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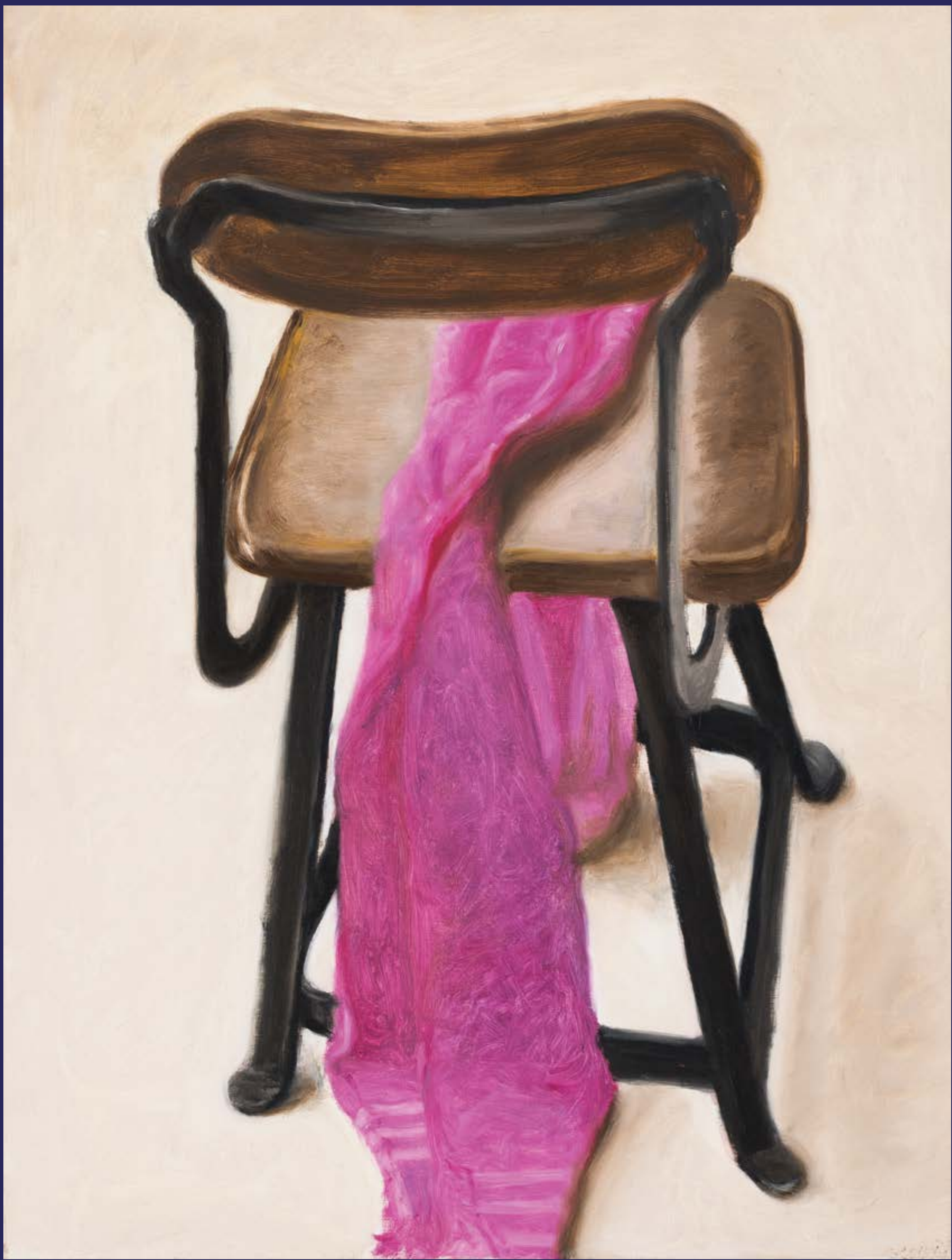
Phoenix Financial Ltd.

