

The Phoenix Pension and Provident Fund Ltd. – Initial Rating

October 2025

*Please note that this translation was made for convenience purposes only
In case of any discrepancy with the official Hebrew version published on
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Issuer and Short-Term Ratings

Issuer Rating	Aa3.il	Rating Outlook: Stable
Commercial Paper Rating	P-1.il	-

Midroog assigns an issuer rating of Aa3.il with a Stable outlook to The Phoenix Pension and Provident Fund Ltd. (the "**Company**"). Midroog also assigns a P-1.il rating to the Company's Commercial Papers ("**CP**") (Series 1) to be issued in an amount of up to NIS 200 million par value. Proceeds are expected to serve the Company's ongoing needs. The CP will be issued for a 12-month period and include an option for up to four additional periods of 12 months each, for a total of up to five years from the initial issuance, in accordance with the CP terms. The CP terms allow investors to call the funds at any time during the life of the CP with seven business days' prior notice. The short-term rating is based on the Company's issuer rating (Aa3.il, Stable) and relies, inter alia, on the Company's and Phoenix Financial Ltd.'s (the "**Parent Company**" and/or "**Phoenix Financial**") signed undertaking to maintain cash and cash equivalents and/or an

unutilized credit facility, including via the Parent Company as required, in the amount of the outstanding CP balance throughout the CP's life. Issuance proceeds will be used to refinance existing debt and for the Company's ongoing needs.

About the Company

Phoenix Pension and Provident Ltd. was incorporated and registered in Israel on October 29, 2000 as a private company and is wholly owned (100%) by Phoenix Financial Ltd. (rated Aa2.il, Stable). The Company operates as a management company for pension funds and provident funds, including education funds, pursuant to the Supervision of Financial Services (Insurance) Law, 1981, and the Supervision of Financial Services (Provident Funds) Law, 2005, and holds an insurer license and a management company license for all pension and provident funds under its management. Ms. Shani Belo Harfenist serves as the Company's CEO and Mr. Or Harush serves as the Chairman of the Board.

Key Rating Considerations

The Company operates in the pension and provident sector, managing pension funds, provident funds, and education funds. This sector is characterized by a medium–low risk profile with significant regulatory exposure which moderates sector risk to some extent but may also burden sector participants. The rating reflects a reasonable business profile relative to the rating level, supported by high revenues in pension and provident activities and continuous growth in assets under management (AUM), albeit still constrained by a low number of business lines relative to the rating. The gross debt-to-EBITDA coverage ratio is low for the rating alongside balance sheet leverage that is adequate for the rating. As of June 30, 2025, the Company managed approximately Nis220 billion of assets, versus about Nis200 billion as of December 31, 2024, Nis167 billion as of December 31, 2023, and Nis136 billion as of December 31, 2022. AUM growth (about 29% CAGR between 2020–2024) has been driven mainly by organic growth (positive net contributions and positive investment returns) while also benefiting from exogenous growth, including the 2021 acquisition of Halman–Aldubi provident and pension funds (adding ~Nis24 billion) and their merger into the Company's funds. As of June 30, 2025, pension fund AUM totaled ~Nis128 billion (Nis116 billion at YE-2024) and provident & education fund AUM totaled ~Nis92 billion (Nis84 billion at YE-2024). In 1H25, operating profitability (operating profit/total revenues) improved to ~22%, from ~16% in 2024 and ~14% in 2023, supported by scale advantages expected to underpin further profitability improvement.

Midroog's Base Scenario for 2025–2026

We anticipate a continued mixed operating environment in pension and provident activities, owing to high competition supported by regulation (pressuring management fees) and capital market volatility (affecting product preferences and AUM). Despite an ongoing conflict, we expect continued AUM growth given positive capital market returns in the first nine months of 2025, expected GDP growth of ~2.5% in 2025 and ~4.7% in 2026, and tight unemployment supporting wage growth. Conversely, short-term sector growth potential remains constrained by a restrictive macroeconomic backdrop (higher rates and inflation versus recent years), ongoing conflict, and

