38,079,733
Total financial assets	51,866,557	14,110,557	27,800,838	93,777,952

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

A. Assets for yield-dependent contracts (cont.)

2. Fair value of financial assets by level: (cont.)

Assets measured at fair value - Level 3

	Financial assets			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
	NIS thousand			
Balance as of January 1, 2025 (unaudited)	2,823,611	2,557,461	22,419,766	27,800,838
In profit or loss (*)	109,445	55,781	1,125,609	1,290,835
Purchases	404,503	91,631	1,434,310	1,930,444
Proceeds from interest and dividend	(23,407)	(17,592)	(433,713)	(474,712)
Sales	(500,412)	(25,849)	(1,062,119)	(1,588,380)
Transfers from Level 3	(123,236)	-	-	(123,236)
Balance as of March 31, 2025 (unaudited)	2,690,504	2,661,432	23,483,853	28,835,789
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2025	70,174	37,903	782,982	891,059

(**) Transfers between fair value levels stem mainly from securities whose rating has changed.

	Financial assets			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
	NIS thousand			
Balance as of January 1, 2024 (audited)	2,694,773	2,104,471	19,230,673	24,029,917
Total gains (losses) recognized:				
In profit or loss (*)	71,175	25,249	541,163	637,587
Purchases	204,769	143,592	1,240,010	1,588,371
Proceeds from interest and dividend	(21,528)	(7,722)	(257,516)	(286,766)
Sales	(206,246)	-	(421,703)	(627,949)
Transfers from Level 3	(18,796)	-	-	(18,796)
Balance as of March 31, 2024 (unaudited)	2,724,147	2,265,590	20,332,627	25,322,364
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2024	40,841	17,862	393,718	452,421

(**) Transfers between fair value levels stem mainly from securities whose rating has changed.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

A. Assets for yield-dependent contracts (cont.)

2. Fair value of financial assets by level (cont.)

Assets measured at fair value - Level 3 (cont.)

	Financial assets			
	Illiquid debt instruments	Capital instruments	Other investments	Total financial assets
	NIS thousand			
Balance as of January 1, 2024 (audited)	2,694,773	2,104,471	19,230,673	24,029,917
Total gains (losses) recognized:				
In profit or loss (*)	237,433	193,722	2,003,207	2,434,362
Purchases	1,165,913	384,759	4,638,912	6,189,584
Proceeds from interest and dividend	(128,021)	(36,593)	(1,003,049)	(1,167,663)
Sales	(1,127,691)	(88,898)	(2,449,977)	(3,666,566)
Transfers from Level 3	(18,796)	-	-	(18,796)
Balance as of December 31, 2024 (unaudited)	2,823,611	2,557,461	22,419,766	27,800,838
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of December 31, 2024	9,642	155,754	1,027,919	1,193,315

(**) Transfers between fair value levels stem mainly from securities whose rating has changed.

Following is information regarding significant unobservable data used to measure fair value at Level 3 as of March 31, 2025:

Group of assets	Fair value	Measurement method	Key unobservable input	Weighted discount rate
		Unaudited		
Illiquid debt instruments	2,690,504	Discounted cash flows (DCF)	Discount rate, expected cash flow, credit risk	Approx. 10.08%, weighted
Capital instruments	2,661,432	Assessment of multiples / discounted cash flows (DCF)	Discount rate, expected cash flow, future profit forecasts, private market multiples, liquidity premium	Approx. 11.24%, weighted
Other investments	23,483,853	Adjusted NAV	Estimated value by the fund manager.	N/A

Assessments are conducted by external appraisers using available information and similar market input where possible; the input are regularly updated and reviewed.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments

1. Illiquid debt assets

Composition:

	As of March 31, 2025		
	Financial investments measured at fair value through profit or loss	Other financial investments measured at depreciated cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	89,132	606,000	695,132
Treasury deposits*	-	959,041	959,041
Designated bonds	8,901,386	-	8,901,386
Illiquid corporate bonds	190,237	54,046	244,283
Loans (including investees)	3,797,816	2,624,024	6,421,840
Other illiquid debt instruments	32,081	-	32,081
Total illiquid debt instruments	13,010,652	4,243,111	17,253,763
Liquid debt instruments:			
Government Bonds	3,868,480	-	3,868,480
Liquid corporate bonds	2,752,506	-	2,752,506
Total liquid debt instruments	6,620,986	-	6,620,986
Total debt instruments	19,631,638	4,243,111	23,874,749
Balance of credit loss provision	-	33,628	33,628
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	658,128	-	658,128
Liquid equity instruments:			-
Liquid shares	2,321,799	-	2,321,799
Total equity instruments	2,979,927	-	2,979,927
Other investments:			
Other investments	6,200,947	-	6,200,947
Derivative instruments	458,747	-	458,747
Total other financial investments	6,659,694	-	6,659,694
Total financial investments	29,271,259	4,243,111	33,514,370

* An Accountant General Deposit is a financial deposit managed by the Accountant General, in which the depositing entity lends funds to the government for a predetermined period, in exchange for CPI-linked interest.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

1. Illiquid debt assets (cont.)

Composition: (cont.)

	As of March 31, 2024		
	Financial investments measured at fair value through profit or loss	Other financial investments measured at depreciated cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	139,786	875,000	1,014,786
Treasury deposits	-	930,120	930,120
Designated bonds	9,029,259	-	9,029,259
Illiquid corporate bonds	183,679	82,523	266,202
Loans (including investees)	5,229,264	1,110,764	6,340,028
Other illiquid debt instruments	21,428	-	21,428
Total illiquid debt instruments	14,603,416	2,998,407	17,601,823
Liquid debt instruments:			
Government Bonds	2,900,919	-	2,900,919
Liquid corporate bonds	2,866,437	-	2,866,437
Total liquid debt instruments	5,767,356	-	5,767,356
Total debt instruments	20,370,772	2,998,407	23,369,179
Balance of credit loss provision	-	67,713	67,713
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	547,402	-	547,402
Liquid equity instruments:			-
Liquid shares	1,932,424	-	1,932,424
Total equity instruments	2,479,826	-	2,479,826
Other investments:			
Other investments	5,235,710	-	5,235,710
Derivative instruments	404,768	-	404,768
Total other financial investments	5,640,478	-	5,640,478
Total financial investments	28,491,076	2,998,407	31,489,483

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

1. Illiquid debt assets (cont.)

Composition: (cont.)

	As of December 31, 2024		
	Financial investments measured at fair value through profit or loss	Other financial investments measured at depreciated cost	Total
	Unaudited		
	NIS thousand		
Debt instruments:			
Illiquid debt instruments:			
Deposits with banks and financial institutions	88,628	874,002	962,630
Treasury deposits	-	945,773	945,773
Designated bonds	8,902,813	-	8,902,813
Illiquid corporate bonds	190,162	49,779	239,941
Loans (including investees)	3,668,826	2,587,868	6,256,694
Other illiquid debt instruments	32,081	-	32,081
Total illiquid debt instruments	12,882,510	4,457,422	17,339,932
Liquid debt instruments:			
Government Bonds	3,610,167	-	3,610,167
Liquid corporate bonds	2,804,525	-	2,804,525
Total liquid debt instruments	6,414,692	-	6,414,692
Total debt instruments	19,297,202	4,457,422	23,754,624
Balance of credit loss provision	-	25,511	25,511
Capital instruments:			
Illiquid debt instruments:			
Illiquid shares	609,006	-	609,006
Liquid equity instruments:			-
Liquid shares	2,397,482	-	2,397,482
Total equity instruments	3,006,488	-	3,006,488
Other investments:			
Other investments	5,788,478	-	5,788,478
Derivative instruments	690,797	-	690,797
Total other financial investments	6,479,275	-	6,479,275
Total financial investments	28,782,965	4,457,422	33,240,387

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Fair value of financial assets by level

The tables below depict an analysis of the financial instruments presented at fair value.

During the reporting periods there were no material transfers between Level 1 and Level 2.

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	2,503,439	1,605,827	4,109,266
Designated bonds	-	-	8,901,386	8,901,386
Liquid debt instruments	5,577,110	1,043,876	-	6,620,986
Capital instruments	2,280,219	41,580	658,128	2,979,927
Other investments	614,531	191,917	5,853,246	6,659,694
Total financial assets	8,471,860	3,780,812	17,018,587	29,271,259

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	2,594,846	2,979,311	5,574,157
Designated bonds	-	-	9,029,259	9,029,259
Liquid debt instruments	4,669,054	1,098,302	-	5,767,356
Capital instruments	1,885,288	47,136	547,402	2,479,826
Other investments	489,888	163,164	4,987,426	5,640,478
Total financial assets	7,044,230	3,903,448	17,543,398	28,491,076

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial assets:				
Illiquid debt instruments, excluding designated bonds	-	2,476,198	1,503,499	3,979,697
Designated bonds	-	-	8,902,813	8,902,813
Liquid debt instruments	5,404,490	1,010,202	-	6,414,692
Capital instruments	2,337,738	59,744	609,006	3,006,488
Other investments	532,024	402,011	5,545,240	6,479,275
Total financial assets	8,274,252	3,948,155	16,560,558	28,782,965

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Fair value of financial assets by level (cont.)

Assets measured at fair value - Level 3

	Financial assets				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
	NIS thousand				
Balance as of January 1, 2025 (unaudited)	1,503,499	8,902,813	609,006	5,545,240	16,560,558
Total gains (losses) recognized:					
In profit or loss (*)	36,436	(1,427)	14,531	238,062	287,602
Purchases	445,235	33,573	41,408	384,469	904,685
Proceeds from interest and dividend	(25,053)	-	(2,176)	(145,762)	(172,991)
Sales	(354,290)	(33,573)	(4,641)	(168,763)	(561,267)
Balance as of March 31, 2025 (unaudited)	1,605,827	8,901,386	658,128	5,853,246	17,018,587
(*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2025	17,958	(1,427)	12,062	125,578	154,171

	Financial assets				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
	NIS thousand				
Balance as of January 1, 2024 (audited)	3,076,295	8,899,395	525,605	5,033,923	17,535,218
Total gains (losses) recognized:					-
In profit or loss (*)	87,181	129,864	5,625	87,413	310,083
Purchases	267,805	-	44,012	260,059	571,876
Proceeds from interest and dividend	(51,726)	-	(1,323)	(64,474)	(117,523)
Sales	(409,298)	-	(26,517)	(329,495)	(765,310)
Transfers to Level 3	11,838	-	-	-	11,838
Transfers from Level 3	(2,784)	-	-	-	(2,784)
Balance as of March 31, 2024 (unaudited)	2,979,311	9,029,259	547,402	4,987,426	17,543,398
(*) Of which: Total unrealized gains (losses) for the period included in profit and loss in respect of assets held as of March 31, 2024	35,768	129,864	2,100	(463)	167,269

(**) Transfers between fair value levels stem mainly from securities whose rating has changed.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Fair value of financial assets by level (cont.)

Assets measured at fair value - Level 3 (cont.)

	Financial assets				
	Illiquid debt instruments, excluding designated bonds	Designated bonds	Capital instruments	Other investments	Total financial assets
	NIS thousand				
Balance as of January 1, 2024 (audited)	3,076,295	8,899,395	525,605	5,033,923	17,535,218
Total gains (losses) recognized:					
In profit or loss (*)	277,270	519,369	37,802	372,747	1,207,188
Purchases	717,192	238,806	108,152	1,224,849	2,288,999
Proceeds from interest and dividend	(190,162)	(383,104)	(7,800)	(287,223)	(868,289)
Sales	(1,611,796)	(371,653)	(40,458)	(799,056)	(2,822,963)
Transfers to Level 3	26,831	-	-	-	26,831
Transfers from Level 3	(792,131)	-	(14,295)	-	(806,426)
Balance as of December 31, 2024 (unaudited)	1,503,499	8,902,813	609,006	5,545,240	16,560,558
(*) Of which - Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2024	55,033	129,679	687	(34,352)	151,047

(**) Transfers between fair value levels stem mainly from securities whose rating has changed and securities classified to investment as an associate.

Following is information regarding significant unobservable data used to measure fair value at Level 3 as of March 31, 2025:

Group of assets	Fair value	Measurement method	Key unobservable input	Weighted discount rate
		Unaudited		
Illiquid debt instruments, excluding designated bonds	1,605,827	Discounted cash flows (DCF)	Discount rate, expected cash flow, credit risk	Approx. 8.41%, weighted
Capital instruments	658,128	Assessment of multiples / discounted cash flows (DCF)	Discount rate, expected cash flow, future profit forecasts, private market multiples, liquidity premium	Approx. 13.53%, weighted
Other investments	5,853,246	Adjusted NAV	Estimated value by the fund manager.	N/A

Assessments are conducted by external appraisers using available information and similar market input where possible; the input are regularly updated and reviewed.

Designated bonds are measured at fair value. The fair value is based on an actuarial calculation of the expected cash flows, using models that incorporate demographic, financial and economic assumptions.

These cash flows are discounted at the discount rate of risk-free interest plus an illiquidity premium.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

3. Fair value of financial assets at amortized cost

	As of March 31, 2025		As of March 31, 2024		As of December 31, 2024	
	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value
	Unaudited					
	NIS thousand					
Financial assets						
Illiquid debt instruments:						
Deposits with banks and financial institutions	606,000	606,000	875,000	875,000	874,002	874,002
Treasury deposits	959,041	1,512,946	930,120	1,561,082	945,773	1,549,472
Illiquid corporate bonds	54,046	55,312	82,523	75,327	49,779	48,540
Loans (including investees)	2,624,024	2,504,196	1,110,764	1,091,807	2,587,868	2,577,185
Total financial assets	4,243,111	4,678,454	2,998,407	3,603,216	4,457,422	5,049,199

C. Credit assets in respect of factoring, acquiring and financing

	As of March 31	As of March 31	As of December 31
	2025	2024	2024
	Unaudited		
	NIS thousand	NIS thousand	NIS thousand
Trade receivables and checks for collection	1,469,620	790,360	1,351,253
Credit vouchers	18,794	11,160	23,294
Loans and checks for collection	1,922,098	1,624,198	1,801,357
Credit vouchers for sale	1,625,514	1,871,893	1,841,439
Credit loss provision	(51,191)	(42,244)	(47,109)
Total	4,984,835	4,255,367	4,970,234

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities

1. Breakdown of financial liabilities

	Balance as of March 31, 2025	
	Carrying value	Fair value
	Unaudited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Loans from banking corporations	1,669,212	1,669,212
Short-term credit from banking corporations	690,419	690,419
Loans from non-bank entities	368,760	368,760
Bonds	3,640,280	3,373,335
Subordinated Notes - Tier 2 capital (1)	3,827,891	3,738,307
Notes - additional Tier 1 capital (1)	375,122	361,866
Trade receivables for credit cards	1,883,714	1,883,714
Repo in respect of non-yield-dependent contracts (2)	293,298	293,298
Lease liabilities (3)	186,201	-
Other (4)	60,697	60,697
Total financial liabilities presented at amortized cost	12,995,594	12,439,608
Financial liabilities presented at fair value through profit or loss:		
REPO held in respect of non-yield-dependent contracts (2)	831,184	831,184
Repo in respect of yield-dependent contracts (2)	887,107	887,107
Total financial liabilities presented at fair value through profit or loss	1,718,291	1,718,291
Total loans and credit	14,713,885	14,157,899
Held-for-trading financial liabilities		
Derivatives held for yield-dependent contracts	1,583,929	1,583,929
Derivatives held for non-yield-dependent contracts	485,927	485,927
Liability for short sale of liquid securities (5)	1,301,256	1,301,256
Total held-for-trading financial liabilities	3,371,112	3,371,112

(1) The notes were issued for the purpose of complying with the capital requirements.

(2) Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks.

The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction.

(3) Disclosure of fair value was not required.

(4) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.

(5) As of the balance sheet date, all liabilities are in respect of non-yield-dependent contracts.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

	Balance as of March 31, 2024	
	Carrying value	Fair value
	Unaudited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Short-term credit from banking corporations	1,352,212	1,352,212
Loans from non-bank entities	837,001	837,001
Bonds	2,501,336	2,462,586
Subordinated notes (1)	4,086,091	3,984,749
Notes - additional Tier 1 capital (1)	218,898	207,295
Trade receivables for credit cards	1,716,092	1,716,092
Repo in respect of non-yield-dependent contracts (2)	12,367	12,367
Lease liabilities (3)	179,792	-
Other (4)	47,359	47,359
Total financial liabilities presented at amortized cost	10,951,148	10,619,661
Financial liabilities presented at fair value through profit or loss:		
REPO held in respect of non-yield-dependent contracts (2)	602,484	602,484
Total financial liabilities presented at fair value through profit or loss	602,484	602,484
Total loans and credit	11,553,632	11,222,145
Held-for-trading financial liabilities		
Derivatives held for yield-dependent contracts	752,090	752,090
Derivatives held for non-yield-dependent contracts	369,242	369,242
Liability for short sale of liquid securities (5)	1,266,398	1,266,398
Total held-for-trading financial liabilities	2,387,730	2,387,730

(1) The notes were issued for the purpose of complying with the capital requirements.

(2) Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks. These transactions are made against liquid debt assets of the Government of Israel and include adjustment mechanisms for the value of the collaterals which shall be provided against the consideration received in the transaction.

(3) Disclosure of fair value was not required.

(4) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.

(5) As of the balance sheet date, all liabilities are in respect of non-yield-dependent contracts.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

1. Breakdown of financial liabilities (cont.)

	As of December 31, 2024	
	Carrying value	Fair value
	Audited	
	NIS thousand	
Financial liabilities presented at amortized cost:		
Loans from banking corporations	1,637,920	1,637,920
Short-term credit from banking corporations	940,794	940,794
Loans from non-bank entities	369,983	382,733
Bonds	3,032,715	2,998,174
Subordinated notes (1)	3,823,946	3,734,799
Subordinated notes - Additional Tier 1 capital (1)	373,606	359,775
Trade receivables for credit cards	1,901,977	1,901,977
Repo in respect of non-yield-dependent contracts (2)	260,986	260,986
Lease liabilities (3)	168,158	-
Other (4)	31,373	31,373
Total financial liabilities presented at amortized cost	12,541,458	12,248,531
Financial liabilities presented at fair value through profit or loss:		
Repo in respect of non-yield-dependent contracts (2)	721,182	721,182
Repo in respect of yield-dependent contracts (2)	945,080	945,080
Total financial liabilities presented at fair value through profit or loss	1,666,262	1,666,262
Total loans and credit	14,207,720	13,914,793
Held-for-trading financial liabilities		
Derivatives held for yield-dependent contracts	1,051,636	1,051,636
Derivatives held for non-yield-dependent contracts	250,065	250,065
Liability for short sale of liquid securities (5)	1,658,885	1,658,885
Other	21,000	21,000
Total held-for-trading financial liabilities	2,981,586	2,981,586

(1) The notes were issued for the purpose of complying with the capital requirements.