# Annual Report for 2024



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

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

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

# Board members

Benjamin Gabbay - Chairman of the Board

Stella Cohen

Zubin Rossi Taraporevala

Prof. Zohar Goshen

Rachel Levine (External Director)

Hanadi Said (External Director)

Dr. Ehud Shapira (Independent Director)

Inbal Kreiss (Independent Director)

**Letter from the Chairman of the Board - Benjamin Gabbay**

2024 presented significant challenges, marked by war and uncertainty that affected us all. Phoenix extends its deepest condolences to the families who have lost loved ones and hopes for the return of hostages as soon as possible, recovery for the injured, and the safety of the men and women of the IDF. Since the onset of the war, Phoenix has actively engaged in important initiatives to support Israeli society and its resilience.

The past year has underscored the robustness of Israel's economy. The Israeli economy demonstrated resilience in both macroeconomic indicators and private consumption metrics, while the capital market outperformed leading global indices. The total public assets reached a record high of over NIS 6 trillion, with growth observed in asset portfolios across most short and long-term investment solutions and international investors have shown increased interest in Israeli investments. Despite the challenging period, we remain confident in the continued growth of the Israeli economy and recognize significant opportunities for Phoenix, which we are determined to capture.

In 2024, Phoenix continued to solidify its leadership in Israel's financial sector. The Company has a proven strategy focused on accelerated growth in profitable activities, innovation and efficiency to deepen competitive advantages and enhance client experience, active management of the group's people and structure, and optimal management of capital and investments. Under the leadership of management, the Company strives to create significant value through accelerated growth in asset management, distribution, and credit activities, as well as targeted growth and optimization in our insurance businesses.

Having achieved our previously announced medium-term goals ahead of schedule, Phoenix set new targets for 2027 during the year and published a roadmap detailing how it intends to achieve these objectives. Phoenix will continue to operate with managerial and business continuity to meet its business goals and create shareholder value. The Company is well-prepared for 2025, a year that holds challenges and ongoing uncertainty in both local and international markets, but also broad opportunities.

The past year was characterized by strong performance across all business sectors while maintaining financial strength that enables value creation for shareholders and regular dividend distributions. This year, we launched distinctive products based on collaborations with leading global investment managers, delivered high returns on investment portfolios, introduced new digital platforms including a group app and consumer credit platform, and continued to improve the service experience for both clients and agents. Additionally, we continued preparations for the implementation of the IFRS 17 accounting standard, expected to positively impact the Company's performance in the insurance segments.

During the year, leading international investors acquired shares from former controlling shareholders, with Phoenix transitioning to a Company without a controlling shareholder. International investors now hold over 30% of the Company, reflecting confidence in the Phoenix Group and the Israeli economy as a whole. Phoenix continues to implement strong corporate governance, supported by a professional and experienced board of directors and dedicated board committees. At the beginning of 2025, four new directors with deep professional and international experience joined the board.

On behalf of the entire board, I would like to thank the Company's management and employees for their professionalism, dedication, and resilience demonstrated throughout the year, and for their commitment to excellence and value creation. Together, we will lead Phoenix to new heights, capitalize on the opportunities before us, and strengthen our position as leaders in Israel's financial market.

On a national level, let us hope that unity prevails over division, that we learn to listen and empathize, that we wisely implement compromises, and that we remain committed to one another for the strength of the State of Israel, Israeli society, and the resilience of Israel's economy.

**Benjamin Gabbay**

Chairman of the Board, Phoenix Financial Ltd.