labor market characteristics that temper economic activity and household savings. We assume the Company's AUM will continue to grow mostly organically at ~11%–14% annually in 2025–2026, reaching ~Nis228–Nis253 billion, driving revenues of ~Nis940–Nis1,010 million (vs. Nis835m in 2024 and Nis763m in 2023). Expenses are expected to rise with business growth and agent commissions alongside continued investment in technology-driven operational efficiency. Accordingly, the operating profit ratio is expected to improve to ~22%–23%. We expect growth in the capital cushion due to higher profits and no dividends during the forecast, alongside higher financial debt; leverage is projected at ~38%–39% in 2025–2026. EBITDA is projected at ~Nis224–Nis254 million per year (Nis155m in 2024); operating profit at ~Nis205–Nis235 million; and net financing expenses at ~Nis45–Nis63 million, mainly on bank and related-party loans with additional debt assumed. Consequently, operating profit to net financing expenses is expected at ~x3.7–x4.6, indicating a reasonable ability to service financing costs from operating cash flows.

Owner Support

Owner support is an additional positive consideration that supports the Company's business and financial profile.

Rating Outlook

The Stable outlook reflects our assessment that the Company's financial profile and key metrics will remain within Midroog's base scenario range.

Factors That Could Lead to an Upgrade

- Improvement in business positioning alongside sustainable AUM growth, reflected in significant and sustained improvement in revenues and profitability ratios.

Factors That Could Lead to a Downgrade

- Deterioration in the business profile, including significant erosion in revenues.
- Sustained deterioration in profitability and coverage ratios relative to the base scenario assumptions.
- Significant and sustained erosion in the capital cushion.

Phoenix Pension and Provident Ltd. – Key Financial Data (Nis millions)

	30.06.2025	30.06.2024	2024	2023	2022	2021
Free Liquid Balances [1]	83	36	65	28	57	62
Gross Financial Debt [2]	895	756	907	735	748	435
Equity Attributable to Shareholders	912	826	861	791	728	653
Total Assets [3]	2,211	2,039	2,120	1,922	1,750	1,280
Revenues [4]	466	398	835	763	674	491
Operating Profit [5]	103	70	137	107	128 [8]	44
EBITDA [6]	112	79	155	124	146	62
Total AUM at Period End	219,629	182,333	200,336	166,963	136,429	125,360
Equity / Adjusted Balance Sheet [3]	41%	41%	41%	41%	42%	51%

Operating Profit / Revenues	22%	18%	16%	14%	19% [8]	9%
Gross Debt / EBITDA [7]	x4.8	x5.9	x5.9	x6.0	x5.1	x7.0
Operating Profit / Net Financing Expenses	x5.0	x4.1	x4.0	x5.2	x9.3	x10.3

[1] Free liquid balances according to capital regulations, net of balances required for regulatory purposes.

[2] Financial debt includes loans from banks, loans from related parties, and lease liabilities.

[3] Excluding total assets for guaranteed-yield provident fund tracks.

[4] Excluding profits attributed to members of guaranteed-yield provident fund tracks.

[5] Total revenues less operating expenses, profits attributed to members of guaranteed-yield provident fund tracks, and other expenses.

[6] EBITDA – earnings before interest, taxes, depreciation, and amortization.

[7] LTM.

[8] Includes a one-time profit of ~Nis25 million from the sale of individually managed provident funds.

Detailed Key Rating Considerations

Industry Profile: Medium–Low Risk Given the Company's Lines of Business, with High Competition and Tight Regulation

The Company operates in the pension and provident sector, including the management of pension funds, provident funds, and education funds. The sector exhibits a medium–low risk profile given the Company's product mix. The sector is significantly exposed to regulation which, in our assessment, moderates sector risk to some extent but can burden companies. Entry barriers include compliance with regulation (controls and legal compliance), obtaining licenses and approvals, staffing and resource allocation, operational/controls/IT infrastructure, minimum equity requirements, etc. Regulatory changes and their associated costs may weigh on sector participants. Companies that fail to adapt to regulatory changes and operational/managerial challenges may be adversely affected in both business positioning and financial profile. Distribution is primarily via external agents (including arrangement agencies and independent agents) who are entitled to commissions (collection commissions and volume commissions), alongside a direct distribution channel. Demand for provident and education funds—particularly pension funds—tends to be relatively inelastic compared with other products that are more volatile and influenced by capital market conditions and bank investment advisory (which relies on internal rating systems). The competitive environment is shaped by legislation, regulation, and reforms that have increased the number of players. Despite rising competition in provident funds, the pension fund area remains concentrated, with the vast majority of pension fund assets managed by insurance companies, partly due to higher entry barriers.