(2) Phoenix Insurance has entered into repo and reverse repo agreements with foreign banks.

(3) The term of those transactions was up to one year, against liquid debt assets of the Government of Israel; they include a mechanism for the adjustment of the value of the collaterals that will be provided against the consideration that was received in the transaction.

(4) Disclosure of fair value was not required.

(5) Mainly provision in respect of an option to acquire an investee and an undertaking to acquire portfolios.

(6) As of the balance sheet date, the amount of the exposure to these transactions in respect of non-yield-dependent contracts is NIS 1,612,669 thousand, and in respect of yield-dependent contracts – NIS 46,216 thousand.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

2. Fair value of financial liabilities by level

	As of March 31, 2025			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Total financial liabilities presented at fair value through profit or loss	-	1,718,291	-	1,718,291
Derivatives	265,240	1,792,347	12,269	2,069,856
Liability for short sale of liquid securities	1,301,256	-	-	1,301,256
Total held-for-trading financial liabilities	1,566,496	1,792,347	12,269	3,371,112

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Total financial liabilities presented at fair value through profit or loss	-	602,484	-	602,484
Derivatives	25,512	1,084,145	11,675	1,121,332
Liability for short sale of liquid securities	1,266,398	-	-	1,266,398
Total held-for-trading financial liabilities	1,291,910	1,084,145	11,675	2,387,730

	As of December 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Total financial liabilities presented at fair value through profit or loss	-	1,666,262	-	1,666,262
Derivatives	236,686	1,052,980	12,035	1,301,701
Liability for short sale of liquid securities	1,679,885	-	-	1,679,885
Total held-for-trading financial liabilities	1,916,571	1,052,980	12,035	2,981,586
Financial liabilities presented at amortized cost, the fair value of which is disclosed	9,476,749	2,865,178	199,531	12,541,458

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

3. Valuation techniques

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that 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.

a) Illiquid debt assets

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.

b) Illiquid shares

The fair value of the investment in illiquid shares was estimated using the discounted cash flow model (DCF). The estimate requires management to make certain assumptions regarding the model’s data, including expected cash flows, discount rates, credit risk and volatility. The probabilities in respect of the estimates in the range can be measured reliably, and management uses them to determine and evaluate the fair value of these investments in illiquid shares.

NOTE 5 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

3. Valuation techniques (cont.)

c) Derivatives

The Company enters into transactions involving derivative financial instruments with multiple parties, especially financial institutions. The derivatives were valued using valuation models with observable market inputs are mainly interest rate swap contracts and foreign currency forwards. The most frequently used valuation techniques include prices of forwards and swap models using present value calculations. The models combine a number of inputs, including the credit rating of the parties to the financial transaction, spot/forward exchange rates, prices of forward contracts and interest rate curves. All derivative contracts are fully back against cash; therefore, there is no counterparty credit risk and non-performance risk of the Company itself in respect thereof.

d) Liability for Repo

The Company enters into REPO transactions with multiple parties, especially financial institutions. The underlying assets of these transactions are not derecognized from the Company's statements of financial position, since the Company is still exposed to the risks and economic benefits arising therefrom. Accordingly, the consideration received in the transaction is presented against a financial liability. The differences between the consideration received in the transaction and the future purchase price represents the transaction's implicit effective interest rate, which is used by the Company in the subsequent measurement of the financial liability in the statements of financial position.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS

It is management's policy to maintain a strong capital base in order to retain Company's ability to continue its activities such that it will be able to generate returns to its shareholders and support future business activities. Phoenix Insurance, Phoenix Investment House group, Pension and Provident management company, Gama, and other institutional entities consolidated in the financial statements are subject to capital requirements set by the Commissioner.

A. Principles of the Solvency II-based Economic Solvency Regime

Phoenix Insurance is 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 "**Economic Solvency Regime**").

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the Insurance Company's recognized economic equity and the solvency capital requirement.

The recognized economic equity capital is determined as the sum of the core tier 1 capital derived from the economic balance sheet and debt instruments that include loss absorption mechanisms (Additional Tier 1 capital and 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 equity's exposure to a series of scenarios set out in the Provisions of the Economic Solvency Regime, and which reflect insurance risks, market risks and credit risks as well as operational risks.

The Economic Solvency Regime includes, among other things, transitional provisions in connection with compliance with capital requirements, and which allow increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Provisions of the Economic Solvency Regime (hereinafter - the "**Deduction**"). The Deduction will decrease gradually until 2032 (hereinafter - the "**Transitional Period**").

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

A. Principles of the Solvency II-based Economic Solvency Regime (cont.)

Economic solvency ratio (cont.)

In April 2024, the Capital Market Authority published a letter regarding the calculation of deduction during the Transitional Period in an economic solvency regime under the application of IFRS 17, Insurance Contracts. In accordance with the Consolidated Circular's provisions regarding "Economic Solvency Regime", an insurance company may, after receiving the Capital Market Commissioner's approval, include a deduction during the Transitional Period in the calculation of insurance reserves, in accordance with the definitions set in the provisions through the end of 2032 (hereinafter - the "**Deduction**"). The purpose of the published letter is to revise the method applied in the calculation of the deduction, such that it will no longer rely on financial statement data, which include a calculation of insurance liabilities in accordance with IFRS 4. The letter sets rules regarding the calculation of the deduction subsequent to the implementation of IFRS 17, which amend the rules set in the Letter of Principles. During May 2025, the Company received the Commissioner's approval regarding the Deduction Rates for the Transitional Period.
In accordance with the Provisions of the Economic Solvency Regime Report, the economic Solvency Ratio Report as of the December 31 and June 30 data of each year shall be included in the first periodic report published after the calculation date.

Furthermore, in view of the listing of Additional Tier 1 capital for trading on the Tel Aviv Stock Exchange's main list, and in accordance with Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company publishes, in the framework of the Report of the Board of Directors, the estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the Solvency Ratio Report, which is published in accordance with the Commissioner's directives. In addition, if the Company's solvency ratio falls to 120% or below, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

Phoenix Insurance published its Solvency Ratio Report as of December 31 2024 along with the publication of the Financial Statements. In accordance with the Solvency Ratio Report as of December 31, 2024, Phoenix Insurance has surplus capital, both when calculation is made having no regard to the transitional provisions and when it is made taking into account the Transitional Provisions.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

A. Principles of the Solvency II-based Economic Solvency Regime (cont.)

Economic solvency ratio (cont.)

The calculation as of December 31, 2024 made by Phoenix Insurance was reviewed by Phoenix Insurance's 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 materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

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 the 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.

For further details, see Section 3.1 to the Report of the Board of Directors, and the Economic Solvency Ratio Report as of December 31, 2024.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

B. Dividend

1) Capital distribution target

According to the letter published by the Commissioner, in October 2017, (hereinafter - the "**Dividend Distribution 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 Provisions of the Economic Solvency Regime - of at least 100%, calculated without taking into account the transitional provisions and subject to the economic solvency ratio target set by the Company's Board of Directors. The aforesaid ratio shall be calculated without the relief granted in respect of the original difference attributed to the acquisition of the provident funds and management companies. In addition, the letter set out provisions for reporting to the Commissioner.

Phoenix Insurance's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%. In addition, the minimum economic solvency ratio target, taking into account the transitional provisions, is set at 135%. In addition, on August 21, 2024, the Company's Board of Directors increased the minimum economic solvency ratio target by 3 percentage points without taking into account the Provisions during the Transitional Period - from a rate of 115% to a rate of 118% beginning on September 30, 2024.

On December 30, 2024, the Company's Board of Directors decided to further increase the minimum solvency ratio target without taking into account the Provisions during the Transitional Period by further 3 percentage points from 118% to 121%, beginning on December 31, 2024 as part of Phoenix Insurance's preparations for increasing the minimum solvency ratio target by the end of the Transitional Period. This minimum economic solvency ratio target is expected to reach 135% at the end of the Transitional Period, in accordance with the Company's capital plan.

2) Phoenix Insurance's dividend distribution policy

On October 27, 2020, Phoenix Insurance's Board of Directors approval of the dividend distribution whereby, as from 2021, Phoenix Insurance shall distribute an annual dividend at a rate of 30% to 50% of its distributable comprehensive income as per its audited annual consolidated financial statements for the relevant year, as long as Phoenix Insurance meets the minimum economic solvency ratio targets in accordance with Solvency II, as described above.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

B. Dividend (cont.)

2) Phoenix Insurance's dividend distribution policy (cont.)

On March 28, 2022, Phoenix Insurance's Board of Directors approved a revision of the dividend distribution policy that will apply to future dividend distributions to be made in connection with Phoenix Insurance's financial results for 2022 and thereafter. According to the update, the rate of dividend will not change, but Phoenix Insurance will take steps to distribute a dividend twice a year:

- Dividend at the discretion of the Board of Directors on the approval date of the Financial Statements for the second quarter of each calendar year.
- Supplementary dividend in accordance with the policy on the annual report's approval date of each calendar year.

On May 28, 2024, Phoenix Insurance's Board of Directors approved a revision of its dividend distribution policy whereby, as from 2024, Phoenix Insurance shall distribute an annual dividend at a rate of 40% to 60%.

On May 15, 2025, Phoenix Insurance's Board of Directors approved a revision to the dividend distribution policy, according to which Phoenix Insurance will distribute a dividend on a quarterly basis rather than on a semi-annual basis.

It is hereby clarified that this policy should not be viewed as an undertaking by Phoenix Insurance to distribute dividends, and that any actual distribution shall be individually subject to the Board of Directors' approval, at its sole discretion; the Board of Directors of Phoenix Insurance may decide on actual distribution at different (higher or lower) rates, or not to distribute any dividend. Furthermore, the execution of any actual distribution shall be subject to compliance with the provisions of the law applicable to any dividend distribution, including, among other things, the provisions of the Companies Law, 1999, and to compliance with the financial covenants Phoenix Insurance has undertaken or/or will undertake to comply with, to Phoenix Insurance's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of Phoenix Insurance's bonds and/or its cash flows, and to the extent to which Phoenix Insurance needs cash to finance its activities, including future investments, as shall be from time to time, and/or its expected and/or planned future activities. The Board of Directors of Phoenix Insurance may review the dividend distribution policy from time to time and decide, at any given time, taking into account business considerations and the legal and regulatory provisions applicable to Phoenix Insurance, to change the dividend distribution policy, including the rate of dividend to be distributed.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

B. Dividend (cont.)

3) Dividend distributions in the reporting period

1. On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution - as a dividend in kind - of assets totaling approx. NIS 1.4 billion as detailed below and subject to the fulfillment of the following conditions:

   A. Distribution of the rights of Phoenix Insurance and Hadar Green in the properties known as block 6154, parcels 931 and 932 in Givatayim (hereinafter- "**Beit Havered**"). As of March 31, 2025, the balance of assets in the Phoenix Insurance's books of accounts is approx. NIS 619 million. The distribution is subject to the approval of the Israel Tax Authority and the Givatayim municipality.

   B. Distribution of Phoenix Insurance's entire stake in Gold Mortgages. As of March 31, 2025, the investment balance in Phoenix Insurance's books of accounts is approx. NIS 8 million. Distribution of shares of Gold Mortgages is subject to receipt - from the Commissioner - of an expanded credit provision license (as defined in the Financial Services Supervision Law (Regulated Financial Services), 2016 by Gold Mortgages.

   C. Distribution of the loan advanced by Phoenix Insurance to Gold Mortgages for the purpose of providing loans to customers. As of December 31, 2024, the distribution was carried out against a dividend payable in Phoenix Insurance's books of accounts totaling approx. NIS 574 million. The transfer of a loan to the company was carried out in practice on January 1, 2025.

   D. Distribution to the Company of all of Phoenix Insurance's shares in El Al Frequent Flyer Ltd., which constitute approx. 19.9% of the issued and paid-up share capital of El Al Club. On March 31, 2025, subsequent to the approval of the Israel Tax Authority, the investment in El Al Frequent Flyer Ltd. - totaling approx. NIS 179 million - was distributed to the Company.

   E. Distribution of illiquid financial assets - on March 31, 2025, after obtaining the approval of the Commissioner of Regulated Financial Service Providers, these assets - totaling approx. NIS 25 million - were distributed.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

B. Dividend (cont.)

3) Dividend distributions in the reporting period (cont.)

1. (cont.)

Phoenix Insurance's Board decided that insofar as there are material adverse changes in the status of Phoenix Insurance, prior to the actual distribution of the abovementioned assets, the distribution will be brought before the Board of Directors of Phoenix Insurance to be reassessed, discussed and resolved on.

The distribution of Beit Havered and the remaining stake in Gold Mortgages, as described in Sections A and B above, was not taken into account in the results of the solvency ratio as of December 31, 2024.

2. On May 28, 2025, at the same time as the approval of Phoenix Insurance's financial statements as of March 31, 2025, Phoenix Insurance's Board of Directors decided - given the Company's distributable retained earnings and solvency ratio, to distribute a NIS 170 million dividend, after compliance with the solvency ratio targets and the distribution tests as per the Companies Law.

C. Own Risk and Solvency Assessment of an Insurance Company (ORSA)

On January 5, 2022, the Commissioner published an Amendment to the Provisions of the Consolidated Circular - "Reporting to the Commissioner of Capital Market" - Own Risk and Solvency Assessment of an Insurance Company (ORSA) was published (hereinafter - the "**ORSA Circular**"); the ORSA Circular stipulates that an insurance company shall report to the Commissioner about Own Risk and Solvency Assessment of an Insurance Company (ORSA) once a year - in January. In accordance with the ORSA Circular, Phoenix Insurance shall provide the Commissioner with a report that will include a summary of its results, status of its business and interactions, risk exposure, assessment of solvency and capital requirement, forward-looking valuation, scenarios and sensitivity analyses. The circular's effective date is January 1, 2023. As from January 2023, Phoenix Insurance reports its Own Risk and Solvency Assessment of an Insurance Company to the Commissioner for the first time, in accordance with the requirements of the ORSA Circular.

D. The Company undertook to supplement, at any time, the equity capital of Phoenix Pension and Provident Funds to the amount prescribed by the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. This undertaking will be fulfilled only when Phoenix Pension and Provident Funds' equity capital is negative, provided that the supplement amount does not exceed the liabilities limit as aforesaid; the commitment will be in effect as long as the Company is the controlling shareholder of this entity.

NOTE 6 - SHAREHOLDERS' EQUITY AND CAPITAL REQUIREMENTS (cont.)

E. Phoenix Pension and Provident Funds is required to maintain minimum equity in accordance with 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 Commissioner's directives, guidance issued by the Israel Securities Authority and/or the TASE Rules and Regulations. As of the financial statements date, Phoenix Pension and Provident complies with those requirements.

F. For details regarding the Company's dividend distribution, see Notes 10E and 11A.

G. For details regarding the share buyback during the reporting period and subsequent to the balance sheet date, see Notes 10F and 11C.

H. For details regarding the Company's dividend distribution policy, see Note 11B.

NOTE 7 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE

	For the three months ended March 31, 2025			
	Life Insurance	Health Insurance	P&C	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	82,724	189,600	-	272,324
Change in risk adjustment (RA) for non-financial risk resulting from past risks	12,912	16,200	-	29,112
Claims and other expected insurance service expenses incurred	386,513	363,086	-	749,599
Other (*)	7,009	1,210	-	8,219
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	22,759	13,697	-	36,456
Total contracts to which the Premium Allocation Approach (PAA) was not applied	511,917	583,793	-	1,095,710
Contracts to which the Premium Allocation Approach (PAA) was applied	-	65,040	1,200,562	1,265,602
Total revenues from insurance services	511,917	648,833	1,200,562	2,361,312
Expenses from insurance services				
Claims and other insurance service expenses incurred	424,122	444,892	716,911	1,585,925
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	(57,202)	(30,584)	(130,472)	(218,258)
Losses (reversal of losses) for groups of onerous insurance contracts	48,836	(1)	(3,539)	45,296
Amortization of insurance acquisition cash flows	22,760	18,499	242,008	283,267
Total expenses from insurance services	438,516	432,806	824,908	1,696,230
Income from insurance services before reinsurance contracts held	73,401	216,027	375,654	665,082
Revenues (expenses), net for reinsurance contracts held				
Expenses from reinsurance:				
Contracts to which the Premium Allocation Approach (PAA) was not applied				
Amounts relating to changes in assets for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	17,924	22,060	-	39,984
Change in risk adjustment (RA) for non-financial risk resulting from past risks	8,754	1,310	-	10,064
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	46,792	27,699	-	74,491
Other	(5,271)	(730)	-	(6,001)
Total contracts to which the Premium Allocation Approach (PAA) was not applied	68,199	50,339	-	118,538
Contracts to which the Premium Allocation Approach (PAA) was applied	-	-	250,724	250,724
Total expenses from reinsurance	68,199	50,339	250,724	369,262
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	46,571	38,699	152,290	237,560
Changes relating to past service - adjustment for assets for incurred claims	1,465	(7,050)	(89,940)	(95,525)
Recoveries of losses (reversal of losses) for groups of onerous underlying insurance contracts	-	-	427	427
Total revenues from reinsurance	48,036	31,649	62,777	142,462
Total expenses, net for reinsurance contracts held	(20,163)	(18,690)	(187,947)	(226,800)
Income from insurance services	53,238	197,337	187,707	438,282

NOTE 7 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE (cont.)