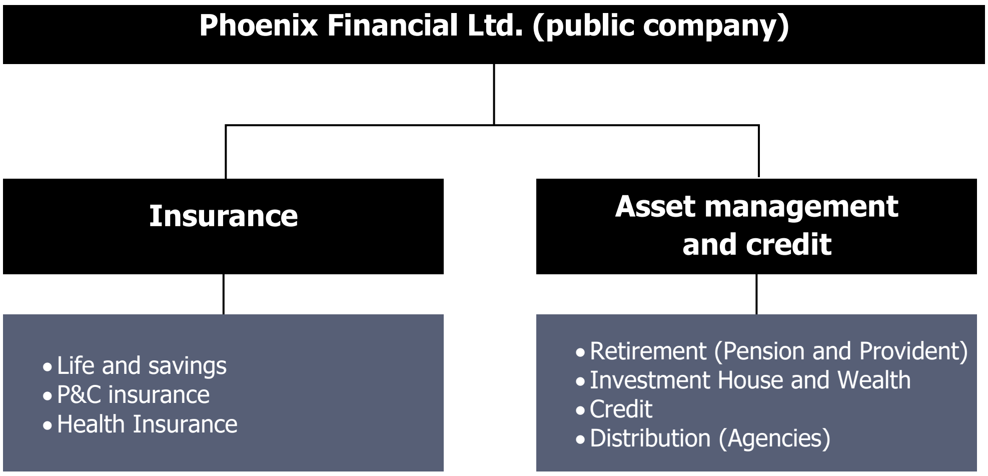
# Part 1
# Description of the Corporation's Business

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

# Description of the Corporation's Business - Consolidated

This chapter of the Periodic Report contains a description of the Company's operations and business development in 2024 (hereinafter - the "**reporting year**" or the "**reporting period**").[1]
For simplification purposes, the Group divides the presentation of its operating results into two key activities: The first - Insurance; and the second - Asset Management and Credit.

## Activity structure:




The said activities are divided in the Report into seven reporting segments. **The insurance activity** is divided into three reporting segments - life and savings, Property and Casualty, and health insurance. The **Asset Management and Credit activity** is divided into four further reporting segments - asset management - Retirement (Pension and Provident), asset management - Investment House and Wealth, Credit and Distribution (Agencies). The various segments shall be named hereinafter in the Report on the Company's Business as "activities" or "segments".
In its **insurance** activity, the Company operates through Phoenix Insurance Company Ltd.;
In the **Asset Management and Credit Activity**, the Company operates in the different subsegments mainly through Phoenix Pension and Provident Funds Ltd., Phoenix Investment House Ltd., Phoenix Advanced Investments Ltd. Phoenix Insurance Agencies 1989 Ltd. and the agencies it owns and holds; and through Phoenix Gama Management and Clearing Ltd. - a reporting corporation wholly-owned by the Company;
As of the report date, the Group has approx. NIS **525** billion in assets under management. For details of the assets under management, see Section 4.4.3 below.

[1] Pursuant to Regulation 8C of the Securities Regulations, the provisions of Regulation 8(b) 8A and 8B of the Securities Regulations do not apply to information in the periodic report of a corporation which consolidated or proportionately consolidated an insurer or where the insurer is its associate, insofar as this information pertains to the insurer.

The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and with respect to the Group's insurance, pension and provident fund operations - in accordance with circulars and guidance issued by the Commissioner of Capital Market, Insurance and Savings Authority.
The materiality of the information contained in this Periodic Report, including the description of material transactions during the reporting year, is examined from the Company's perspective, and in some cases, the description is extended beyond the reporting year to provide a more comprehensive view of the subject matter.
Chapter A to this report - "Description of Company's Business", should be read together with all other parts of the Periodic Report, including the Report of the Board of Directors and the notes to the Financial Statements.
As part of the Company's policy to increase its exposure to international investors, it adopted a voluntary reporting policy in English. For further details, see the Company's immediate report dated February 25, 2021 (Ref. No. 2021-01-023287).

Additionally, in light of the Company's diverse activities in the fields of Insurance, Asset Management, Distribution and Credit, it changed its name such that it will match its business activities. On August 14, 2024, the Company's General Meeting approved the change of its name to Phoenix Financial Ltd. For further details, see the immediate report dated August 14, 2024 (Ref. No.: 2024-01-082707).