Business Profile: Reasonable for the Rating; High Revenues and Sustained AUM Growth, but Few Business Lines

The Company's AUM has grown significantly in recent years (CAGR ~29% between 2020–2024). As of June 30, 2025, AUM totaled ~Nis220 billion versus ~Nis200b (YE-2024), ~Nis167b (YE-2023), and ~Nis136b (YE-2022). Growth has been driven mainly by organic expansion (positive net

contributions and positive returns) and exogenous growth (e.g., the 2021 acquisition of Halman–Aldubi provident and pension funds adding ~Nis24b). In 2025 the Company also completed the acquisition of a managed book from Slice Provident Ltd. of ~Nis1.15b. As of June 30, 2025, pension fund AUM was ~Nis128b (Nis116b YE-2024; Nis92b YE-2023), and provident & education funds were ~Nis92b (Nis84b YE-2024; Nis75b YE-2023). The product mix relies mainly on pension activity (~58% of AUM at June 30, 2025) versus ~42% provident & education (mix similar at YE-2024). We do not expect a material mix change in the forecast period.

Profitability: Low for the Rating, but Improving

Weighted management fees on AUM have trended down in recent years due to industry-wide pressures from reforms (including default pension funds) that intensified competition. The mix shift toward pension (which carries lower fees than provident/education) also weighs on the blended fee rate. In 2024, the weighted fee rate was ~0.44% (vs. ~0.48% in 2023). Concurrently, rapid AUM growth drove revenue growth (~9% in 2024; ~13% in 2023). Expenses increased due to higher management services from Phoenix Insurance and substantially higher agent commissions. In 1H25, operating profitability improved to ~22% (vs. ~16% in 2024; ~14% in 2023) due in part to scale advantages, supporting continued profitability improvement in coming years. In our 2025–2026 base case, we expect revenue growth of ~7%–13% annually, driven by AUM growth and a modest further decline in fee rates. Expenses should grow with business scale and agent commissions and with continued investment in tech-enabled operational efficiency; the operating margin is expected at ~22%–23%.

Balance Sheet Leverage: Adequate for the Rating

As of June 30, 2025, the balance sheet leverage is adequate for the rating, reflected in equity attributable to shareholders over adjusted total assets (excluding guaranteed-yield provident assets) of ~41%. Equity has increased in recent years due to retained earnings and no dividends. Equity attributable to shareholders was ~Nis912 million at June 30, 2025, vs. ~Nis861m at YE-2024 and ~Nis791m at YE-2023. As of June 30, 2025, the Company complies with all regulatory capital requirements with an excess of ~Nis672m above the required supervisory capital (~Nis636m excess at YE-2024). Since August 2020, the Parent Company has an undertaking to top up the Company's equity to at least the regulatory minimum required of a management company of provident and pension funds under the Supervision of Financial Services regulations. In our base case we expect further capital cushion growth (profits, no dividends) alongside higher financial debt; leverage projected at ~38%–39% in 2025–2026.

Coverage Ratios: Low for the Rating

Coverage metrics are low for the rating, with gross debt/EBITDA of ~x4.8 for the 12 months ended June 30, 2025 (~x5.9 in 2024). We expect this ratio to remain at similar levels (x4.5–x5.2) as EBITDA grows but financial debt also increases. In our base case, EBITDA is projected at ~Nis224–Nis254m per year (vs. ~Nis155m in 2024); operating profit at ~Nis205–Nis235m; and net financing expenses at ~Nis45–Nis63m per year (mainly bank and related-party loans plus assumed additional debt). Accordingly, operating profit/net financing expenses is expected at ~x3.7–x4.6, indicating a reasonable ability to service financing costs from operating cash flows.