	For the three months ended March 31, 2024			
	Life Insurance	Health Insurance	P&C	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	99,554	192,041	-	291,595
Change in risk adjustment (RA) for non-financial risk resulting from past risks	13,367	14,446	-	27,813
Claims and other expected insurance service expenses incurred	380,609	357,290	-	737,899
Other (*)	4,957	(4,931)	-	26
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	16,063	8,946	-	25,009
Total contracts to which the Premium Allocation Approach (PAA) was not applied	514,550	567,792	-	1,082,342
Contracts to which the Premium Allocation Approach (PAA) was applied	-	53,551	1,124,870	1,178,421
Total revenues from insurance services	514,550	621,343	1,124,870	2,260,763
Expenses from insurance services				
Claims and other insurance service expenses incurred	440,719	421,876	729,850	1,592,445
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	(14,870)	(20,893)	(52,026)	(87,789)
Losses (reversal of losses) for groups of onerous insurance contracts	189	626	160	975
Amortization of insurance acquisition cash flows	16,063	13,440	206,108	235,611
Total expenses from insurance services	442,101	415,049	884,092	1,741,242
Income from insurance services before reinsurance contracts held	72,449	206,294	240,778	519,521
Revenues (expenses), net for reinsurance contracts held				
Expenses from reinsurance:				
Contracts to which the Premium Allocation Approach (PAA) was not applied				
Amounts relating to changes in assets for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	15,394	21,234	-	36,628
Change in risk adjustment (RA) for non-financial risk resulting from past risks	9,835	1,407	-	11,242
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	47,413	27,645	-	75,058
Other	(109)	(102)	-	(211)
Total contracts to which the Premium Allocation Approach (PAA) was not applied	72,533	50,184	-	122,717
Contracts to which the Premium Allocation Approach (PAA) was applied	-	-	233,679	233,679
Total expenses from reinsurance	72,533	50,184	233,679	356,396
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	57,221	38,990	137,598	233,809
Changes relating to past service - adjustment for assets for incurred claims	778	(6,032)	19,746	14,492
Recoveries of losses (reversal of losses) for groups of onerous underlying insurance contracts	-	-	48	48
Total revenues from reinsurance	57,999	32,958	157,392	248,349
Total expenses, net for reinsurance contracts held	(14,534)	(17,226)	(76,287)	(108,047)
Income from insurance services	57,915	189,068	164,491	411,474

NOTE 7 - INCOME (LOSS) FROM INSURANCE SERVICES AND REINSURANCE (cont.)

	For the year ended December 31, 2024			
	Life Insurance	Health Insurance	P&C	Total
	Unaudited			
	NIS thousand			
Revenues from insurance services				
Contracts to which the Premium Allocation Approach (PAA) was not applied				

	For the year ended December 31, 2024			
	Life Insurance	Health Insurance	P&C	Total
	Unaudited			
	NIS thousand			
Amounts relating to changes in liability for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services provided	381,813	761,797	-	1,143,610
Change in risk adjustment (RA) for non-financial risk resulting from past risks	52,156	63,641	-	115,797
Claims and other expected insurance service expenses incurred	1,507,491	1,404,348	-	2,911,839
Other (*)	39,630	15,400	-	55,030
Allocation of the portion of the premiums that relate to the recovery of insurance acquisition cash flows.	74,046	41,610	-	115,656
Total contracts to which the Premium Allocation Approach (PAA) was not applied	2,055,136	2,286,796	-	4,341,932
Contracts to which the Premium Allocation Approach (PAA) was applied	-	264,528	4,671,727	4,936,255
Total revenues from insurance services	2,055,136	2,551,324	4,671,727	9,278,187
Expenses from insurance services				
Claims and other insurance service expenses incurred	1,717,490	1,716,091	2,925,848	6,359,429
Changes relating to past service - adjustment for liabilities for incurred claims (LIC)	8,939	(33,383)	(504,051)	(528,495)
Losses (reversal of losses) for groups of onerous insurance contracts	37,847	3	5,073	42,923
Amortization of insurance acquisition cash flows	74,046	80,260	901,375	1,055,681
Total expenses from insurance services	1,838,322	1,762,971	3,328,245	6,929,538
Income from insurance services before reinsurance contracts held	216,814	788,353	1,343,482	2,348,649
Revenues (expenses), net for reinsurance contracts held				
Expenses from reinsurance:				
Contracts to which the Premium Allocation Approach (PAA) was not applied				
Amounts relating to changes in assets for remaining coverage (LRC):				
The contractual service margin (CSM) amount recognized in profit or loss for services received	69,418	83,104	-	152,522
Change in risk adjustment (RA) for non-financial risk resulting from past risks	37,550	6,529	-	44,079
Recoveries of claims for underlying insurance contracts and other expected insurance services expenses incurred	184,805	111,005	-	295,810
Other	(783)	4,088	-	3,304
Total contracts to which the Premium Allocation Approach (PAA) was not applied	290,990	204,726	-	495,715
Contracts to which the Premium Allocation Approach (PAA) was applied	-	-	1,003,234	1,003,234
Total expenses from reinsurance	290,990	204,726	1,003,234	1,498,949
Revenues from reinsurance:				
Recoveries of claims for underlying insurance contracts and other insurance services expenses incurred	209,899	151,753	601,376	963,028
Changes relating to past service - adjustment for assets for incurred claims	28,954	(28,409)	(75,760)	(75,215)
Recoveries of losses (reversal of losses) for groups of onerous underlying insurance contracts	(15)	-	17	2
Total revenues from reinsurance	238,838	123,344	525,633	887,815
Total expenses, net for reinsurance contracts held	(52,152)	(81,382)	(477,601)	(611,134)
Income from insurance services	**164,662**	**706,971**	**865,881**	**1,737,515**

(*) Mainly changes between actual premium debited and the current premium forecast in the actuarial model.

NOTE 8 - REVENUE (LOSS) FROM INVESTMENTS AND FINANCING, NET

	For the three months ended March 31, 2025				
	Life Insurance	Health Insurance	P&C	Remaining operating segments	Total
	Unaudited				
	NIS thousand				
Investment revenues (losses), net					
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	633,179	16,590	-	157,822	807,591
Income (losses) from other investments, net:					
Other investment income, net	34,936	45,378	51,161	88,749	220,224
Share in profits of equity-accounted subsidiaries closely related to the investing activity	9,759	13,724	6,697	20,283	50,463
Total income from other investments, net	44,695	59,102	57,858	109,032	270,687
				-	
Total investment income, net recognized in the income statement	677,874	75,692	57,858	266,854	1,078,278
Finance expenses, net arising from insurance contracts:					
Change in liabilities in respect of insurance contracts arising from changes in the fair value of underlying items of VFA contacts	617,426	13,404	-	-	630,830
Effects of the risk mitigation option for VFA contracts	9,954	-	-	-	9,954
Interest accrued (a)	157,114	70,616	55,797	-	283,527
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	(173,662)	(41,707)	(36,018)	-	(251,387)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	(5,142)	(1,909)	-	-	(7,051)
Total finance expenses, net arising from insurance contracts	605,690	40,404	19,779	-	665,873
Finance revenues, net arising from reinsurance contracts:					
Interest accrued (a)	8,588	25,350	8,986	-	42,924
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	(3,356)	(30,395)	(2,049)	-	(35,800)
Effect of the difference between discounting with the current rate and discounting with the original rate of the changes in FCF charged to CSM	(3,143)	(646)	-	-	(3,789)
Loss on exchange rate differences and other	(1,898)	(2,384)	(2,400)	-	(6,682)
Total finance revenues (expenses), net arising from reinsurance contracts	191	(8,075)	4,537	-	(3,347)
Decrease (increase) in liabilities for investment contracts due to the yield component	-	-	-	(174,352)	(174,352)
					-
Total income (loss) from investments and financing, net	72,375	27,213	42,616	92,502	234,706

NOTE 8 - REVENUE (LOSS) FROM INVESTMENTS AND FINANCING, NET (cont.)

	For the three months ended March 31, 2024				
	Life Insurance	Health Insurance	P&C	Remaining operating segments	Total
	Unaudited				
	NIS thousand				
Investment revenues (losses), net					
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	3,423,106	528,968	-	1,324,170	5,276,244
Income (losses) from other investments, net:					
Other investment income, net	204,296	62,201	99,370	259,151	625,018
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(4,420)	15,282	6,603	7,703	25,168
Total income from other investments, net	199,876	77,483	105,973	266,854	650,186
				-	
Total investment income, net recognized in the income statement	3,622,982	606,451	105,973	1,591,024	5,926,430
Finance expenses, net arising from insurance contracts:					
Change in liabilities in respect of insurance contracts arising from changes in the fair value of underlying items of VFA contacts	3,340,719	504,000	-	-	3,844,719
Effects of the risk mitigation option for VFA contracts	63,158	-	-	-	63,158
Interest accrued (a)	172,153	92,969	56,489	-	321,611
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	10,186	134,402	3,047	-	147,635
Total finance expenses, net arising from insurance contracts	3,586,216	731,371	59,536	-	4,377,123
Finance revenues, net arising from reinsurance contracts:					
Interest accrued (a)	8,564	29,334	6,167	-	44,065
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	943	28,890	11,264	-	41,097
Loss on exchange rate differences and other	(9,514)	-	-	-	(9,514)
Total finance revenues, net arising from reinsurance contracts	(7)	58,224	17,431	-	75,648
Decrease (increase) in liabilities for investment contracts due to the yield component	-	-	-	(1,340,229)	(1,340,229)
Total income (loss) from investments and financing, net	36,759	(66,696)	63,868	250,795	284,726

NOTE 8 - REVENUE (LOSS) FROM INVESTMENTS AND FINANCING, NET (cont.)

	For the year ended December 31, 2024				
	Life Insurance	Health Insurance	P&C	Remaining operating segments	Total
	Unaudited				
	NIS thousand				
Investment revenues (losses), net					
Investment income, net from assets held against insurance contracts and yield-dependent investment contracts	9,632,023	697,547	-	3,666,507	13,996,077
Income (losses) from other investments, net:					
Other investment income, net	889,164	221,496	366,229	1,286,679	2,763,568
Share in profits (losses) of equity-accounted subsidiaries closely related to the investing activity	(3,819)	25,420	40,578	41,075	103,254
Total income from other investments, net	885,345	246,916	406,807	1,327,754	2,866,822
				-	-
Total investment income, net recognized in the income statement	10,517,368	944,463	406,807	4,994,261	16,862,899
Finance expenses, net arising from insurance contracts:					
Change in liabilities in respect of insurance contracts arising from changes in the fair value of underlying items of VFA contacts	9,401,010	624,352	-	-	10,025,362
Effects of the risk mitigation option for VFA contracts	194,711	-	-	-	194,711
Interest accrued (a)	662,438	335,627	228,053	-	1,226,118
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	(29,928)	203,846	71,505	-	245,423
Total finance expenses, net arising from insurance contracts	10,228,231	1,163,825	299,558	-	11,691,614
Finance revenues, net arising from reinsurance contracts:					
Interest accrued (a)	34,853	110,439	24,000	-	169,292
Effects of changes in interest rates and other financial assumptions (including inflation assumptions) (b)	10,486	48,274	66,026	-	124,786
Loss on exchange rate differences and other	(46,921)	-	-	-	(46,921)
Total finance revenues (expenses), net arising from reinsurance contracts	(1,582)	158,713	90,026	-	247,157
Decrease (increase) in liabilities for investment contracts due to the yield component	-	-	-	(3,763,568)	(3,763,568)
Total income (loss) from investments and financing, net	287,555	(60,649)	197,275	1,230,693	1,654,874

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 nominal interest rate curve at the beginning of the period.

B. The effect of inflation included in this section represents the difference between actual inflation in the period and the expected inflation taken into account in the nominal interest rate curve. In the three-month period and in 2024, the line item also includes the effect of the difference between discount at the current interest rate and discount at the original interest rate of the changes in FCF charged to CSM.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS

Contingent liabilities

A. Testing materiality for reporting and disclosure purposes regarding class action certification motions, class actions, and legal proceedings outside the ordinary course of business

On March 12, 2025, the Group's Board of Directors approved an update to the guidelines and rules for examining whether a motion to certify a class action and a legal proceeding that is outside the ordinary course of business (hereinafter in this subsection - "**claims**" or "**claim**") filed against the Group amounts to a material event which is outside the corporation's ordinary course of business with respect to the obligation to publish an immediate report in their respect under Regulation 36 to the Securities Regulations (Periodic and Immediate Reports), 1970, as well as with respect to including a verbal annotation in their respect in this note (hereinafter in this subsection - the “**Reporting and Disclosure Policy**").

As detailed in Section B below, in recent years, the filing of motions to certify class actions - both against the Group and against companies engaged in similar areas of activity - has become routine; however, it has become apparent over time that such claims have no material effect on the Group's business. Moreover, the difficulty in assessing the chances of the lawsuit being allowed within the time frame requiring the publication of an immediate report (i.e. immediately prior to the date of receipt of the lawsuit by the company) led to a practice whereby - prior to the revision of the Reporting and Disclosure Policy - immediate reports regarding lawsuits were published before an assessment was made of the lawsuit’s chances of success, and accordingly, a verbal description of those lawsuits was included in the note regarding contingent liabilities and commitments in the subsequent financial statements.

In accordance with the current Reporting and Disclosure Policy, a claim deemed material at the time of its receipt by the Group (in accordance with a quantitative and qualitative assessment), as stated below, will be reported to the public effective immediately and information thereof will be detailed in the notes to the financial statements. A lawsuit, which will not be considered material upon its receipt by the Group (in accordance with the quantitative and qualitative assessment as detailed below), will not be reported under an immediate report; rather, it will be included in the summary table in Section G below. In certain cases, as detailed below, the Company shall provide a verbal description of such a claim in the notes to the financial statements.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. Testing materiality for reporting and disclosure purposes regarding class action certification motions, class actions, and legal proceedings outside the ordinary course of business (cont.)

Quantitative assessment - If the claimed amount in a claim against any of the Group's companies at the time of its receipt (before its prospects have been examined) exceeds 5% of the total equity attributable to the relevant Company's shareholders (the Company or Phoenix Insurance Company Ltd.), the claim shall be deemed material. It is clarified that the Company shall be entitled to determine, in certain cases in which the circumstances of the claim indicate as much - even if a claimed amount exceeds the aforementioned threshold - it shall not be deemed a material claim, and vice versa - if the qualitative assessment (see below) reflects this both upon receipt of the claim by the Company and during the life of the claim.

Qualitative assessment - As part of this assessment, several aspects of the claim will be examined, first and foremost - whether the claim relates to the Group's core business or to a unique field such as securities law, competition law, or whether it has special broad implications, or may have a material impact on the Group's business, or whether the claim may have a material impact on the overall information which serves as the basis for investment decisions regarding the Company's securities made by investors.[1]

It is clarified that, in light of the duration of legal proceedings (sometimes over many years) and their development, a claim which did not amount to a material claim at the time of its receipt by the Company (and accordingly - was not published in an immediate report), may develop into a material claim as it progresses. In such a case, the Company will include a disclosure about the claim at a later date in the notes to the financial statements shortly after it has become material and will assess the need to issue an immediate report regarding such development in accordance with the statutory provisions.

The abovementioned revision of the Group's Reporting and Disclosure Policy came into force on March 12, 2025. It is clarified that lawsuits, in respect of which immediate reports were published from January 1, 2025 until March 12, 2025 (i.e., prior to the entry into force of the Reporting and Disclosure Policy), and which are not deemed material lawsuits under the Reporting and Disclosure Policy, are not included in the narrative disclosure in Section C to this note.

[1] In doing so, the Company will take into account various considerations, such as the identity of the plaintiff or group of plaintiffs, identity of the defendants, anticipated effects if the claim is certified as a class action, and in case it is certified by the court - the manner in which the process is expected to be conducted, its complexity and its cumulative effects on the Group, the existence of similar claims on similar grounds, etc.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

A. <u>Testing materiality for reporting and disclosure purposes regarding class action certification motions, class actions, and legal proceedings outside the ordinary course of business</u> (cont.)

It should also be noted that the quantitative threshold for including a verbal annotation in a note to the financial statements about a claim regarding which no immediate report was published at the time of its receipt by the Company, but has become material during its life, will be determined by the Company from time to time. In addition, the Company may include a verbal disclosure in a note to the financial statements regarding a claim that has become material even though at the time of its receipt by the Group it was not considered as such, due to other qualitative considerations.

B. <u>Class actions - motions to certify lawsuits as class actions and lawsuits certified as class actions</u>

In recent years, there has been a significant increase in the number of motions to certify 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 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 a ruling against the Group companies in class actions.

Motions to certify class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearing procedure for motions to certify class actions is divided into two main stages: The first stage is the motion to certify the claim as a class action (hereinafter - the “**motion to certify**" or the “**certification stage**”, respectively). Provided the motion to certify is rejected by the court, the hearing stage at the class action level ends. A ruling at the certification stage may be subject to a request for 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, 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 the class action.

In the State of Israel, filing class action lawsuits does not entail payment of a fee derived from the claimed amount; therefore the amounts of such claims may be significantly higher than the actual exposure for that claim.

Section C to this note below includes a disclosure regarding lawsuits, which meet the criteria for material lawsuits, in accordance with the quantitative and qualitative parameters set in the Reporting and Disclosure Policy (hereinafter - “**Material Lawsuits**").

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

B. **Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)**

In the material claims detailed in Subsections 1-5 under Section C below, in which, in management's opinion - that is based, inter alia, on legal opinions - the Group's defense claims are more likely than not to be accepted and the motions to certify lawsuits as class actions to be rejected - no provision was included in the financial statements, except for motions to certify lawsuits as class actions in which the Group is willing to reach a settlement. In material claims (some / all) of which are more likely than not to be rejected, and in which the Group is willing to reach a compromise, provisions were included in the financial statements to cover the exposure as assessed by the Group or a provision in the amount for which the Group is willing to settle, as the case may be.

Management's assessment, which is based, inter alia, on legal opinions received, is included in the financial statements under adequate provisions, where such provisions were required, to cover the exposure as assessed by the Group or the amount for which the group is willing to settle, as the case may be.

Regarding the Material Lawsuit detailed in Subsection 6 to Section C below, at this preliminary stage, it is impossible to assess the chances of the motion to certify and therefore no provision was included in the Financial Statements in respect of this lawsuit.

In addition to the Material Lawsuits described in Section C below, 47 motions to certify class actions are pending against the Group (including lawsuits which were approved and/or are under appeal), which the Company believes do not constitute Material Lawsuits under the Reporting and Disclosure Policy, and therefore no narrative description thereof was included in this note (hereinafter - the "**Remaining Lawsuits**").

The total claimed amount specified by the plaintiffs in the Remaining Lawsuits is approx. NIS 2.93 billion; in respect of all 53 lawsuits, the total claimed amount specified by the plaintiffs is approx. NIS 6.59 billion (compared to approx. NIS 6.79 billion in respect of all 52 lawsuits as of December 31, 2024). It is noted that for 27 of these 47 lawsuits, the amount claimed was not estimated.

In the Remaining Lawsuits, allegations are made, among other things, regarding unlawful payments (including the collection of premiums or payments or other components not in accordance with the terms of the policy and/or non-payment of components such as interest and/or linkage); failure to pay/ underpayment of insurance benefits in violation of the provisions of the law and/or the terms of the policy; interpretation of the terms of the policy and claims regarding policy breach; allegations regarding non-disclosure of information to policyholders in accordance with Statutory Provisions; allegations regarding breach of regulatory obligations; allegations regarding breach of the Privacy Protection Law, 1981 and/or the Communications Law (Bezeq and Broadcasting), 1982; etc.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

B. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

In the management's opinion, based, among other things, on legal opinions, and/or on the position of the management of the Group's consolidated companies, which is based on the opinions of their legal counsels (as applicable) - the Financial Statements include adequate provisions for the Remaining Lawsuits, to the extent required.