# Forward-looking information

This report contains forward-looking information, as defined by the Securities Law, 1968. Among other things, this information contains forecasts, goals, estimates and assessments relating to future events or matters, including reference to risk factors and developments other than those described in the report, the materialization of which is uncertain and may be affected by various factors which are beyond the Company's control.
Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company.
It is clarified that actual future results may differ than those described in this report. Forward-looking information in this report refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as it appears in the report, insofar as it becomes aware of any additional information in connection with such information.
Reference to forward-looking information in this report generally includes terms such as "assessment," "expectation," "intention" and the like.

Monetary values in this chapter and in the Report of the Board of Directors are generally in NIS million (unless otherwise stated). Monetary values stated in the financial statements are generally in NIS thousand (unless otherwise stated).

# The Company’s business and terms specific to the insurance and finance industries

The Company's business are in sectors that require considerable professional knowledge and contain numerous professional terms. To clarify the information presented in this report wherever possible, the description of the Group's operations makes use of these professional terms, accompanied by the clearest possible explanations and notes.

The description presented in this report is for the purpose of the report alone and does not constitute advice or a recommendation with respect to the insurance policies, provident funds, mutual funds, alternative investment products, pension funds and other areas of activity detailed in this report, nor should it be used to interpret the insurance plans or rules and miscellaneous regulations.

The binding terms and conditions of the Company's policies, provident funds, pension funds, mutual funds, alternative investment products and other products are those terms and conditions specified in the policies, pension fund and provident fund articles, and in the various agreements made in the Company's other areas of activity.

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# Glossary of Terms

## The insurance industry has a specific jargon. The following terms, among others, will be used in this report:

| | | |
|---|---|---|
| **"Designated bonds"** | - | CPI-linked government bonds issued by the Israeli government to insurance companies and pension funds at a pre-determined interest rate and for pre-determined terms. In life insurance - Life insurance linked ("Hetz") bonds were issued, and in pension - "Miron" and "Arad" bonds. |
| **"Institutional entity"** | - | An insurer and management company, as defined by the Supervision Law. |
| "**Financial Statements**" and/or "**Financial Report**" | - | The Company's financial statements as of December 31, 2024 |
| **"Insurance premiums"** | - | The amounts paid by a policyholder to an insurer under an insurance contract (policy), which is not an investment contract. |
| **"Contributions towards benefits"** | - | The amount deposited by (or for) a planholder with a pension fund or provident fund. |
| **"Fees"** | - | A common term for registration fees, policy fees, levy fees and credit fees. These amounts are included in the insurance premiums and are intended to cover the insurer's expenses. |
| **The "Commissioner"** | - | The Commissioner of the Capital Market, Insurance and Savings Authority. |
| **"Management company"** | - | A company engaged in the management of provident funds or pension funds and which has received a license to do so from the Commissioner of Capital Markets, Insurance and Savings in the Ministry of Finance, in accordance with Section 4 of the Provident Funds Law as defined below. |
| **"Insurance contracts"** | - | As defined in Note 1 to the Financial Statements in the "Definitions" section. |
| **"Investment contracts"** | - | As defined in Note 1 to the Financial Statements in the "Definitions" section. |
| **"Yield-dependent contracts"** | - | As defined in Note 1 to the Financial Statements in the "Definitions" section. |
| **"Prohibition on Money Laundering Law"** | - | Prohibition on Money Laundering Law, 2000. |
| **"Reduction of Concentration Law"** | - | Law for Economic Competition and Minimizing Market Concentration, 2013. |
| **"Companies Law"** | - | The Companies Law, 1999. |
| **"Advice Law"** | - | The Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995. |
| **"Advice and Marketing Law"** | - | The Financial Services Supervision Law (Pension Advice and Marketing), 2005. |
| **"Supervision Law"** | - | Financial Services Supervision Law (Insurance), 1981. |
| **"Joint Investments in Trust Law"** | - | Joint Investments in Trust Law, 1994. |