Financial Policy: Appropriate for the Rating

The Company has structured risk management policies and a dedicated liquidity management methodology to mitigate liquidity risks stemming from possible gaps between liquid sources and expected payments (primarily insurance and financial obligations). The financial policy is conservative with respect to market and liquidity risks and underpins business strategies that support growth. The Company currently has no dividend distribution policy (last distribution in 2021), and we do not expect dividends in the forecast period, which supports financial flexibility.

Additional Consideration: Owner Support

We assume meaningful willingness and capacity of support from Phoenix Financial Ltd. (Aa2.il, Stable), the 100% owner, as reflected in proven support via interest-bearing shareholder/bank loans and financial guarantees to a bank and to CP holders. The Parent also undertakes to top up equity to the regulatory minimum required of a provident/pension fund management company. Parent involvement in management and strategy setting is high.

ESG Considerations

Environmental – Israeli pension/provident management companies have relatively low exposure to environmental risks; however, there is reputational risk related to stakeholders' perceptions of the response to environmental risks and ESG integration in investment strategy.

Social – Exposure to social risks is low–medium; key risks relate to customer relationships, including data security and privacy given access to large volumes of personal data.

Governance – Governance is assessed against financial strategy and risk management, reflecting the board/management's risk tolerance affecting leverage, cash flows, and capital structure (e.g., sudden changes in dividend policy may indicate reduced financial flexibility, whereas conservative policy enhances resilience).

Commercial Paper Rating

The short-term rating leverages the issuer rating (Aa3.il, Stable) and the Company's short-term liquidity analysis, with emphasis on sources-and-uses, liquidity level and quality. The P-1.il rating reflects strong liquidity per Midroog's analysis. The rating is based, inter alia, on a signed declaration by the Company to maintain cash and cash equivalents and/or an unused credit facility (including via the Parent, Phoenix Financial Ltd.) as required, in the amount of the outstanding CP balance throughout its life. Midroog's base case assumes the Company will maintain a similar risk profile in line with its risk appetite and will maintain high-quality liquidity sources (cash and cash equivalents and executed, available credit lines) adequate to its activity, in line with the Company's declaration.

Liquidity Analysis

Parameters reviewed include: cash and cash equivalents; G&A; sales and marketing expenses; repayments of bank and related-party loans; changes in utilization of bank credit; financing expenses; and tax payments.

Sources during the period:

- Cash and cash equivalents
- Operating cash flow
- Executed, available credit lines

Uses during the period:

- General and administrative
- Sales and marketing
- Change in bank credit utilization
- Repayments of bank and related-party loans
- Financing expenses
- Tax payments

In Midroog's view, over the CP rating period the Company has excess sources over uses consistent with the rating.

Rating Matrix

Category	Parameter	Sub-parameter	Measurement [1]	Score	Forecast Measurement	Forecast Score
Industry Profile	Business Sector	-	-	Aa.il	-	Aa.il
Business Profile	Business Positioning	Revenues (Nism)	931*	Aa.il	940–1,010	Aa.il
Business Profile	Business Positioning	AUM Retention	85%**	A.il	88%–90%	Aa.il
Business Profile	Business Positioning	AUM Turnover	118%	A.il	106%–114%	A.il
Business Profile	Business Diversification	Business Lines	3	Baa.il	3	Baa.il
Financial Profile	Profitability	Operating Profit / Revenues	22%	A.il	22%–23%	A.il
Financial Profile	Leverage	Equity / Total Assets	41%	Aa.il	38%–39%	A.il
Financial Profile	Cash Flow & Coverage	Debt / EBITDA	x4.8	A.il	x4.5–x5.2	A.il
Financial Profile	Cash Flow & Coverage	Operating Profit / Net	x5.0	A.il	x3.7–x4.6	A.il

		Financing Expenses				
Financial Profile	Financial Policy	-	-	Aa.il	-	Aa.il
Derived Rating						A1.il
Actual Rating						Aa3.il

[1] Metrics shown are after Midroog adjustments and may differ from those presented by the Company. Midroog's forecast reflects Midroog's base-case assumptions and not the Company's projections.