Regarding all class action certification motions (including lawsuits which were approved and/or are under appeal), which were mostly filed against the Group on various matters pertaining to insurance contracts and to the Group's ordinary course of business, the Group provided insurance reserves.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Material class actions - motions to certify lawsuits as class actions certified as class actions

Following a breakdown of the motions to certify claims as class actions:

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
1.	January 2008 Tel Aviv District Court Phoenix Insurance and other insurance companies Approx. NIS 1.67 billion of all defendants, with about NIS 277 million attributed to Phoenix Insurance.[4]	The claim concerns an allegedly unlawful collection of payments known as "sub-annuals" for life insurance policies, in an amount that exceeds the permitted one.	In May 2018, the Supreme Court granted the defendants' motion for leave to appeal and dismissed the plaintiffs' appeal, such that the District Court's judgment was quashed and the motion to certify the claim as a class action was denied. In July 2019, the Supreme Court upheld the plaintiffs' request for a further hearing on the question set forth in the Judgment regarding the regulator's position filed with the court regarding its instructions, and on the question of de minimis defense in a monetary class action. In July 2021, the Supreme Court handed down its judgment in respect of the further hearing by the Supreme Court (which was concluded at a 4 to 3 majority), whereby the Supreme Court's judgment will be canceled and the District Court's judgment will be reinstated, the motion to certify will be allowed and the class action will be heard by the District Court, excluding the specific claims that were raised against Phoenix Insurance (and another insurance company) regarding the collection of "sub-annuals" in an amount that exceeds the amount permitted by law - claims which were rejected by the court and therefore will not be discussed again by the District Court, and the legal proceedings in respect thereof has ended. The class action continues to be heard in the district court. At the same time, the parties are conducting a mediation proceeding.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts were assessed by the plaintiffs in the class action statement of claim. It should be noted that the amounts specified in the motion to certify the claim as a class action were different and higher and also referred to the claim of collecting sub-annuals at a higher rate than permitted under law, which, as stated, has been rejected.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Material class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
2.	May 2013 Tel Aviv District Court Phoenix Insurance Approx. NIS 220 million or alternatively NIS 90 million.[4]	The claim concerns the alleged non-payment of interest in respect of insurance benefits from the date of the insured event, or alternatively from the end of 30 days from the date on which the claim was filed and until actual payment date.	In February 2021, the District Court handed down a partial judgment, according to which it has certified the class action, in respect of any entitled party (policyholder, beneficiary or third party), who - during the period starting three years prior to the filing of the lawsuit and ending on judgment date - received insurance benefits from Phoenix Insurance (not in accordance with a judgment rendered in his case) without being duly paid interest thereon. It was also established that, for the purpose of implementing the judgment, calculation and manner of restitution, an expert will be appointed and that the class plaintiffs will be awarded legal expenses and legal fees. In November 2022, the motion for leave to appeal filed by Phoenix Insurance to the Supreme Court in connection with the partial judgment was rejected, noting that the appropriate instance to hear Phoenix Insurance's claims is an appeal against the final judgment, should such an appeal be filed. The proceeding was returned to the District Court and continues to be heard there, and in accordance with the above an expert was appointed on behalf of the courts, whose identity was agreed by the parties. At the same time, the parties are conducting a mediation proceeding.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts are those amounts that were estimated by the plaintiff in the class action statement of claim - NIS 220 million (if it was ruled that interest should be calculated from the date of occurrence of the insured event) and NIS 90 million (if it is ruled that interest should be calculated starting 30 days from the delivery date of the claim). It should be noted that the amounts in the motion to certify the claim as a class action were different and higher and also related to the linkage claim, which was rejected.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Material class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
3.	September 2015 Tel Aviv District Court Phoenix Pension (currently - Phoenix Pension and Provident Fund Ltd.) and management companies of additional pension funds. Approx. NIS 300 million per year since 2008 of all the defendants.	According to the claim, the defendants pay agents fees and commissions calculated as a percentage of the management fees charged by them, thus allegedly violating their fiduciary duties, and that, as a result, the management fees that planholders are charged are higher than the appropriate rate.	In November 2022, the Court rejected the motion to certify the claim as a class action. In January 2023, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for July 7 2025.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Material class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
4.	August 2017 Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction) Excellence Gemel & Hishtalmut Ltd. (currently: Phoenix Pension and Provident Fund Ltd.) The claimed amount was not estimated but it was stated as more than NIS 2.5 million.	The claim concerns an alleged increase of management fees in 2007 without issuing prior notice as required by law.	In March 2022, the court certified the claim as a class action. In June 2022, Excellence Gemel filed a motion for leave to appeal against the certification decision with the National Labor Court. The hearing of the class action by the Regional Court was delayed until a decision is made regarding the motion for leave to appeal. On May 20, 2025, the parties filed with the Court a settlement agreement approval motion. In accordance with the settlement agreement, which was filed, Phoenix Pension & Provident will pay the class members (as defined in the settlement agreement) a compensation totaling approx. NIS 55 million (cash reimbursement of NIS 46 million and the remaining balance in respect of a future benefit) and will also bear the payment of compensation to the representative plaintiff and their attorney's legal fees, at the rate agreed in the settlement agreement or at the amount, which will be ruled by the court, as well as various immaterial expenses incurred by the representative plaintiff in the course of conducting the proceeding (for further details, see the immediate report of May 20, 2025, Ref. No.: 2025-01-035332). It is noted that in respect of the said settlement agreement, Phoenix Pension & Provident has an adequate provision. The settlement agreement is subject to the Court's approval.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

C. Material class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
5.	May 2019 Tel Aviv District Court Phoenix Insurance Approx. NIS 766.8 million.	According to the plaintiff, the claim deals with Phoenix Insurance's not paying policyholders in participating life insurance policies which include an Rm formula their full share of the profits and full payments to which they are entitled under the insurance contracts; the plaintiff also claims that Phoenix Insurance does not fulfill its reporting and disclosure obligations towards policyholders regarding their policies and rights.	The parties are in mediation. It should be noted that the plaintiff stated that a similar motion to certify a claim as class action, which was filed against another insurance company, had recently been granted.
6.	July 2021 Tel Aviv District Court Phoenix Insurance The claimed amount was not estimated, but it was stated that it exceeds NIS 2.5 million.	The subject matter of the claim, according to the plaintiffs, is that the defendants deduct interest at the rate of 2.5% (or any other rate) from the monthly return accrued for policyholders to whom a monthly pension is paid under participating life insurance policies issued in 1991-2004; according to the plaintiffs, such a deduction is not established in the contractual terms and conditions of the relevant insurance policies.	The parties are in mediation.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

D. Material concluded claims*

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
1.	February 2010 Central District Court Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim) Approx. NIS 1.47 billion of all defendants (including the defendants in the corresponding case), of which approx. NIS 238 million is attributed to Phoenix Insurance.[4]	The cause of the lawsuit, as approved by the District Court (in the corresponding case) was breach of insurance policies due to unlawful collection of "policy factor" commission in a manner that reduced the saving amount accrued in favor of the policyholder for a period starting seven years before the claim was filed.	In June 2023, the parties filed with the Court a motion to approve a settlement agreement. According to the settlement agreement that was filed, the considerations paid to the class members (as defined in the settlement agreement), are: Refund at the rate of 42% in respect of the past for the "policy factor"; future discount of 50% in respect of the "policy factor"; and payment of compensation and legal fees to the representative plaintiff and his attorney (for further details, see immediate report of June 21, 2023, Ref No.: 2023-01-057877). On May 5, 2024 the Attorney General presented her position, whereby she does not object to the rate of refund to the class members in respect of the past (42%) and leaves this to the Court to decide, provided that the revaluation of the refund amounts shall be made by adding actual returns also from 2013 and thereafter; she also does not object to the future reduction of the policy factor, and leaves this to the Court to decide. Furthermore, the position included an objection and comments regarding other clauses in the settlement agreement, including the legal fees to the representative plaintiff's attorneys, the manner by which refunds will be paid to the class members, and the manner of reducing the policy factor. In June 2024, the Court heard the motion for approval of the settlement agreement, including regarding the position of the Attorney General.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The amounts are the amounts assessed by the plaintiffs in the consolidated class action statement of claim filed in March 2019 against the defendant insurance companies sued in the corresponding case and against Phoenix. It is noted that the amounts in the motion to certify the claim as a class action were different and higher.
* For additional claims concluded between January 1, 2025 and March 13, 2025, see Note 43A3, Sections 17-18 of the table of concluded claims in the Company's Financial Statements as of December 31, 2024, published on March 13, 2025 (Ref. No. 2025-01-016702).

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

D. Material concluded claims* (cont.)

Serial No.	Date,[1] court,[2] defendants and claimed amount[3]	Main arguments	Details
1. (cont.)			On August 15, 2024, a judgment was rendered by the confirming the settlement agreement filed by the parties. As part of the approval of the settlement agreement, the Court approved, among other things, the parties' agreements regarding the refund to class members in respect of the past, including the rate of refund (42%), and ruled, by the power vested in it by the parties with regard to the revaluation of the refund amounts, that a total will be added to the refund amounts, which constitutes 90% of the returns in the period starting at the beginning of 2013 and through the date of the reduction of the future collection of the policy factor; the rate of reduction of the future collection of the policy factor (50%); the legal fees of the representative plaintiff's counsels at the rate agreed in the settlement agreement; the Court also ruled that the compensation to the representative plaintiff will be paid out of the said legal fees. The proceeding was thus concluded and Phoenix Insurance works to implement the settlement agreement. The parties submitted to the court a notice regarding preparations for and implementation of the settlement agreement and a motion for clarifications regarding the implementation. A hearing has been scheduled for June 16, 2025. It is noted that Phoenix Insurance has an adequate provision in its books of accounts in respect of the settlement agreement, which was approved by the Court.

[1] The date on which the motion to certify the class action was originally filed.
[2] The court with which the motion to certify the class action was originally filed.
[3] The claimed amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
* For additional claims concluded between January 1, 2025 and March 13, 2025, see Note 43A3, Sections 17-18 of the table of concluded claims in the Company's Financial Statements as of December 31, 2024, published on March 13, 2025 (Ref. No. 2025-01-016702).

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

E. Legal and other proceedings

The following are legal and other proceedings against the Group, which are deemed material in accordance with the Reporting and Disclosure Policy. For proceedings where, in the opinion of management - which is based, among other things, on the legal opinion it has received - it is more likely than not that the Group's defense claims will be allowed and the proceeding will be dismissed, no provision was included in the financial statements.

For proceedings where it is more likely than not that the Group's defense claims will be dismissed, in whole or in part, the financial statements include provisions to cover the exposure estimated by the Group. In management's opinion, which is based, among other things, on legal opinions it received, the financial statements include adequate provisions, where provisions were required, to cover the exposure estimated by the Group.

A. In December 2021, Phoenix Insurance received a letter from the Capital Market, Insurance and Savings Authority in connection with the restriction of insurance coverages in accordance with Regulation 45 to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. As part of the said letter, Phoenix Insurance was requested to transfer information and check whether it acted in accordance with provisions of the law referred to in the letter, and should it failed to act in accordance with the said provisions, to repay the cost of insurance coverage allegedly collected not in accordance with the relevant provisions. The letter states that it was sent, among other things, against the backdrop of a legal proceeding currently being conducted against another insurance company in connection with this issue. On April 28, 2022, Phoenix Insurance responded in writing to this letter. The Authority's decision has yet to be issued.

B. In April 2023, a letter was received from the Capital Market Authority, along with a draft audit report regarding the collective long-term care insurance plan administered by Phoenix Insurance for members of the Meuhedet HMO. The draft audit report focuses on the adequacy of the management of the money held in the fund between 2017 and 2019 and mainly concerns the manner in which contingent claims funds were managed.

   In June 2023, Phoenix Insurance responded to the letter and to the draft audit report. In July 2023, Phoenix Insurance added upon its response and a hearing was held before the ISA. The Authority's decision has yet to be issued.

C. The Group is a party to legal and other proceedings, which are not insurance claims, including, among other things, claims made by customers, former customers, agents and various third parties in immaterial amounts and for a total amount of approx. NIS 45 million. The causes of action against the Group in these proceedings are different.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

F. Complaints

Complaints are filed against the Group from time to time, including complaints to the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") in relation to policyholders' rights under insurance policies and/or the law. These complaints are handled on an ongoing basis by the Group's Public Complaints Department. The Commissioner's decisions with regard to these complaints, to the extent that a decision has been made in respect thereof, are sometimes issued as sweeping decisions relating to a group of policyholders. Before issuing a final version of his decisions, the Commissioner usually issues a draft decision.

Furthermore, as part of the Commissioner's inquiries with the Group, following complaints and/or audits on his behalf, demands are made from time to time to receive various data regarding the Group's handling of insurance policies in the past and/or a demand to reimburse funds to groups of policyholders and/or other guidelines. In addition, the Commissioner has the power, among other things, to impose financial sanctions on the Group in accordance with the data that was and/or will be transferred thereto following inquiries as described above.

In addition to the motions to certify claims as class actions filed against the Group and the legal and other proceedings, there is a general 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 services 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 reflected, among other things, in the areas of pension savings and long-term insurance, including health and long-term care insurance, in which the Group operates. Insurance policies in these areas of activity are assessed over many years in which policies, regulation and legislation change and new court rulings are issued. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and the application of the changes over many years lead to an increased operational exposure. In addition, allowing new interpretations for the provisions of insurance policies and long-term pension products sometimes affects the Group's future income in respect of its existing portfolio, in addition to the exposure embodied in claims for compensation for customers in respect of past activity.

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.

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

F. Complaints (cont.)

In addition, some of the Group's products have long terms and are particularly complex in light of the various legislative arrangements both in the field of product management and in the field of taxation, attribution of contributions, investment management, the policyholder's employment status, his contributions, etc.

The Wage Protection Law, 1958 imposes a liability on the Group’s institutional entities, in accordance with the circumstances specified in the law, in respect of employers’ debts to the institutional entities, where such debts have not been repaid on time. The Group is in the process of improving the data on employers' debts and policyholders’ rights, during the course of which lawsuits were filed against employers and the debts of other employers were rescheduled. The Company continues with the ongoing treatment and improvement of employers' debts in accordance with the provisions of the law.

G. Summary table

The following table summarizes the amounts claimed in all pending motions to certify claims as class actions, certified 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 claimed amount 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 resolved 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.

Type	No. of claims	The amount claimed in NIS thousand (unaudited)
Certified class actions:		
A specific amount was attributed to the Company	3	589,743
The claim pertains to several companies and no specific amount was attributed to the Company	2	328,000
No claimed amount was specified.	5	-
Pending motions to certify lawsuits as class actions:		
A specific amount was attributed to the Company	11	2,178,087
The claim pertains to several companies and no specific amount was attributed to the Company	8	3,494,845
No claimed amount was specified.	24	-
Other material claims:		
A specific amount was attributed to the Company	-	-
The claim pertains to several companies and no specific amount was attributed to the Company	-	-
No claimed amount was specified.	-	-
Claims and other demands	16	44,998

NOTE 9 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

G. Summary table (cont.)

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as detailed above as of March 31, 2025 and December 31, 2024, amounted to approx. NIS 529,726 thousand (of which a total of approx. NIS 232,952 thousand is for concluded class actions) and approx. NIS 549,943 thousand, respectively.

NOTE 10 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. Changes in estimates and principal assumptions used to calculate the insurance contract liabilities:

The following is a summary of the effects on the financial results and the CSM balance of the revision to assumptions pertaining to the calculation of net liabilities for reinsurance contracts:

	Effect on the insurance finance revenues or (expenses) line item	Effect on the CSM balance - increase (decrease) (*)
	NIS million	
For the three-month period ended March 31, 2025 (unaudited):		
Life Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	172	153
Health Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	13	-
Property and Casualty Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	34	-
	219	153
For the three-month period ended March 31, 2024 (unaudited):		
Life Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	(9)	(45)
Update of value added tax rate	-	(35)
Health Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	(106)	-
Update of value added tax rate	-	(35)
Property and Casualty Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	8	-
	(107)	(115)
For the year ended December 31, 2024 (unaudited):		
Life Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	40	22
Effect of the revision of demographic assumptions and other changes:		
Update of value added tax rate	-	(35)
Mortality tables assumptions	-	(319)
Cancellations study assumption	-	(548)
Revision to retirement age assumption		33
Other	-	(42)
	40	(899)
Health Insurance Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	(156)	-
Effect of the revision of demographic assumptions and other changes:		
Update of value added tax rate	-	(35)
Morbidity rate assumption	-	(111)
Cancellation rate assumption	-	223
Risk adjustment (RA)	-	(155)
Other	-	(9)
	(156)	(87)
Property and Casualty Segment		
Effects of changes in interest rates and other financial assumptions (including inflation assumptions)	(5)	-
	(121)	(986)

* Effects of changes to interest rates and other financial assumptions (including inflation assumptions) - the effect on the CSM balance includes only the effect of changes in the interest rate curve without the effects of changes to other financial assumptions.

NOTE 10 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

B. In January 2025, the Company issued - as part of the expansion of its Bonds (Series 5 and 6) NIS 174,242 thousand p.v. in Bonds (Series 5) of NIS 1 p.v. each, and NIS 473,120 thousand p.v. in Bonds (Series 6) of NIS 1 p.v. each. The terms of the bonds are identical to the terms of the existing bonds. The Bonds were rated by Midroog at il.Aa2 with a stable outlook, and by Maalot at ilAA. The total consideration arising to the Company from the two expansions amounted to NIS 600,000 thousand. In January 2025, Midroog announced the assignment of Aa2.il rating to the expansion of Series 5 and 6 Bonds by up to NIS 700 million p.v. In January 2025, Ma'alot S&P announced the assignment of ilAA rating to the expansion of Series 5 and Series 6 Bonds by up to NIS 700 million p.v.

C. In February 2025, Midroog announced that it was reiterating both the Company's rating and that of its bonds issued at Aa2.il, with a stable outlook.

D. On March 12, 2025, the Company's Board of Directors approved a dividend distribution in respect of income for 2024, in the amount of NIS 565 million. The dividend per share of NIS 1 p.v. is NIS 2.25. The dividend was paid on March 27, 2025.

E. On January 29, 2025, the Company's Board of Directors approved a share buyback plan of Company shares, totaling up to NIS 100 million, for a period of one year. During the reporting period, the Company purchased approx. 328 thousand shares at a total cost of approx. NIS 21 million. Subsequent to the purchase, the Company holds approx. 11,638 thousand Company shares. For details regarding an acquisition subsequent to the reporting period, see Note 11C below.