| | | |
|---|---|---|
| **"Insurance Contracts Law"** | - | The Insurance Contracts Law, 1981. |
| **"Securities Law"** | - | Securities Law"-the Securities Law, 1968. |
| "**CRAV Law**" or "**Road Accident Victims Compensation Law**" | - | Compensation for Road Accident Victims Compensation Law, 1975. |
| **"Provident Funds Law"** | - | The Financial Services Supervision Law (Provident Funds), 2005. |
| **"Underwriting"** | - | The process of approving an insurance offer and setting the premium, in accordance with actuarial assumptions, for the data specified in the insurance offer and additional information available to the insurer. |
| "**International Financial Reporting Standards**" or "**IFRS**" | - | International Financial Reporting Standards that include International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs), and interpretations of International Financial Reporting Standards (IFRICs) and International Accounting Standards (SICs). |
| **"Policyholder" and/or "planholder"** | - | A life insurance policyholder and a planholder in pension funds or provident funds. |
| **"Pension product"** | - | A provident fund, pension fund, advanced education fund, or insurance policy which is an equity provident fund or an annuity provident fund, a life insurance plan or permanent health insurance plan included in the above plans or sold along with one of them, according to the definitions set out in the Advice and Marketing Law. |
| **"Financial asset"** | - | As defined by the Advice Law (Securities, Structured Products and Participation Units in Mutual Funds). |
| **"Long-term savings assets"** | - | Assets that include the assets of provident funds and pension funds - excluding old funds, assets held by insurers to cover yield-dependent life insurance liabilities, assets held by insurers to cover their liabilities under life insurance plans that provide the policyholder with a guaranteed return, and in respect of which the policyholder is not entitled to designated bonds. |
| **"Motor Vehicle Insurance Ordinance"** | - | Motor Vehicle Insurance Ordinance [New Version], 1970. |
| **"Income Tax Ordinance"** | - | Income Tax Ordinance [New Version], 1961. |
| **"Individual"** | - | Policyholders who are private individuals or small business customers, with whom the insurance company contracts on an individual basis. |
| **"Premium"** | - | The insurance premiums and other payments that the policyholder must pay the insurer in accordance with the terms and conditions of the policy, including fees. |
| **"Accrual"** | - | In long-term savings - the amounts accrued for planholders in a provident fund or pension fund or in a life insurance policy with a savings component. |
| **"Collective"** | - | A group of people (usually from a single workplace, or members of an organization or having supplier-customer relationship with a corporation or organization), with whom the insurance company enters into a single agreement that insures all group members (rather than into individual contracts with each member of the Group). |

| | | |
|---|---|---|
| **"Insurance fund"** | - | An insurance plan approved as a provident fund for pension, severance pay or annuity, both under the Provident Funds Law and Provident Fund Regulations. |
| **"Provident fund"** | - | A provident fund (as defined by the Provident Funds Law), which is not a pension fund, but rather constituting a "pure" savings instrument in which the saved funds and the return payable in respect thereof are paid to the saver upon reaching retirement age, or at another time. For this purpose, the definition does not include "pension fund" or "insurance fund", as defined above and below. |
| **"General fund"** | - | An annuity provident fund which is not eligible for investment in designated bonds. |
| **"Mutual fund"** | - | A joint investment trust fund, as defined in Section 3 of the Joint Investments in Trust Law. |
| **"Pension fund"** | - | An annuity provident fund as defined by the Provident Funds Law, which is not an insurance fund and constitutes a savings instrument intended to pay the saver a monthly annuity after his/her retirement and for the rest of his/her life; a pension fund usually provides life insurance and permanent health insurance. |
| **"Old pension fund"** | - | A pension fund established prior to January 1 1995. |
| **"New pension fund"** | - | A pension fund established as from January 1 1995. |
| **"Supplementary Healthcare Services"** or **"SHABAN"** | - | Additional health services that supplement the basic Healthcare Services Basket. The programs operated by the health maintenance organizations, including SHABAN, are regulated by the Ministry of Health. |
| **"Retention"** | - | The maximum amount of risk retained by an insurer after transferring some of the risk to a reinsurer. |
| **"Insurance benefits"** | - | Amounts to be paid upon the occurrence of an insured event according to the terms and conditions of the policy. |
| **"Minimum Capital Regulations"** | - | Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurer License), 2018; |
| "**Investment Regulations**" and/or "**Investment Rules**" | - | Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012 and/or the Supervision of Insurance Business Regulations (Mode of Investment of the Capital and Reserves of an Insurer and Management of its Liabilities), 2001. |
| **"Provident Fund Regulations"-** | - | Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964. |
| **"Securities Regulations"** | - | Securities Regulations (Periodic and Immediate Reports), 1970. |