* Annualized; excluding profits attributed to members of guaranteed-yield provident fund tracks.

** In 2024.

Related Reports - The reports are published on Midroog's website: www.midroog.co.il

- Phoenix Financial Ltd. – Related Reports
- Investment Houses – Methodology Report, June 2024
- Short-Term Ratings – Methodology Report, December 2019
- Adjustments to Financial Statements and Presentation of Key Financial Metrics in Corporate Ratings – Methodology Report, December 2024
- Subordinated Debts, Hybrid Instruments and Preferred Shares in Corporate Finance – Methodology Report, December 2019
- Guidelines for Assessing Environmental, Social and Governance Risks in Credit Ratings – Methodology Report, February 2022
- Affinity and Holdings Table
- Midroog's Rating Scales and Definitions

General Information

Rating Report Date:	30.10.2025
Name of Rating Initiator:	Phoenix Pension and Provident Ltd.
Name of Entity Paying for the Rating:	Phoenix Pension and Provident Ltd.

Information from the Issuer

Midroog relies in its ratings, among other things, on information received from authorized parties at the issuer.

Local Long-Term Rating Scale

Aaa.il	Issuers or issues rated Aaa.il, in Midroog's judgment, demonstrate the highest credit
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	repayment capacity relative to other local issuers.
Aa.il	Issuers or issues rated Aa.il demonstrate very high credit repayment capacity relative to other local issuers.
A.il	Issuers or issues rated A.il demonstrate high credit repayment capacity relative to other local issuers.
Baa.il	Issuers or issues rated Baa.il demonstrate medium credit repayment capacity relative to other local issuers and may have certain speculative characteristics.
Ba.il	Issuers or issues rated Ba.il demonstrate weak credit repayment capacity relative to other local issuers and are speculative.
B.il	Issuers or issues rated B.il demonstrate very weak credit repayment capacity relative to other local issuers and have significant speculative characteristics.
Caa.il	Issuers or issues rated Caa.il demonstrate the weakest credit repayment capacity relative to other local issuers and have very significant speculative characteristics.
Ca.il	Issuers or issues rated Ca.il demonstrate extremely weak credit repayment capacity and are very close to default, with some likelihood of recovery of principal and interest.
C.il	Issuers or issues rated C.il demonstrate the weakest credit repayment capacity and are typically in default, with minimal likelihood of recovery of principal and interest.

Note: Midroog uses numeric modifiers 1, 2, 3 within each category from Aa.il to Caa.il. The modifier “1” indicates that the instrument is in the higher end of the rating category; “2” denotes a mid-range placement; and “3” denotes the lower end of the category.

Local Short-Term Rating Scale

P-1.il	Issuers rated Prime-1.il, in Midroog’s judgment, have a very strong ability to meet short-term obligations relative to other local issuers.
P-2.il	Issuers rated Prime-2.il have a strong ability to meet short-term obligations relative to other local issuers.
P-3.il	Issuers rated Prime-3.il have a medium ability to meet short-term obligations relative to other local issuers.

NP.il

Issuers rated Not Prime.il do not fall within any of the Prime categories.

Relationship Between Long-Term and Short-Term Scales

The following table (image in the source document) details the long-term ratings corresponding to short-term ratings, where applicable. (Image omitted in this translation file).

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Footnotes

[1]: Subject to noteholders' consent to renew the CP period and subject to a valid rating, per the Company's undertaking at issuance.

[2]: Formerly "Phoenix Holdings Ltd."

[3]: Bank of Israel Research Department Macroeconomic Forecast, September 2025.

[4]: Excluding profits attributed to members of guaranteed-yield provident fund tracks.

[5]: Short-term ratings in structured finance are typically based on the short-term rating of the liquidity provider to the transaction or on the estimated free cash flow available for repayment of the rated obligation.