F. On March 12, 2025, the Company's Board of Directors approved - after obtaining the approval of the Compensation Committee - the allocation of options to employees of the Company and of its subsidiaries, some of whom are Company officers, and to service providers of the Company (hereinafter- the "**Offerees**") a total of up to approx. 183.5 thousand RSUs, offered without cash consideration (offered in consideration of work or services provided by the Offerees to the Company). The RSUs shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the Revised 2018 Plan) and the employee's continued employment by the Company. The fair value at the Award Date was calculated based on an appraisal received from an external appraiser, which was based on the closing price of the Company's share as of the date of approval by the Board of Directors and adjustment of the dividends expected during the vesting period, reflecting an average dividend yield rate of approx. 6% per year. The average value of one restricted share unit was estimated at approx. NIS 57.54, and the total value of the RSUs was estimated at approx. NIS 10.6 million.

NOTE 10 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

G. On August 12, 2025, the Company's Board of Directors approved - after obtaining the approval of the Compensation Committee - the allocation of options to employees of the Company and of its subsidiaries, some of whom are Company officers (including the Company’s CEO), and to service providers of the Company (hereinafter- the “**Offerees**”) a total of up to approx. 1,324 thousand options, offered without cash consideration (offered in consideration of work or services provided by the Offerees to the Company). The shares that will be issued as a result of the exercise of the said options, are ordinary shares of the Company of NIS 1 p.v. each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed below) and the employee’s continued employment by the Company. The exercise price of each option (adjusted to reflect dividends) is NIS 71.28 in respect of the first tranche, NIS 72.9 in respect of the second tranche, and NIS 74.52 in respect of the third tranche. On exercise date, the Company shall allot the exercise shares in accordance with the number of options exercised multiplied by the difference between the stock exchange price of the share on exercise date and the exercise price divided by the stock exchange price. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 50% of the price of Company’s share on the day before the allotment (NIS 64.80). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 97.20 for the first tranche, NIS 102.06 for the second tranche, and NIS 106.92 for the third tranche. The fair value at the Award Date is calculated based on an appraisal received from an external appraiser who used the binomial model. The average value of one option was estimated at approx. NIS 11.31, and the total value of the options was estimated at that date at approx. NIS 15 million. According to the Board of Directors' decision, a total of approx. 40 thousand options was allocated to the Company's CEO; as stated above, the allocation of options to the CEO was approved in an extraordinary general meeting of the Company held on April 21, 2025. The performance conditions are as detailed below:

1. Solvency ratio - in accordance with the 2018 Plan, as detailed in Note 37 to the 2024 Annual Financial Statements.

2. Normalized earnings per share target - at a rate of at least 70% of the normalized earnings per share target set.

NOTE 10 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

H. On March 12, 2025, after approval by the Board of Directors of Phoenix Capital Partners, the Company's Board of Directors and their respective Compensation Committees, (illiquid) options were allocated to employees of Phoenix Capital Partners and other Company subsidiaries, some of whom are Company officers and to service providers of the Company (hereinafter - the "**Offerees**"); the total number of options that were allocated a total of 16 million. The options shall vest in three equal tranches. The first, second and third tranches will vest after two, three and four years, respectively. The exercise price of each option (adjusted to reflect dividends) is NIS 2.9 in respect of the first tranche, NIS 2.9 in respect of the second tranche, and NIS 3 in respect of the third tranche. The fair value is calculated based on an appraisal received from an external appraiser, which totaled approx. NIS 13 million. Out of the value of the allocation as detailed above, approx. 641 thousand options will be allocated to the Chairman of the Company's Board of Directors and 641 thousand options will be allocated to the Company's CEO. The abovementioned allocation of the options to the Company's Chair and CEO is subject to the approval of an extraordinary general meeting of the Company; as of the report publication date the abovementioned meeting has not yet taken place. The calculated fair value as of each of the award dates was based on the following assumptions: The value of the underlying asset per share - in accordance with the value of Phoenix Capital Partners' share capital, as estimated by the same appraiser and the share capital as of the award date, a risk-free interest rate of 4.1% and a standard deviation of 27%. The value of the underlying asset as of the date of approval by the Board of Directors was estimated in the range of NIS 2.5 to NIS 3 per share of Phoenix Capital Partners.

I. In connection with class actions filed and developments in lawsuits in the reporting period, see Note 9.

NOTE 11 - SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

A. On May 28, 2025, the Company's Board of Directors approved a dividend distribution in the amount of approx. NIS 230 million. The dividend per share of NIS 1 p.v. is NIS 0.91. The record date for the distribution is June 12, 2025; the dividend will be paid on June 22, 2025.

B. On May 15, 2025, the Company's Board of Directors approved a revision to the dividend distribution policy, according to which the Company will distribute a dividend on a quarterly basis rather than on a semi-annual basis. No change was made in other aspects of the policy and, accordingly, the dividend distribution rate shall not fall below 40% of the Company's distributable comprehensive income as per its audited annual Consolidated Financial Statements for the relevant year (hereinafter - the "**Revised Policy**"). In this context, it is noted that amounts used by the Company in the execution of buyback plans are not included in dividend distributions. It is clarified that the foregoing is not intended to derogate from the Board of Directors' powers to decide not to distribute a dividend, or to distribute a dividend at rates that vary from the above, as it deems appropriate at any given time, subject to the provisions of the law. For further details, see the immediate report dated February 18, 2025 (Ref. No.: 2025-01-034416).

C. Subsequent to balance sheet date and through the report publication date, the Company carried out a buyback of 9 thousand shares at a total cost of approx. NIS 600 thousand. Subsequent to the purchase, the Company holds 11,647 thousand Company shares.

D. In April 2025, Phoenix Capital Raising completed the issuance of two series of bonds totaling NIS 786,147 thousand p.v.: Bonds (Series P) totaling NIS 556,147 thousand p.v. and Bonds (Series Q) totaling NIS 230,000 thousand p.v. Total gross consideration arising to The Company from the issuances totaled approx. NIS 780,712 thousand. The Bonds were rated by Midroog at il.Aa2 with a stable outlook, and by Maalot at ilAA. The bonds were recognized as Tier 2 capital and were listed on the Tel Aviv Stock Exchange.

NOTE 11 - SIGNIFICANT EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE (cont.)

E. **New collective agreement for the 2025-2027**

On May 18, 2025, a new collective agreement was signed for the period from January 1, 2025 to December 31, 2027, between Phoenix Insurance and Phoenix Pension & Provident, which are Company subsidiaries (hereinafter jointly - the “**Subsidiaries**") and the New Histadrut Workers' Union, the MAOF Histadrut (hereinafter - "**Histadrut**") and the Workers' Committee (hereinafter - the "**Agreement**").

Under the agreement, and as part of the regulation of employee benefits upon the planned move to the new campus in Rishon LeZion, the Company will allocate - for the first time - equity compensation in the form of restricted shares to the Subsidiaries’ employees who are eligible to such allocation subject to the conditions set in the Agreement, in order to encourage excellence and create an incentivized work environment in congruence with the Subsidiaries' success.

In accordance with the provisions of the Agreement, the provisions of the Subsidiaries’ previous collective agreements will continue to apply during the term of the Agreement, except for changes defined in the Agreement, the key points of which are as follows: pay rises, allocation of restricted shares (RSU), raising the minimum wage for the Subsidiaries’ employees, an annual bonus subject to meeting targets, participation in lunch costs, setting provisions regarding the move to the campus and exhaustion of claims and industrial peace.

The estimated additional cost in respect of all of the agreement’s years (excluding costs conditional upon meeting targets) is approx. NIS 61.6 million. The estimated cost of the annual bonuses expected to be awarded in respect of 2025, 2026 and 2027, assuming that 100% of the profit targets of the relevant years will be met is approx. NIS 83 million. For further details, see the Company’s report dated May 18, 2025 (Ref. No.: 2025-01-034497).

Details of assets for assets and other financial investments

A. Details of other financial investments

	As of March 31, 2025			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
	Unaudited			
	NIS thousand			
Liquid debt instruments (a1)	6,247,850	-	-	6,247,850
Illiquid debt instruments (*)	13,010,652	-	2,501,779	15,512,431
Equity instruments (A2)	2,844,150	-	-	2,844,150
Other investments (A3)	6,517,316	-	-	6,517,316
Total	28,619,968	-	2,501,779	31,121,747

	As of March 31, 2024			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
	Unaudited			
	NIS thousand			
Liquid debt instruments (a1)	5,381,092	-	-	5,381,092
Illiquid debt instruments (*)	14,603,416	-	1,416,713	16,020,129
Equity instruments (A2)	2,364,115	-	-	2,364,115
Other investments (A3)	5,550,710	-	-	5,550,710
Total	27,899,333	-	1,416,713	29,316,046

	As of December 31, 2024			
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total
	Unaudited			
	NIS thousand			
Liquid debt instruments (a1)	6,087,553	-	-	6,087,553
Illiquid debt instruments (*)	12,882,510	-	2,478,133	15,360,643
Equity instruments (A2)	2,859,033	-	-	2,859,033
Other investments (A3)	6,376,188	-	-	6,376,188
Total	28,205,284	-	2,478,133	30,683,417

Details of assets for assets and other financial investments (cont.)

A1. Liquid debt assets

	As of March 31, 2025	
	Carrying value	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	3,584,388	3,560,745
Other debt instruments:		
Other non-convertible debt instruments	2,409,415	2,429,195
Other convertible debt instruments	254,047	277,053
Total liquid debt instruments	6,247,850	6,266,993

	As of March 31, 2024	
	Carrying value	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	2,631,622	2,877,547
Other debt instruments:		
Other non-convertible debt instruments	2,573,805	2,655,628
Other convertible debt instruments	175,665	170,609
Total liquid debt instruments	5,381,092	5,703,784

	As of December 31, 2024	
	Carrying value	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	3,421,555	3,450,643
Other debt instruments:		
Other non-convertible debt instruments	2,416,910	2,415,842
Other convertible debt instruments	249,088	513,995
Total liquid debt instruments	6,087,553	6,380,480

Details of assets for assets and other financial investments (cont.)

A2. Shares

	As of March 31, 2025	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid shares	2,230,899	1,995,558
Illiquid shares	613,251	439,675
Total equity instruments	2,844,150	2,435,233

	As of March 31, 2024	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid shares	1,849,884	1,657,183
Illiquid shares	514,231	325,994
Total equity instruments	2,364,115	1,983,177

	As of December 31, 2024	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid shares	2,287,818	1,939,071
Illiquid shares	571,215	376,175
Total equity instruments	2,859,033	2,315,246

Details of assets for assets and other financial investments (cont.)

A3. Other financial investments

	As of March 31, 2025	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid financial investments	516,815	427,244
Illiquid financial investments	6,000,501	4,799,131
Total other financial investments	6,517,316	5,226,375

	As of March 31, 2024	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid financial investments	447,140	357,005
Illiquid financial investments	5,103,570	3,997,923
Total other financial investments	5,550,710	4,354,928

	As of December 31, 2024	
	Carrying value	Cost
	Unaudited	
	NIS thousand	
Liquid financial investments	462,601	618,920
Illiquid financial investments	5,913,587	4,596,637
Total other financial investments	6,376,188	5,215,557

Part 3

Standalone Financial Data from the Consolidated Interim Financial Statements Attributed to the Company

Yohanan Simon, Working in the Field, ca. 1939, Oil on canvas, Phoenix Collection

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To
The Shareholders of The Phoenix Financial Ltd.
Dear Madam/Sir,

Re: Special report to the review of the separate interim financial Information pursuant in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have reviewed the separate interim financial information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Financial Ltd. ("the Company") as of March 31, 2025, and for the three months period then ended. The Company's board of directors and management are responsible for the separate interim financial information. Our responsibility is to express a conclusion regarding the separate interim financial information based on our review.

We did not review the separate interim financial information taken from the interim information of investees, in which the total investment amounted to approximately NIS 2,071,966 thousand as of March 31, 2025, and the Company's share in of their earnings amounted to approximately NIS 88,570 thousand for the three months period then ended, respectively. The separate interim financial statements of those companies were reviewed by other auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to the financial statements in respect of those companies, is based on the review reports of the other auditors.

Scope of Review

We conducted our review in accordance with 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 of applying analytical and other review procedures. A review is substantially less in scope than an audit performed pursuant to Israeli GAAP and, as a result, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we are not express an audit opinion.

Conclusion

Based on our review and the review reports of other auditors, nothing has come to our attention that causes us to believe that the accompanying separate interim financial information is not prepared, in all material respects, in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
May 28, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

	March 31, 2025	March 31, 2024	December 31, 2024
	As of		
	Unaudited (*)		
	NIS thousand		
Assets			
Cash and cash equivalents	158,386	249,331	65,494
Investment in Restricted Tier 1 capital of Phoenix Insurance	1,255,168	1,343,246	1,248,061
Loans and capital notes to investees	49,491	21,637	52,835
Other financial investments measured at fair value	227,131	228,066	85,891
Other financial investments measured at depreciated cost	103,421	6,282	42,094
Receivables and debit balances	46,442	10,435	45,102
Deferred tax assets	10,429	24,700	15,024
Dividend receivable from Phoenix Insurance	-	-	573,751
Current tax assets	-	45	14
Total current assets	1,850,468	1,883,742	2,128,266
Investments in investees	10,877,992	9,262,641	10,200,568
Loans and capital notes to investees	720,109	1,168,240	1,073,102
Other financial investments measured at depreciated cost	580,083	-	-
Property, plant and equipment	3,627	-	-
Investment property	12,000	-	-
Total non-current assets	12,193,811	10,430,881	11,273,670
Total assets	14,044,279	12,314,623	13,401,936
Current liabilities			
Loans and credit	237,311	72,782	173,160
Liability in respect of current taxes	6,593	-	-
Payables and credit balances	35,860	19,767	19,749
Payable dividend	-	265,000	-
Total current liabilities	279,764	357,549	192,909
Non-current liabilities			
Loans and credit	2,277,288	1,851,248	1,719,133
Total liabilities	2,557,052	2,208,797	1,912,042
Equity attributable to Company's shareholders			
Share capital	316,118	313,664	315,764
Premium on shares and capital reserves	917,054	863,725	899,856
Treasury shares	(397,659)	(193,866)	(376,885)
Capital reserves	(173,809)	(100,523)	(185,645)
Surplus	10,825,523	9,222,826	10,836,804
Total equity	11,487,227	10,105,826	11,489,894
Total equity and liabilities	14,044,279	12,314,623	13,401,936

(*) See Note 2A above.

Benjamin Gabbay	Eyal Ben Simon	Eli Schwartz
Chairman of the Board	CEO	EVP, CFO

Approval date of the financial statements - May 28, 2025

The attached additional information is an integral part of the Company's separate interim financial information.

	Note	For the three months ended March 31 2025	For the three months ended March 31 2024	For the year ended December 31 2024
		Unaudited	Unaudited	
		NIS thousand		
Other investment income, net		37,001	26,556	126,937
Revenue from management fees of investees		7,084	6,229	23,010
Other revenue	2C	9,240	-	-
Total revenue		53,325	32,785	149,947
General and administrative expenses		10,184	7,429	32,072
Finance expenses		22,431	15,000	87,093
Total expenses		32,615	22,429	119,165
Net income before income tax		20,710	10,356	30,782
Expenses for income tax		2,958	-	9,676
Company's share in the profits of investees, net of tax		535,085	499,806	2,369,925
Profit for the period attributable to the Company’s owners		552,837	510,162	2,391,031

The attached additional information is an integral part of the Company's separate interim financial information.

	For the three months ended March 31		For the year ended December 31
	2025	2024	2024
	Unaudited		
	NIS thousand		
Profit for the period attributable to the Company’s owners	552,837	510,162	2,391,031
Other comprehensive income:			
Items of other comprehensive income not subsequently carried to profit or loss:			
The Group's share in other comprehensive income (loss) of investees	15,662	(439)	-
Total other comprehensive loss not to be subsequently carried to profit or loss, net of tax	15,662	(439)	-
Items of other comprehensive income which were subsequently carried or will be carried to profit or loss:			
The Group's share in other comprehensive income of equity-accounted investees	-	-	(22,339)
Other comprehensive income (loss) for the period, net	15,662	(439)	(22,339)
Total comprehensive income for the period	568,499	509,723	2,368,692

The attached additional information is an integral part of the Company's separate interim financial information.

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total equity
	Unaudited									
	NIS thousand									
Balance as of January 1, 2025 (*)	315,764	899,856	(376,885)	10,836,804	(467,819)	11,000	60,642	212,520	(1,988)	11,489,894
Income for the period	-	-	-	552,837	-	-	-	-	-	552,837
Total other comprehensive income	-	-	-	-	-	-	-	-	15,662	15,662
Comprehensive income	-	-	-	552,837	-	-	-	-	15,662	568,499
Share-based payment	-	13,730	-	-	-	-	2,929	-	-	16,659
Acquisition of treasury shares	-	-	(20,774)			-	-	-	-	(20,774)
Exercise of employee options	354	3,468	-	-	-	-	(3,822)	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	882	-	-	-	(882)	-	-
Dividend	-	-	-	(565,000)	-	-	-	-	-	(565,000)
Acquisition of minority interests	-	-	-	-	(2,653)	-	-	-	-	(2,653)
Transaction with minority interest	-	-	-	-	602	-	-	-	-	602
Balance as of March 31, 2025	316,118	917,054	(397,659)	10,825,523	(469,870)	11,000	59,749	211,638	13,674	11,487,227

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2 to the Consolidated Financial Statements.

The attached additional information is an integral part of the Company's separate interim financial information.

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total equity
	NIS thousand									
Balance as of January 1, 2024 (audited) (*)	313,340	860,345	(193,866)	8,976,662	(395,095)	11,000	69,507	228,941	8,041	9,878,875
Net income	-	-	-	510,162	-	-	-	-	-	510,162
Total other comprehensive loss	-	-	-	-	-	-	-	-	(439)	(439)
Comprehensive income (loss)	-	-	-	510,162	-	-	-	-	(439)	509,723
Share-based payment	-	416	-	-	-	-	3,449	-	-	3,865
Exercise of employee options	324	2,964	-	-	-	-	(3,288)	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	1,002	-	-	-	(1,002)	-	-
Dividend	-	-	-	(265,000)	-	-	-	-	-	(265,000)
Transaction with minority interest	-	-	-	-	(21,637)	-	-	-	-	(21,637)
Balance as of March 31, 2024 (unaudited)	313,664	863,725	(193,866)	9,222,826	(416,732)	11,000	69,668	227,939	7,602	10,105,826

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2 to the Consolidated Financial Statements.

The attached additional information is an integral part of the Company's separate interim financial information.