# For the sake of convenience, in this report, the following abbreviations shall have the meaning assigned to them, as follows:

| | | |
|---|---|---|
| The "**Company**" and/or the "**Corporation**" and/or "**Phoenix Financial**" | - | Phoenix Financial Ltd. |
| The "**Group**" and/or the **"Phoenix group**" | - | Phoenix Financial and its investees. |
| **"Phoenix Insurance"** | - | Phoenix Insurance Company Ltd. |
| **"Agam Leaderim"** | - | Agam Leaderim Insurance Agency (2003) Ltd. |
| "**Phoenix Investment House**" | - | Phoenix Investment House Ltd.) and Companies Under its Control |
| **"Phoenix Pension and Provident Fund"** | - | Phoenix Pension and Provident Fund Ltd. |
| "**Gama Management and Clearing**" and/or "**Phoenix Gama**" | - | Gama Management and Clearing Ltd. |
| The **"Stock Exchange"** or **"TASE"** | - | The Tel Aviv Stock Exchange Ltd. |
| **"Phoenix Insurance"** | - | Phoenix Insurance Company Ltd. |
| **"Phoenix Capital Raising"** | - | Phoenix Capital Raising (2009) Ltd. |
| **"Phoenix Investments"** | - | Phoenix Investments and Finances Ltd. (as of the report publication date it was merged into Phoenix Financial and wound up). |
| **"Phoenix Capital Partners"** | | Phoenix Capital Partners Ltd. |
| **"Phoenix Agencies"** | - | Phoenix Insurance Agencies 1989 Ltd. |
| **"Phoeniclass"** | - | Phoeniclass Ltd. |
| **"Oren Mizrach"** | - | Oren Mizrach Insurance Agency Ltd. |
| **"IEC Gemel"** | - | Phoenix IEC Central Severance Fund Ltd. |
| "**KSM**" | - | KSM Mutual Funds Ltd. |
| "**TASE member**" | - | Excellence Investment Management and Securities Ltd. |

# Part A

## The Company's Activity and Description of the Development of its Business

# 1.1. The Group's Activity and Description of the Development of its Business

Phoenix Financial Ltd. was incorporated in 1949 and has been a publicly-traded company since 1978. As of the report publication date, the Company's shares are traded on a number of indices, mainly Tel Aviv 35. Bonds issued by the Company are listed in the Tel Bond Linked Yeter, Tel Bond Linked, and Tel Bond Maagar indices.

## 1.1.1. Sale of control over the Company and its transformation into a company without a controlling core

On April 21, 2024, Belenus Lux S.a.r.l. (hereinafter - "**Belenus**"), which is indirectly held by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs - the Company's controlling shareholders (hereinafter - the "**Former Controlling Shareholders**"), informed the Company that the Capital Market, Insurance and Savings Authority awarded the Former Controlling Shareholders a permit to hold means of control in the Company and in Phoenix Insurance at a rate of up to 10% of the Company's means of control (hereinafter - the "**New Holding Permit**").

During the third quarter of 2024, the Company's Former Controlling Shareholders sold shares, such that as from July 17, 2024, the Company no longer has a controlling core. Immediately prior to the sale of the shares, the controlling shareholder held approx. 31% of the Company's shares, and as of the report publication date it is no longer an interested party in the Company.