	Share capital	Premium and capital reserves in respect of shares	Treasury shares	Retained earnings	Capital reserve from transactions with non-controlling interests	Reserve from transaction with controlling shareholder	Capital reserve from share-based payment	Revaluation reserve	Reserve from translation differences	Total equity
	NIS thousand									
Balance as of January 1, 2024 (audited) (*)	313,340	860,345	(193,866)	8,976,662	(395,095)	11,000	69,507	228,941	8,041	9,878,875
Net income for the year	-	-	-	2,391,031	-	-	-	-	-	2,391,031
Other comprehensive income (loss)	-	-	-	225	-	-	-	(12,535)	(10,029)	(22,339)
Total other comprehensive income	-	-	-	2,391,256	-	-	-	(12,535)	(10,029)	2,368,692
Share-based payment	-	13,653	-	-	-	-	19,417	-	-	33,070
Acquisition of treasury shares	-	-	(183,019)	-	-	-	-	-	-	(183,019)
Exercise of employee options	2,424	25,858	-	-	-	-	(28,282)	-	-	-
Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount	-	-	-	3,886	-	-	-	(3,886)	-	-
Dividend	-	-	-	(535,000)	-	-	-	-	-	(535,000)
Acquisition of non-controlling interests	-	-	-	-	(83,394)	-	-	-	-	(83,394)
Transaction with minority interest	-	-	-	-	10,670	-	-	-	-	10,670
Balance as of December 31, 2024 (unaudited)	315,764	899,856	(376,885)	10,836,804	(467,819)	11,000	60,642	212,520	(1,988)	11,489,894

(*) For details regarding the first-time application of IFRS 17, Insurance Contracts and IFRS 9, Financial Instruments see Note 2 to the Consolidated Financial Statements.

The attached additional information is an integral part of the Company's separate interim financial information.

	Appendix	For the three months ended March 31 2025	For the three months ended March 31 2024	For the year ended December 31 2024
		Unaudited	Unaudited	Unaudited
		NIS thousand		
Cash flows for operating activities				
Income for the period		552,837	510,162	2,391,031
Adjustments required to present cash flows for operating activities	(a)	(524,219)	(505,962)	(2,390,012)
Net cash provided by operating activities of the Company		28,618	4,200	1,019
Cash flows provided by investing activities:				
Repayment of capital notes and loans from investees		49,220	-	183,948
Dividend received from investees		76,483	29,521	343,052
Loans and capital notes provided to investees		(25,000)	-	(125,000)
Investment in Restricted Tier 1 capital - Phoenix Insurance		-	-	141,150
The merger of Phoenix Investments and Platinum into the Company (*)	(b)	91,197	-	-
Sales (acquisitions) of financial investments by the Company, net		(140,434)	(188,126)	(91,364)
Net cash provided by (used for) investing activities		51,466	(158,605)	451,786
Cash flows used for financing activities				
Dividend paid to shareholders		(565,000)	-	(535,000)
Share buyback by the Company		(20,774)	-	(183,019)
Issuance of bonds		598,582	-	-
Repayment of bonds		-	-	(68,017)
Repayment of contingent liability in respect of a put option to minority interest		-	-	(5,011)
Net cash provided by (used for) financing activities		12,808	-	(791,047)
Increase (decrease) in cash and cash equivalents		92,892	(154,405)	(338,242)
Balance of cash and cash equivalents at beginning of period		65,494	403,736	403,736
Balance of cash and cash equivalents as of end of period		158,386	249,331	65,494

(*) See Note 2A above.

The attached additional information is an integral part of the Company's separate interim financial information.

		For the three months ended March 31		For the year ended December 31
		2025	2024	2024
		Unaudited		Unaudited
		NIS thousand		
Adjustments required to present cash flows provided by (used for) operating activities:	(a)			
Items not involving cash flows:				
Losses (gains), net on financial investments		(21,614)	(10,772)	(7,429)
Revenue and expense items not involving cash flows:				
Accrued interest and appreciation of bonds		8,724	5,194	46,484
Expenses for income tax		2,958	-	9,676
Company's share in the profits of investees, net of tax		(535,085)	(499,806)	(2,369,925)
Changes in other on-balance sheet line items, net:				
Change in receivables and debit balances		53,709	4,342	(30,325)
Change in payables and credit balances		(14,356)	6,552	13,922
Change in loans to investees		(17,889)	(11,472)	(52,445)
Cash paid and received during the period for:				
Taxes received (paid), net		(666)	-	30
Total cash flows for operating activities		(524,219)	(505,962)	(2,390,012)
The merger of Phoenix Investments and Platinum into the Company	(b)			
Working capital (excluding cash and cash equivalents)		(13,841)	-	-
Property, plant and equipment, net		(3,627)	-	-
Investment property		(12,000)	-	-
Financial investments		(21,602)	-	-
Financial liabilities		15,000	-	-
Investment in an associate		127,268	-	-
		91,198	-	-
Significant non-cash activities:	(c)			
Dividend declared and not yet paid		-	(265,000)	-
Dividend receivable from subsidiaries		-	-	573,751
Dividend in kind		778,021	-	-
Breakdown of amounts included in operating activities	(d)			
Interest paid		5,801	9,806	39,510
Interest received		1,783	2,287	47,821
Dividend received		77	35	230

The attached additional information is an integral part of the Company's separate interim financial information.

NOTE 1 - GENERAL

The Interim Separate Financial Information is presented 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, "Separate Financial Information of the Corporation". This separate financial information should be read in conjunction with the separate financial information as of the date and year ended December 31, 2024 and in conjunction with the condensed consolidated interim financial statements as of March 31, 2025 (hereinafter - the "**Consolidated Financial Statements**").

Definitions

"The Company" - Phoenix Financial Ltd.

"**Investee companies**" - Consolidated companies and companies the Company's investment in which is included, whether directly or indirectly, in the financial statements based on the equity method.

NOTE 2 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. During the Reporting Period, the Company's merger with Phoenix Investments and Platinum was completed. In addition, the Company transferred to Phoenix Capital Partners Ltd. - a new privately-owned subsidiary established and wholly-owned by the Company - the entire Wealth & Investment Activity carried out in Phoenix Investments prior to the merger date and ownership interests in several other companies. Upon completion of the merger, Phoenix Investments and Platinum ceased to exist.

In addition, the Company transferred to Gama, effective January 1, 2025, Phoenix Retail Credit Ltd., which was wholly-owned by the Company, in exchange for issuance of shares. For further details, see Note 1C to the Consolidated Financial Statements.

As a result of the aforesaid, the total net assets transferred to the Company (including approx. NIS 421 million in loans and capital notes provided to Phoenix Investments) total approx. NIS 127 million, against a change in investments in investees.

B. In February 2025, the Company advanced an additional loan - totaling NIS 25 million - to Phoenix Advanced Investments; the loan bears an interest of approx. 5%, in accordance with section 3(j) to the Income Tax Ordinance [New Version]; the interest is payable at the end of each quarter; the loan is for a period of 5 years and will be repaid in one lump sum.

NOTE 2 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

C. During the reporting period, approx. NIS 9 million in compensation was received in respect of a financial claim filed by the Company and Phoenix Retail Credit Ltd. against Isracard Ltd. (hereinafter - the "**Parties**") in connection with the non-execution of a joint venture in the field of consumer credit; on February 24, 2025, the Tel Aviv-Jaffa District Court approved a settlement agreement signed between the Parties, in which the claim against Isracard Ltd. was settled.

D. On December 30, 2024, Phoenix Insurance's board of directors approved the grant of a loan to Gold Mortgages for the purpose of providing loans to customers, as a dividend in kind. The loan was effectively granted on January 1, 2025.

E. For other significant events during the reporting period, see Note 10 to the Consolidated Financial Statements.

NOTE 3 - EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

For significant events subsequent to the reporting date, see Note 11 to the Consolidated Financial Statements.

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Building a better working world

May 28, 2025

To
The Board of Directors of Phoenix Financial Ltd. (hereinafter - the "**Company**")

Dear Madam/Sir,

Re: Shelf Prospectus of Phoenix Financial Ltd. (hereinafter - the "**Shelf Prospectus**") published on August 24, 2022

We hereby inform you that we agree to the inclusion (including by way of reference) of our reports, as listed below, in a shelf offering based on the Shelf Prospectus in the subject:

1. Review Report dated May 28, 2025, on the Condensed Consolidated Financial Information of Phoenix Financial Ltd. as of March 31, 2025 and for the three-month period then ended.

2. Special report dated May 28, 2025 on the Separate Interim Financial Information in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Phoenix Financial Ltd. as of March 31, 2025 and for the three-month period ended on that date.

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Part 4

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

Avigdor Arikha, Gardenias, 1989, Oil on canvas, Phoenix Collection

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

Management, under the supervision of the Board of Directors of Phoenix Financial 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. Eyal Ben Simon, CEO of the Company and Phoenix Insurance.
2. Eli Schwartz, EVP, CFO of the Company and Phoenix Insurance.
3. Haggai Schreiber, EVP, Chief Investment Officer, CEO of Phoenix Capital Partners Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel of the Company and Phoenix Insurance.
5. Michal Leshem, Executive VP, Chief Internal Auditor of the Company and Phoenix Insurance.
6. David Alexander, Executive VP, Head of Business Development of the Company and Phoenix Insurance.
7. Orly Pascal, EVP, Head of Human Resources of the Company and Phoenix Insurance.
8. Amit Netanel, EVP, Chief Risk Officer of the Company and Phoenix Insurance.

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.

Phoenix Insurance Company Ltd. and Phoenix Pension and Provident Fund Ltd., subsidiaries of the Corporation, are institutional entities which are subject to the directives of the Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance regarding the assessment of the effectiveness of internal controls over financial reporting.

With respect to the internal control of the said subsidiary, the Corporation implements the following provisions:
Institutional Entities Circular 2009-9-10, “Management’s Responsibility for Internal Controls over Financial Reporting”; Institutional Entities Circular 2010-9-6, “Management’s Responsibility for internal control over financial reporting - Amendment”; Circular 2010-9-7, “internal control over financial reporting - Statements, Reports and Disclosures”; and Circular 2015-9-15, “Internal Control over Financial Reporting - Statements, Reports, Disclosures and Management’s Responsibility for Internal Control over Financial Reporting - Amendments”.

In the Annual Report on the Effectiveness of Internal Control over Financial Reporting and Disclosure attached to the periodic report for the period ended December 31, 2024 (hereinafter - the “**Most Recent Annual Report Over Internal Control**”), the Board of Directors and management assessed the internal control in the corporation. Based on this assessment, the Corporation’s Board of Directors and management have concluded that the said internal control, as of March 31, 2025, 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 presented in the Most Recent Annual Report Over Internal Control.

As of the report date, based on the Most Recent Quarterly Report of 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 by Officers

Certification by the CEO

I, Eyal Ben Simon, hereby certify that:

(1) I have reviewed the periodic report of Phoenix Financial 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 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 Board of Directors' audit committee, 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 (Preparation of 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 in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may 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.

May 28, 2025

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Eyal Ben Simon, CEO

Certification by Officers

Certification by the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

(1) I have reviewed interim financial statements and other financial information included in the interim report of Phoenix Financial 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 Board of Directors' audit committee, 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, which 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 (Preparation of 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 in the period between the most recent report date (quarterly or periodic, as the case may be) and the date of this Report, which may 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.

May 28, 2025

Eli Schwartz, Executive VP, Chief Financial Officer

Part 5

Statements Regarding Controls and Procedures in respect of Disclosure in the Financial Statements of The Phoenix Insurance Company Ltd.

Lea Nikel, Composition, 1958, Oil on canvas, Phoenix Collection

Phoenix Insurance Company Ltd.
Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the quarterly report of Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for the quarter ended March 31, 2025 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, which is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting of the Company; and -
   (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
   (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

May 28, 2025

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Eyal Ben Simon, Chief Executive Officer

Phoenix Insurance Company Ltd.
Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the quarterly report of Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for the quarter ended March 31, 2025 (hereinafter - the "**Report**").
2. To my knowledge, the Report does not contain any misrepresentation of a material fact, or omit a representation of a material fact, which is necessary in order for the representations included in it - under the circumstances in which such representations were included - to be misleading as to the reporting period.
3. To my knowledge, the quarterly financial statements and other financial information included in the Report present fairly, in all material aspects, the Company's financial position, financial performance and changes in equity and cash flows as at the dates and for the periods covered by the report.
4. I and others at the Company signing this certification are responsible for the establishment and implementation of controls and procedures regarding the Company's disclosure and internal control over financial reporting[1] of the Company; and -
   (a) We have established such controls and procedures, or caused such controls and procedures to be established under our oversight, with the aim of ensuring that material information about the Company and its consolidated companies is brought to our attention by others in the Company and these companies, especially during the preparation of the Report;
   (b) We have established such internal controls over the financial reporting or have overseen the establishment of such controls over financial reporting, with the aim of providing reasonable assurance as to the reliability of the financial reporting and that the financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the directives of the Commissioner of the Capital Market, Insurance and Savings;
   (c) We have evaluated the effectiveness of the Company's disclosure controls and procedures and presented in the Report our conclusions regarding the effectiveness of the disclosure controls and procedures as of the end of the reporting period according to our evaluation; and -
   (d) The Report discloses any change in the Company's internal control over financial reporting which occurred during the fourth quarter and has materially affected, or is reasonably expected to affect, the Company's internal control over financial reporting; and -
5. I and others at the Company signing this certification have disclosed to the joint independent auditors, the Board of Directors, and the Board of Directors' audit committee, based on our most recent evaluation of the internal control over financial reporting, the following:
   (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting that may harm the Company's ability to record, process, summarize and report financial information; and -
   (b) Any fraud, whether or not material, involving management or other employees who have a significant role in the Company's internal control over financial reporting.

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

May 28, 2025

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Eli Schwartz, Executive VP, Chief Financial Officer

[1] As defined in the provisions of the Institutional Entities Circular titled "Internal Controls over Financial Reporting - Statements, Reports and Disclosures".

Part 6
The Phoenix Insurance Solvency Report

Moshe Mokady, View from the Window, ca. 1923, Oil on canvas, Phoenix Collection

Economic Solvency Ratio Report of Phoenix Insurance Company Ltd. as of December 31, 2024

Link to an accessible version of this document

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Tel Aviv 6492102

Building a better working world

To:

The Board of Directors of

Phoenix Insurance Company

Re: Examination of the Application of Certain Instructions of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of The Phoenix 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 Phoenix Insurance Company Ltd. of December 31, 2024 (hereinafter - the "**Information**"), included in the Company's Economic Solvency Ratio Report attached hereby and carries our office's seal for identification purposes (hereinafter - the "**Report**").

The Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**") regarding Solvency II-based economic SCR of an insurance company as included the Commissioner's circular No. 2020-1-15 of 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 of 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 in Chapter 7, Section 5, Part 1, Independent Auditor, which provides guidance as to audit of Economic Solvency Ratio Report.

We did not examine the appropriateness of the amount of Deduction during the Transitional Period as of December 31, 2024 as presented in Section 2 to the Report, except for verifying that the Deduction 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 capital requirement, 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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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, 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 materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

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

Tel Aviv,	Kost Forer Gabbay & Kasierer
May 28, 2025	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 "**Provisions of the Economic Solvency Regime**"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as revised in Circular 2022-1-8 (hereinafter - the "**Disclosure Provisions**").

The Provisions of the Economic Solvency Regime set a standard model for calculating eligible shareholders' equity and the regulatory solvency capital requirement (SCR), with the aim of bringing insurance companies to hold buffers to absorb losses arising from the materialization of unexpected risks to which they are exposed. **The solvency ratio is the ratio between the eligible shareholders' equity and the regulatory solvency capital requirement.**

The eligible shareholders' equity is composed of Tier 1 capital and Tier 2 capital. Tier 1 capital includes shareholders' equity calculated through assessing the economic 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 places restrictions on the composition of shareholders' equity for SCR and MCR purposes (see below), such that the rate of Additional Tier 1 capital shall not exceed 20% of the Tier 1 capital, and such that the rate of components included in Tier 2 capital shall not exceed 40% of the SCR without taking into account the Provisions of the Transitional Period, and shall not exceed 50% of the SCR under the Provisions for the Transitional Period.

The eligible capital is 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 comprised of risks to which the Company is exposed and is based on forward-looking calculation of the impact of the materialization of different scenarios, while taking into account the correlation of the different risk factors, based on the guidance in the Provisions of the Economic Solvency Regime.

- Minimum capital requirement (hereinafter "**MCR**" or "**minimum capital requirement**"). In accordance with the Provisions of the Economic Solvency Regime, 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 eligible capital and the capital requirement are calculated using data and models which are based, among other things, on forecasts and assumptions that rely mainly on past experience. These calculations are highly complex.

The Provisions of the Economic Solvency Regime include, among other things, Provisions for the Transitional Period, which are based on increasing the eligible capital by deducting from the insurance reserves an amount that will be calculated as detailed in Section b below. The Deduction Amount will decrease gradually until 2032 (hereinafter: the "**Deduction during the Transitional Period**").

Publication of Economic Solvency Ratio Report

In accordance with the Consolidated Circular, the Economic Solvency Ratio Report in respect of the December 31 and June 30 data of each year shall be included in the first periodic report published subsequent to the calculation date.

Furthermore, in view of the listing of Additional Tier 1 capital on the main list, and in accordance with The Phoenix Insurance's undertakings under the deed of trust, as from 2023 the Company publishes an estimated quarterly solvency ratio as of March 31 and September 30, as part of the periodic report published following the calculation date. The calculation of the estimated quarterly solvency ratio is not audited or reviewed by the independent auditor, and the controls conducted by The Phoenix Insurance for the purpose of publishing the estimated ratio are less in scope compared to those executed for the purpose of publishing the solvency ratio report, which is published in accordance with the Commissioner's directives. If the Company's solvency ratio goes down to 120% or less, it will publish a Full Solvency Ratio Report on a quarterly basis in a semi-annual format, instead of an estimated ratio.

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), future tax arrangements, assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

B. Definitions

The Company	-	The Phoenix Insurance Company Ltd.
Provisions of the Economic Solvency Regime	-	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**"), including its explanations.
Best estimate	-	Expected future cash flows from insurance contracts and investment contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Long-term health insurance (SLT)	-	Health insurance that is conducted similarly to life insurance.
Short-term health insurance (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 of an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, loss absorption adjustment due to deferred tax and capital requirement due to management companies.
Solvency capital requirement (SCR)	-	Total capital requirement of an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Recognized shareholders' equity	-	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	-	Excess of assets over liabilities in the economic balance sheet, net of unrecognized assets and dividend declared subsequent to report date and until the report's initial publication date.
Additional Tier 1 capital	-	Perpetual capital note, non-cumulative preferred shares, Restricted Tier 1 capital instrument, Additional Tier 1 capital instrument - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.

Tier 2 capital	-	Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, Additional Tier 1 Capital instrument which was not included in Tier 1 and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
The Commissioner	-	Commissioner of the Capital Market, Insurance and Savings Authority.
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 risk diversification risks, the greater is the effect of the correlation, which reduces the overall risk.
Solvency ratio	-	The ratio between the eligible shareholders' equity of an insurance company and the solvency capital requirement.
Symmetric Adjustment (SA)	-	Anti-cyclical component designed to adjust the capital requirement for the shares risk to the changes in share prices, as detailed in Part C to the Provisions of the Economic Solvency Regime.
Economic balance sheet	-	The Company's balance sheet with the value of assets and liabilities adjusted in accordance with the provisions of Part A of the Solvency Circular.
Risk margin (RM)	-	An amount that reflects the total cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
Deduction during the Transitional Period (hereinafter - the "Deduction Amount")	-	The amount deducted from insurance reserves during the Transitional Period, as detailed in Section 2a(2) above, and in accordance with the Provisions of the Economic Solvency Regime.
Minimum capital requirement (MCR)	-	The minimum capital requirement of an insurance company, calculated in accordance with Chapter C of the Solvency Circular.
Expected profits in future premiums (EPIFP)	-	Expected Profit in Future Premiums; the future profit from liabilities for existing life and health insurance contracts arises from future premiums.
Transitional Period	-	Under the Provisions for the Transitional Period for the application of an Economic Solvency Regime - a period running until December 31, 2032.

UFR	-	Ultimate Forward Rate - the latest forward interest 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)	-	A 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.
Audited	-	The term refers to an audit held by an independent auditor in accordance International Standard on Assurance Engagement (ISAE) 3400 – "The Examination of Prospective Financial Information".
Unaudited	-	The term refers to a review conducted in accordance with the principles of the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.
Investment Rules Regulations	-	The Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 and their revision in September 2024 in the Amendment to the Consolidated Circular regarding Management of Investment Assets – Investment Rules Applicable to Institutional Entities.
Adjusted risk-free interest	-	The interest rate curve set by the Commissioner which is based on the real yield to maturity of bonds of the Government of Israel, with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (VA) which was set by the Commissioner.

C. Calculation Methodology

The Economic Solvency Ratio Report as of December 31, 2024 and December 31, 2023 was calculated and prepared in accordance with the Provisions of the Economic Solvency Regime.

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 standalone financial statements plus investees, whose main occupation is holding rights in real estate properties. The economic balance sheet attributes zero value to intangible assets and deferred acquisition costs other than investment in "Insurtech" as defined in the Provisions of the Economic Solvency Regime, and the Commissioner's approval in that respect was obtained, as required.

Increasing economic capital according to the Provisions for the Transitional Period

The Company opted for the current alternative provided by the Provisions for the Transitional Period, 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 Amount"). 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 ensures 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, and factors in at least the expected amortization of the SCRs and risk margin of the current portfolio as of the calculation date.

The Company recently recalculated, as of the reporting date, the Deduction Amount as of December 31, 2024. For further details regarding the Deduction Amount, see Section 2A(2) below.

Further to the application of IFRS 17, on April 10, 2025, the Commissioner issued guidance regarding the calculation of the amount of Deduction Amount after the application of the standard (starting from the Solvency Ratio Report as of June 30, 2025). In accordance with the guidance, the ratio between the calculated amount of Deduction Amount as of December 31, 2024 and the amount of BE and RM components less the addition of the value of Hetz bonds (for a guaranteed return portfolio) should be calculated for each homogeneous risk group (hereinafter - "**Deduction Rates**").

After the application of IFRS 17, the Deduction Amount 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.

During May 2025, the Company received the Commissioner's approval regarding the Deduction Rates for the Transitional Period.

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 component is carried out based on a defined scenario set out in the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted 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 the capital requirement for operational risk and for management companies (where relevant).

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 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.

Loss absorption adjustment due to deferred tax asset

In accordance with the Provisions of the Economic Solvency Regime, an insurance company may recognize a loss absorption adjustment with respect to deferred tax assets up to the amount of the balance of the deferred tax reserve included in the economic balance sheet plus a tax asset against future profits up to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The insurance company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.

- The future profits shall arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) (short term health insurance) only.

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 financial statements as of as of December 31, 2024. Any information or studies obtained or completed after the reporting date of the Company's annual report as of December 31, 2024 were not taken into account.

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 materially vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

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

2. Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities

a) The field of insurance has been subject to frequent changes in relevant legislation and regulatory directives. For more information, see Sections 2.1 and 2.3. to Part B and Section 4.1 in Part D of the Description of the Corporation's Business in the 2024 Periodic Report and Section 1.2 to the Report of the Board of Directors and in the Periodic Report for the period ended March 31, 2025.

The legislation and regulatory measures may impact the Company's economic solvency ratio. The calculation of the solvency ratio does not reflect the entire potential effect 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. In this regard, it is noted that the application of the various components of IFRS 17, which came into force in Israel on January 1, 2025 may affect the Company's solvency ratio. The Company believes that at this stage, no material effects are expected as a result of the application of the standard.

b) In accordance with the Provisions of the Economic Solvency Regime, 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 not possible to assess the effect of the uncertainty arising from the exposure to contingent liabilities, including such exposure's effect on the Company’s future profits and economic solvency ratio. For details regarding the exposure to contingent claims as of December 31, 2024, see Note 39 to the Financial Statements for 2024. For an update as to developments in this exposure after reporting date, see Note 8 to the financial statements as of March 31, 2025.

C) Calculation of the amount of Deduction Amount for the Transitional Period under the provisions of IFRS 17 – see Chapter C above.

Section 1 - Economic solvency ratio and minimum capital requirement (MCR)

A. Economic solvency ratio

	As of December 31	
	2024	2023
	Audited*	
	NIS thousand	
Shareholders' equity for SCR - see Section 3	15,155,717	14,823,584
Solvency capital requirement (SCR) - see Section 4	8,634,544	7,640,211
Surplus	6,521,173	7,183,373
Economic solvency ratio (in %)	**176%**	**194%**
<u>Effect of material equity transactions taken in the period between the calculation date and the publication date of the solvency ratio report:</u>		
Raising (redemption) of equity instruments**	636,752	-
Shareholders' equity for SCR	15,792,469	14,823,584
Surplus	7,157,925	7,183,373
Economic solvency ratio (in %)	**183%**	**194%**

* Any reference made in this report to the term "audited", shall be construed as an audit held by an independent auditor in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information.

** Subsequent to the report date, as of December 31, 2024, Bonds (Series P and Q) totaling approx. NIS 786 million were issued (immediate report of April 17, 2025, Ref. No.: 2025-01-027737). The abovementioned issuance was recognized as Tier 2 capital up to the level of the quantitative limit.

Subsequent to the balance sheet date as of December 31, 2023, approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The abovementioned redemption does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

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.

Explanations to main changes in capital surplus and in the economic solvency ratio compared to last year:

- In the reporting period, there was an increase in the risk-free interest rate curve and an increase in the Consumer Price Index in Israel. The increase in the interest rate increased the capital surpluses as well as the solvency ratio of the Company; this increase was offset against the increase in inflation rate in Israel.

- In accordance with the Commissioner’s Directives, the Company recalculated the value of the Deduction Amount during the Transitional Period as of December 31, 2024. Following the said recalculation, there was a decrease of approx. NIS 929 million in the Deduction Amount compared to December 31, 2023 (from NIS 3,355 million to NIS 2,426 million, before linear amortization and approx. NIS 572 million after the linear amortization). As a result, the Company's Capital Surplus declined. For further details regarding the recalculation of the Deduction for the Transitional Period see Section 2A(2) below and Section C above.

- The solvency ratio results as of December 31, 2024 include the effect of the Amendment to the Consolidated Circular - Updating the Demographic Assumptions published on July 24, 2024. The effect of this circular is a decrease of approx. 3% in the solvency ratio including applying the Provisions for the Transitional Periodin the Transitional Period.

- During 2024, the Company implemented several actuarial studies, including: revision of assumptions regarding the cancellation rates, a study regarding morbidity in the personal accidents sub-subsegment, and the completion of a study regarding pension takeup rate (TUR). The effect of the study regarding the cancellation rates on executive insurance products in particular resulted in a decrease in the solvency ratio; this effect was largely offset by a reduction in capital requirements and risk margin (RM) due to the effect of the study on additional insurance products. Overall, the studies do not have a material effect on the Company's solvency ratio.

- During the reporting period, the Company's Capital Surplus increased as a result of positive returns in the investment portfolios, which were partly offset by an increase in capital requirements in respect of the market risk-weighted component, mainly due to an increase in exposure to the equity component compared to last year, and due to an increase in the symmetric adjustment component (SA).

- In the reporting period, there was a natural increase in the capital surplus and solvency ratio of the Company due to the amortization in the capital requirement for existing life and health insurance products, which reduces the solvency capital requirement and the risk margin (RM). Furthermore, the Capital Surplus and the solvency ratio were positively affected by sales in the P&C Insurance segment.

- The results of the economic solvency ratio as of December 31, 2024 were down due to a distribution of a cash dividend in the amount of NIS 250 million, which was paid in the third quarter of 2024. The results were also down to a distribution - as dividend in kind - of Phoenix Mortgages (Gold) Ltd.’s loans totaling approx. NIS 574 million, distribution of the Company’s stake in Bizi Finance Ltd.’s shares totaling approx. NIS 19 million, distribution of the Company’s stake in Leader Capital Markets & Investments Limited Partnership’s participation units totaling approx. NIS 6 million and a NIS 170 million cash dividend, which was declared simultaneously with the publication of this report.

- For details regarding other equity transactions subsequent to the balance sheet date, see footnote in the above table.

Implications of the Iron Swords War

The Company is exposed to declines on the financial markets and to slowdown, as well as to other risks arising from the War. For further details on sensitivity and exposure to risk factors, see also Note 37 to the Financial Report as of December 31, 2024. At this stage, there is uncertainty regarding how the War will develop, its scope, and duration. As of the report publication date, since December 31, 2024 there has been an increase in the CPI-linked risk-free interest, and equity markets were up. For information about the sensitivity of results to changes in share indices and the index-linked risk-free interest, see Chapter 8 - Sensitivity Tests - in this report. For further details regarding the ramifications of the War, see Section 1.3.2 to the 2024 Annual Financial Statements and the Company's Financial Statements as of March 31, 2025.

B. Minimum capital requirement (MCR)

	As of December 31	
	2024	2023
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 5A	2,158,636	1,995,718
Shareholders' equity for MCR - see Section 5B	11,906,924	11,402,622

Section 2 - Economic Balance Sheet

	Information about economic balance sheet	As of December 31 2024 Balance sheet according to accounting standards (*)	2024 Economic balance sheet	2023 Balance sheet according to accounting standards	2023 Economic balance sheet
		Audited			
		NIS thousand			
Assets					
Intangible assets	3	869,044	77,535	868,287	129,266
Deferred acquisition costs	4	1,741,835	-	1,664,106	-
Property, plant & equipment		1,486,396	1,486,396	1,238,871	1,238,871
Investments in investees that are not insurance companies					
Other investees	5	1,606,539	1,194,611	1,581,275	1,177,039
Total investments in investees that are not insurance companies		1,606,539	1,194,611	1,581,275	1,177,039
Investment property for yield-dependent contracts		2,425,542	2,425,542	2,283,063	2,283,063
Investment property - other		1,366,566	1,366,566	1,283,408	1,283,408
Reinsurance assets – see Section 2B	1	3,917,402	3,535,817	4,028,261	3,426,365
Receivables and debit balances	10	1,815,861	1,776,325	2,003,123	1,952,245
Financial investments for yield-dependent contracts		93,777,952	93,777,952	82,817,937	82,817,937
Other financial investments					
Liquid debt assets		6,087,553	6,087,553	5,543,389	5,543,389
Illiquid debt assets, excluding designated bonds	6	6,425,730	6,459,102	7,272,587	7,256,853
Designated bonds	7	7,500,021	8,997,091	7,383,544	9,185,718
Shares		2,859,033	2,859,033	2,175,831	2,175,831
Other		6,376,188	6,376,188	6,029,562	6,029,562
Total other financial investments		29,248,525	30,778,967	28,404,913	30,191,353
Cash and cash equivalents for yield-dependent contracts		17,724,306	17,724,306	19,303,547	19,303,547
Other cash and cash equivalents		2,188,590	2,188,590	2,084,507	2,084,507
Total assets		**158,168,558**	**156,332,607**	**147,561,298**	**145,887,601**
Total assets for yield-dependent contracts		**114,264,373**	**114,690,904**	**104,769,512**	**104,909,651**

	Information about economic balance sheet	As of December 31			
		2024		2023	
		Balance sheet according to accounting standards (*)	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Audited			
		NIS thousand			
Equity					
Basic Tier 1 capital		7,192,129	10,177,364	6,418,491	9,545,604
Total equity		**7,192,129**	**10,177,364**	**6,418,491**	**9,545,604**
Liabilities					
Liabilities for insurance contracts and non-yield-dependent investment contracts – see Section 2B	1, 8	25,167,781	17,037,646	24,605,125	18,122,795
Liabilities for insurance contracts and yield-dependent investment contracts - see Section 2B	1, 8	111,574,129	109,027,904	103,060,466	99,174,573
Risk margin (RM)	1	-	5,925,367	-	6,399,314
Deduction during the Transitional Period	2	-	(1,492,721)	-	(2,323,036)
Liabilities for deferred taxes, net	9	816,157	2,629,241	601,059	2,439,700
Payables and credit balances	4,10	3,536,064	3,388,800	3,126,474	2,993,582
Financial liabilities	11	9,308,547	9,065,255	9,749,683	9,535,069
Other liabilities		573,751	573,751	-	-
Total liabilities		**150,976,429**	**146,155,243**	**141,142,807**	**136,341,997**
Total equity and liabilities		**158,168,558**	**156,332,607**	**147,561,298**	**145,887,601**

(*) Prior to the application of the provisions of IFRS 17 and IFRS 9 included in the financial statements as of March 31, 2025 for 2024.

Key changes compared with December 31, 2023

- For explanations about key changes in Tier 1 capital, see Section 3 above.
- For more information regarding the changes in the Deduction during the Transitional Period, see Section 2A(2) below.

Section 2A - Information about 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) <u>Liabilities for insurance contracts, risk margin (RM) and investment contracts and reinsurance assets</u>

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

The calculation of SLT life and health insurance liabilities contracts was carried out by discounting the Company's expected future cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected 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 real yield to maturity of bonds of the Government of Israel (hereinafter - "**risk-free interest**"), with convergence in the long-term to a fixed real rate of 2.6% (UFR) plus a margin (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 activity 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 C1 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 VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, 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 conservatism margins using the discounting methods and rates described in the risk management note of the annual financial statements.

Risk margin - In addition to the insurance liabilities based on a best estimate, a component of the risk margin is calculated which reflects the total cost of capital that another insurance company would be expected to require in order to receive the insurance company's total insurance liabilities, calculated on the basis of a best estimate. The risk margin is calculated in accordance with the Commissioner's Directives, based on a capital cost rate of 6%, and is discounted at an adjusted risk-free interest rate, but excluding the VA component and based on current and future capital requirements. The future capital requirement is calculated in accordance with the "risk factor method", by changing the capital requirement components calculated as of the reporting date in accordance with the projected development of the risk factors attributed thereto. These factors are designed to reflect the development of the standard model risks over time. The calculation does not take into account the capital requirement for market risks.

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.

- 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. 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.

- 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, including as a result of future regulatory changes which may have a material effect.

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% in accordance with the guidance of the Economic Solvency Regime, and this rate does not necessarily reflect the 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 this context, it should be emphasized that the capital requirements are based on the model used to calculate the best estimate, despite its limitations as described above.

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 conclusions reached as a result of exercising professional judgment, based on relevant experience and 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, amount of premiums and assets under management, etc.).

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 (hereinafter - "**risk-free interest**") plus a margin (VA), with convergence in the long-term to a fixed real rate of 2.6% (UFR) as set by the Commissioner (hereinafter - the "**Discount Rate**").

- The yield on the assets backing the life and long-term health insurance products is identical to the Discount Rate (except for the assumed yield for designated bonds).

The yield on designated bonds takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them.

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 and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors, such as the number of coverages, premiums, reserves or claims. The determination of the future expenses and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

c) Demographic assumptions

- 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.

- 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 24, 2024.

- Active mortality - based on the Company's experience in accordance with periodic mortality studies conducted in connection with the relevant products, 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.

- Morbidity (claims' rate and period) in relation to long-term care, income protection, PHI 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.

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

d) Insurance liabilities in property and casualty insurance

The estimate of the insurance liabilities in the various subsegments for policies earned is based on the provision in the Financial Statements as of December 31, 2024. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include RM and other non-specific margins which were taken into account for reserve adequacy testing for the said balance sheet.

for the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the contingent claims; (risk margins and other non-specific margins are deducted from these calculations as well).

(2) Deduction Value during the Transitional Period

The Deduction during the Transitional Period (hereinafter - the "**Deduction**") is calculated in accordance with the provisions included in the Economic Solvency Regime and in the letter to insurance companies managers: "Principles for Calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15 2020 (hereinafter - the "**Letter of Principles**").

The Company recalculated the value of the Deduction Amount during the Transitional Period as of June 30, 31 and December 31, 2024 in accordance with the economic solvency ratio provisions. Following the said recalculation, there was a decrease of approx. NIS 929 million in the Deduction Amount compared to December 31, 2023 (from NIS 3,355 million to NIS 2,426 million, before linear amortization and approx. NIS 572 million after the linear amortization).

For more information regarding the calculation of the Deduction during the Transitional Period under IFRS 17, see Chapter C above.

Other assets and liabilities:

(3) Intangible assets - in accordance with Part A Chapter 2 Appendix A to the Provisions of the Economic Solvency Regime, 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 costs - in accordance with Part A Chapter 2 Appendix A to the Provisions of the Economic Solvency Regime, an insurance company shall assess the value of acquisition expenses at zero. It should be noted that the value of the future profits implicit in the insurance contracts was taken into account in the liability for insurance contracts item.

(5) Investment in investees which are not insurance companies - in accordance with Part A Chapter 2 Appendix B to the Provisions of the Economic Solvency Regime, 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, which is calculated based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount.

The economic value of the investees does not include the profits implicit in those companies.

In the management company, 35% of the balance of the original difference relating to this company is added to the economic value.

(6) Non-marketable debt assets - in accordance with Part A, Chapter 1 to the Provisions of the Economic Solvency Regime, 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 to the Provisions of the Economic Solvency Regime, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet in accordance with their economic value that takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them. See also Section 2a(1)(a) above.

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

(9) **Liabilities for deferred taxes, net** - in accordance with Part A Chapter 2 Appendix C to the Provisions of the Economic Solvency Regime, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet (taking into account 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 Economic Solvency Regime, in addition to the criteria included in the abovementioned accounting standard.

(10) **Payables and credit balances, receivables and debit balances** - in accordance with Part A Chapter 1 of the Provisions of the Economic Solvency Regime, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.

(11) **Financial liabilities** - were calculated in accordance with the general principles set in the Provisions of the Economic Solvency Regime and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account for changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.

Section 2B - Composition of liabilities for 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	10,125,515	686,313	9,439,202
NSLT property & casualty insurance and health insurance contracts	6,912,131	2,224,867	4,687,264
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**17,037,646**	**2,911,180**	**14,126,466**
Liabilities for insurance contracts and yield-dependent investment contracts - SLT life insurance and long term health insurance contracts	109,027,904	624,637	108,403,267
Total liabilities for insurance contracts and investment contracts	**126,065,550**	**3,535,817**	**122,529,733**

	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	11,269,994	813,352	10,456,642
NSLT property & casualty insurance and health insurance contracts	6,852,801	2,264,885	4,587,916
Total liabilities for insurance contracts and non-yield-dependent investment contracts	**18,122,795**	**3,078,237**	**15,044,558**
Liabilities for insurance contracts and yield-dependent investment contracts - SLT life insurance and long term health insurance contracts	99,174,573	348,128	98,826,445
Total liabilities for insurance contracts and investment contracts	**117,297,368**	**3,426,365**	**113,871,003**

Key changes compared with December 31, 2023:

- Decrease in liabilities for SLT life insurance and long term health insurance contracts arises from the increase in risk-free interest rates and revision to pension takeup rates. This decrease was partially offset by an increase in the Consumer Price Index and a revision to demographic assumptions.
- The increase in liabilities for insurance contracts and yield-dependent investment contracts is mainly due to an increase in new sales of investment contracts and positive returns in portfolios. The increase also arises from a continued cancellation trend in executive insurance.

Section 3 - Shareholders' equity for SCR

	As of December 31, 2024			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	10,177,364	1,522,956	3,680,520	15,380,840
Deductions from Tier 1 capital (a)	(225,123)	-	-	(225,123)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Shareholders' equity for SCR (d)	**9,952,241**	**1,522,956**	**3,680,520**	**15,155,717**
Of which - expected profits in future premiums (EPIFP) after tax	5,772,404			5,772,404

	As of December 31, 2023			
	Tier 1 capital			
	Basic	Additional	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	9,545,604	1,484,921	4,334,970	15,365,495
Deductions from Tier 1 capital (a)	(27,047)	-	-	(27,047)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	(514,864)	(514,865)
Shareholders' equity for SCR (d)	**9,518,557**	**1,484,921**	**3,820,106**	**14,823,584**
Of which - expected profits in future premiums (EPIFP) after tax	6,441,641			6,441,641

Key changes compared with December 31, 2023:

- Basic Tier 1 capital was positively affected by the increase in the interest rate curve, improvement in operating activities in P&C Insurance and amortization of underwriting SCRs for an existing business (which reduces the RM component); this positive effect was partially offset by the recalculation of the Deduction Amount during the Transitional Period the Transitional Period as stated above.

- For further details regarding these changes, see Section 1a above and Section 4 below.

(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 Deduction Amounts 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 purchasing Company ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication of the report for the first time.

The Section includes the distribution of the Company's stake in Bizi Finance Ltd.'s shares totaling approx. NIS 19 million, distribution of the Company's stake in Leader Capital Markets & Investments Limited Partnership's participation units totaling approx. NIS 6 million and a NIS 170 million cash dividend, which was declared simultaneously with the publication of this report.

(b) 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.

(c) Composition of shareholders' equity for SCR

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Tier 1 capital		
Basic Tier 1 capital	**9,952,241**	**9,518,557**
Additional Tier 1 capital		
Additional Tier 1 capital instruments	1,522,956	1,484,921
Additional Tier 1 capital	**1,522,956**	**1,484,921**
Total Tier 1 capital	**11,475,197**	**11,003,478**
Tier 2 capital		
Tier 2 capital instruments	2,447,955	2,724,092
Hybrid Tier 2 capital instruments	1,232,565	1,204,306
Hybrid Tier 3 capital instruments	-	406,572
Less deduction due to deviation from quantitative limit	-	(514,864)
Total Tier 2 capital	**3,680,520**	**3,820,106**
Total shareholders' equity for SCR	**15,155,717**	**14,823,584**

- For an explanation about key changes compared with December 31, 2023, see above.
- 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.
- The decrease in the hybrid instrument reflects the redemption of approx. NIS 400 million in Bonds (Series D) and redemption of approx. NIS 290 million in Bonds (Series J).

Section 4 - Solvency capital requirement (SCR)

	As of December 31, 2024	As of December 31, 2023
	Capital requirements	
	Audited	
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital requirement for market risk-weighted component	7,466,905	5,977,457
Capital required for counterparty risk component	678,861	596,309
Capital required for underwriting risk component in life insurance	2,868,058	3,000,397
Capital requirement for underwriting risk component in health insurance (SLT+NSLT)	4,371,790	4,267,732
Capital required for underwriting risk component in P&C insurance	1,518,482	1,453,960
Effect of diversification of risk-weighted components	(5,465,108)	(5,161,649)
Capital required for the intangible assets risk component	38,768	64,633
Total basic solvency capital requirement (BSCR)	**11,477,756**	**10,198,839**
Capital required for operational risk	361,224	391,014
Loss absorption adjustment due to deferred tax asset	(3,204,436)	(2,949,642)
Total solvency capital requirement (SCR)	**8,634,544**	**7,640,211**

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.

Key changes in solvency capital requirement compared to December 31, 2023:

- During the reporting period, there was an increase in SCRs mainly due to an increase in the market risk component due to an increase in the equity component compared to the previous year and due to a significant increase in the symmetric adjustment component (SA).

Section 5 - Minimum Capital Requirement (MCR)

(a) Minimum capital requirement (MCR)

	As of December 31, 2024	As of December 31, 2023
	Audited	
	NIS thousand	
Minimum capital requirement according to MCR formula	2,077,356	1,995,718
Lower band (25% of solvency capital requirement in the Transitional Period)	2,158,636	1,910,053
Upper band (45% of solvency capital requirement in the Transitional Period)	3,885,545	3,438,095
Minimum capital requirement (MCR)	**2,158,636**	**1,995,718**

(b) Shareholders' equity for MCR

	As of December 31, 2024		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Shareholders' equity for SCR according to Section 3	11,475,197	3,680,520	15,155,717
Deviation from quantitative limitations due to minimum capital requirement*	-	(3,248,792)	(3,248,792)
Shareholders' equity for MCR	**11,475,197**	**431,727**	**11,906,924**

	As of December 31, 2023		
	Tier 1 capital	Tier 2 capital	Total
	Audited		
	NIS thousand		
Shareholders' equity for SCR according to Section 3	11,003,478	3,820,106	14,823,584
Deviation from quantitative limitations due to minimum capital requirement*	-	(3,420,962)	(3,420,962)
Shareholders' equity for MCR	**11,003,478**	**399,144**	**11,402,622**

(*) 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

	As of December 31, 2024			
	Including applying the Provisions for the Transitional Period	Effect of including the Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the Transitional Period	Total excluding applying the Provisions for the Transitional Period
	Audited			
	NIS thousand			
Total insurance liabilities, including risk margin (RM)	130,498,197	(1,492,721)	-	131,990,918
Basic Tier 1 capital	9,952,241	974,000	-	8,978,241
Shareholders' equity for SCR	15,155,717	974,000	19,214	14,162,503
Solvency capital requirement (SCR)	8,634,544	(518,720)	-	9,153,264

	As of December 31, 2023			
	Including applying the Provisions for the Transitional Period	Effect of including the Deduction during the Transitional Period	Effect of a 50% rate Tier 2 capital during the Transitional Period	Total excluding applying the Provisions for the Transitional Period
	Audited			
	NIS thousand			
Total insurance liabilities, including risk margin (RM)	121,373,646	(2,323,036)	-	123,696,682
Basic Tier 1 capital	9,518,557	1,528,790	-	7,989,767
Shareholders' equity for SCR	14,823,584	1,131,667	843,446	12,848,471
Solvency capital requirement (SCR)	7,640,211	(794,246)	-	8,434,457

See description of the Provisions for the Transitional Period applicable to the Company during the Transitional Period in Section 2a - information about economic balance sheet, Subsection 2-Deduction Value during the Transitional Period.

Key changes compared with December 31, 2023 regarding the effect of the application of the Provisions for the Transitional Period:

- A recalculation of the Deduction Amount during the Transitional Period led to a decrease of the effect of the inclusion of the amount of Deduction during the Transitional Period, in addition to the linear amortization of the Deduction. For further details, see Section 1 and Section 2A(2) above.
- For an explanation about other key changes compared with December 31, 2023, see Section 1a above.

Section 7 - Changes in Capital Surplus

Following is a table that describes the changes, during the reporting period, in the capital requirement for purpose of the solvency capital requirement, the capital requirement for the purpose of solvency, and finally in the capital surplus (deficit) by main effect items. The data included in this section were calculated and reported in accordance with the Commissioner's guidance. The Commissioner determined the order of the presentation of the items in the above table; the Commissioner also determined that the order of the items in the table does not necessarily represent the order by which the various items will be calculated. It should be noted that the order by which the items are calculated may impact the results of the calculation.

	Shareholders equity for SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
		Audited	
		NIS thousand	
As of January 1, 2024	**14,823,584**	**7,640,211**	**7,183,373**
adjusting the Provisions for the Transitional Period and adjusting the stock scenario	(1,975,113)	794,246	(2,769,359)
As of January 1, 2024, excluding applying the Provisions for the Transitional Period	**12,848,471**	**8,434,457**	**4,414,014**
The effect of operating activities (a)	(435,032)	(358,594)	(76,438)
Effect of economic activity (b)	2,630,881	1,400,432	1,230,449
New businesses (c)	276,170	143,036	134,134
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)	(1,710,658)	-	(1,710,658)
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital	552,671	(465,067)	1,017,738
As of December 31, 2024, excluding applying the Provisions for the Transitional Period	**14,162,503**	**9,153,264**	**5,009,239**
Effect of the Provisions for the Transitional Period	993,214	(518,720)	1,511,934
As of December 31, 2024	**15,155,717**	**8,634,544**	**6,521,173**

(a) This section includes the effect of:

1. The projected cash flow implicit in the opening balance and which was expected to be released in the reporting year;
2. Deviations from demographic and operating assumptions in the reporting year;
3. Changes in regulatory rules;
4. Changes in demographic and operating assumptions compared with those used on the date of the previous report;
5. Model 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. Changes in the value of investment assets;

2. Changes in capital requirement for market risk component, including change in the symmetric adjustment component (SA);

3. Effect of inflation;

4. Effect of changes in the risk-free interest rate curve on solvency.

(c) This item includes new insurance contracts (SLT life and health insurance alone) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year, including their effect on market risks, counterparty risk and operational risk. It is emphasized that this section does not include the profitability of the operating activities in NSLT P&C and health insurance, which are included - as stated above - in section A.

(d) This item includes equity transactions, including dividends, issuance and redemption of Tier 1 capital and Tier 2 capital instruments which were carried out through the report date, and a dividend declared subsequent to the publication date of the solvency ratio report.

Key explanations for changes in capital surplus for the reporting period:

- The effect of operating activities mainly includes the effect of implementing actuarial studies, including revisions to assumptions regarding cancellation rates and expected settlements in executive insurance policies, the effect of mortality tables published by the Commissioner and completion of a study regarding pension takeup rates (TUR). These effects were partially offset against operating activities in P&C insurance.

- The effect of economic activity led to an increase in capital surplus in the reporting period mainly due to an increase in the risk-free interest rate, which increased the shareholders' equity in respect of SCR and decreased the solvency capital requirement (SCR) as well as from positive returns in investment portfolios. This effect was partially offset as a result of increases in the Consumer Price Index.

- For more information about significant effects on the economic solvency ratio's components, see Section 1a 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 reflects the effects of various risk factors both on equity, including the effect of the quantitative restrictions that apply to equity 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 or effects on the Deduction Amount.

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 percentage points)	
A 50-base-point decrease in risk-free interest (a)	(11%)	(13%)
A 25% decrease in the value of equity assets (b)	(18%)	(22%)
A 5% increase in morbidity rate (c)	(7%)	(9%)
A 5% decrease in mortality rates (c)	(7%)	(10%)

(a) The sensitivity to a 50-base-point decrease in interest was calculated by creating a risk-free interest rate curve for a new solvency that includes a corresponding 50-base-point decrease compared with the basic curve up to the 10th year, and subsequent to that year an extrapolation according to the Smith Wilson model with convergence to a UFR of 2.6% as required in the Solvency Circular.

The sensitivity test was implemented to all debt assets and insurance liabilities which are exposed to changes in the risk-free interest, including recalculation of indirect effects on variable management fees.

(b) Sensitivity to a 25% decrease in the value of equity assets applies to all shares accounted for in the shares sub-risk-weighted component, including all Israeli shares and foreign shares, investment funds and illiquid capital expenditures. For the purpose of the sensitivity test, the SA was recalculated in line with a 25% slump in the TA 125 Index, which is used to calculate the SA.

(c) Sensitivities to an increase in morbidity rates and a decrease in mortality rates were calculated for all insurance products which are sensitive to those changes, where relevant.

Section 9 - Restrictions on Dividend Distribution

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

The Company's Board of Directors has set a minimum economic solvency ratio target and target range based on Solvency II. The economic solvency ratio target range, within which the Company seeks to be during and at the end of the Transitional Period, taking into account the Deduction during the Transitional Period and its gradual reduction is 150%-170%.

The minimum economic solvency ratio target, taking into account the Provisions for the Transitional Period, was set at 135%, and the minimum solvency ratio target without taking into account the Provisions for the Transitional Period is set to reach 135% at the end of the Transitional Period according to the Company's capital plan.

On December 30, 2024, the Company's Board of Directors increased the minimum solvency ratio target without taking into account the Provisions for the Transitional Period by further 3 percentage points from 118% to 121%, beginning on December 31, 2024 as part of the Company's preparations for increasing the minimum solvency ratio target by the end of the Transitional Period.

As of December 31, 2024, the date of the calculation, the Company has capital surplus in relation to the set targets, as described in the table below.

It is hereby clarified that the aforesaid does not guarantee that the Company will meet the set targets at all times.

Dividend

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 Economic Solvency Regime - of at least 100%, calculated without taking into account the Provisions for the Transitional Period and subject to the solvency ratio target set by the Company's Board of Directors. In addition, the letter set out provisions for reporting to the Commissioner. On February 27, 2025, the Company received a letter regarding "setting a solvency ratio target") (hereinafter – the "**Capital Target Letter**"), which lists appropriate practices for determining a solvency ratio target. The Company believes that the capital targets were set in accordance with the requirements of the Capital Target Letter.

Dividend distribution

During the third quarter of 2024, The Phoenix Insurance distributed a dividend totaling NIS 250 million.

On December 30, 2024, the Company's Board of Directors decided to approve the distribution of a dividend in kind of approx. NIS 1.4 billion (approx. NIS 1.1 billion economic value) subject to the fulfillment of the conditions precedent. For further details, see the immediate report dated December 31, 2024. Through the report publication date, the following assets were distributed in practice out of the abovementioned economic value: Phoenix Mortgages (Gold) Ltd.'s loans totaling approx. NIS

574 million, Company's stake in Bizi Finance Ltd.'s shares totaling approx. NIS 19 million, Company's stake in Leader Capital Markets & Investments Limited Partnership's participation units totaling approx. NIS 6 million and Company's stake in El Al Frequent Flyer Ltd.'s shares, which are recorded at zero economic value in the economic balance sheet.

The Company's rights in the assets known as Block 6154, Parcels 931 and 932 in Givatayim (hereinafter - "**Beit Havered**") totaling approx. 611 million have not yet been distributed and the carrying amount of the distribution of the Company's stake in Phoenix Mortgages (Gold) Ltd.'s shares is immaterial.

Should the distributions be completed, they will result in a decrease of approx. 5% in the solvency ratio without applying the Provisions for the Transitional Period. Subsequent to the dividend distributions, as set out above, the economic solvency ratio of The Phoenix Insurance and the economic solvency ratio excluding the Provisions for the Transitional Period and without adjusting the share scenario, meet the minimum economic solvency ratio target without taking into account the Provisions for the Transitional Period as set by the Board of Directors, according to the Commissioner's requirements on dividend distribution, as set out above.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Provisions for the Transitional Period and the solvency ratio target set by the Company's Board of Directors with respect to the solvency ratio calculated without taking into account the Provisions for the Transitional Period, as required by the letter. As stated, the ratio is higher than the solvency ratio required by the letter.

Solvency ratio without applying the Provisions for the Transitional Period:

	As of December 31	
	2024	2023
	Audited	
	NIS thousand	
Shareholders' equity for SCR - see Section 6	14,162,503	12,848,471
Solvency capital requirement (SCR) - see Section 6	9,153,264	8,434,457
Surplus	5,009,239	4,414,014
Economic solvency ratio (in %)	**155%**	**152%**
Effect of material equity transactions taken in the period between the calculation date and the publication date of the solvency ratio report:		
Raising (redemption) of equity instruments*	-	-
Shareholders' equity for SCR	14,162,503	12,848,471
Surplus	5,009,239	4,414,014
Economic solvency ratio (in %)	**155%**	**152%**
Capital surplus after capital-related actions in relation to the Board of Directors' target:		
Minimum solvency ratio target without applying the Provisions for the Transitional Period	**121%**	**115%**
Capital surplus over target	**3,087,053**	**3,148,846**

* Subsequent to the report date, as of December 31, 2024, Bonds (Series P and Q) totaling approx. NIS 786 million

were issued (immediate report of April 17, 2025, Ref. No.: 2025-01-027737). The said issuance does not affect the solvency ratio net of the Provisions for the Transitional Period as of December 31, 2024 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

Subsequent to the balance sheet date as of December 31, 2023, approx. NIS 400 million in Bonds (Series D) were redeemed (immediate report dated January 2, 2024, Ref. No.: 2024-01-000765). The abovementioned redemption does not affect the solvency ratio as of December 31, 2023 in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

- For an explanation about key changes compared with last year see Section 1A above.

May 28, 2025				
Date	Benjamin Gabbay Chairman of the Board	Eyal Ben Simon CEO	Eli Schwartz Deputy CEO, Chief Financial Officer	Amit Netanel Executive VP, Chief Risk Officer