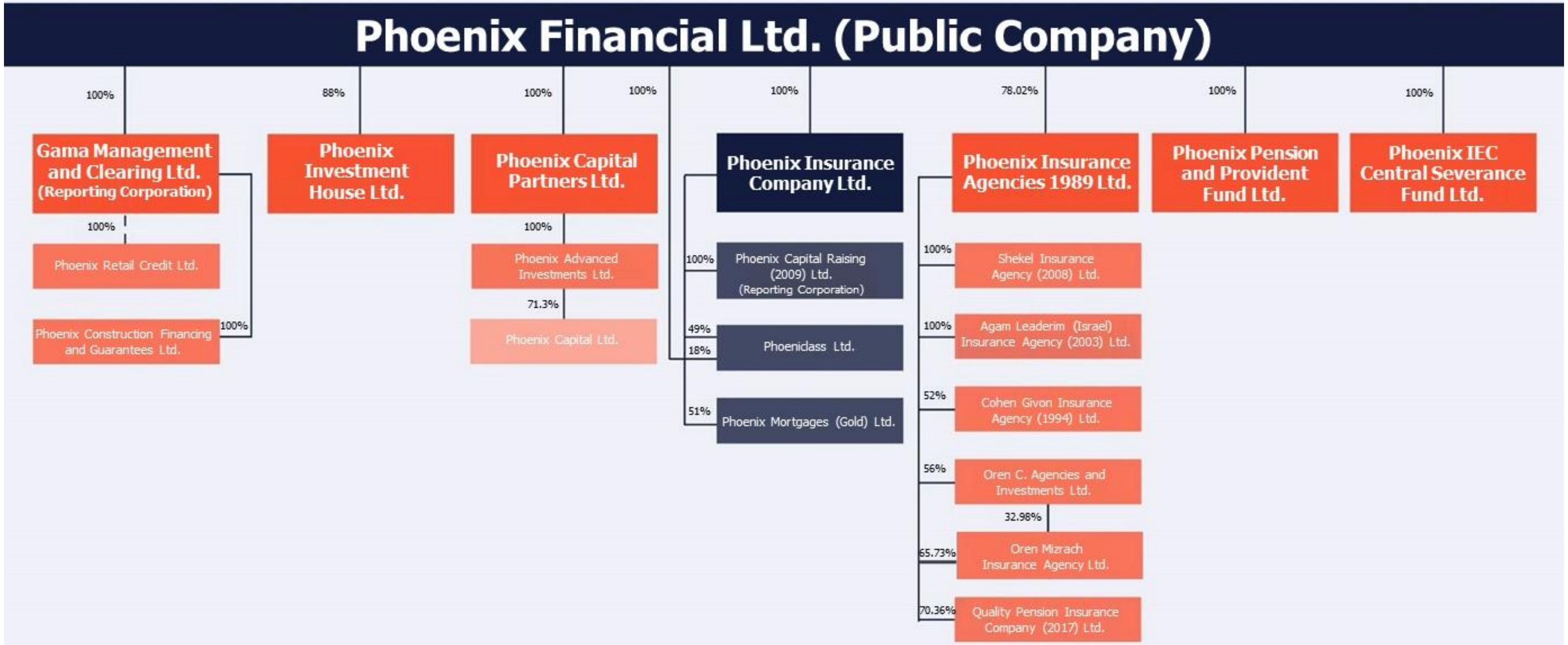
For further details, see the immediate reports dated April 21, 2024, July 16, 2024, August 8, 2024, October 14, 2024 and December 2, 2024 (Ref. Nos.: 2024-01-044958, 2024-01-074239, 2024-01-085306, 2024-01-610485 and 2024-01-621184, respectively).

Following the Company's becoming a company without a controlling core, it set up an appointments committee, which will recommend new directors to the Company following the resignation of directors, who served on behalf of the controlling shareholders, in accordance with guidelines set by the Company's Board. Further to the above, the Company's general meeting approved the appointment of four new directors. For further details regarding corporate governance in the Company and in the Group's institutional entities, see below in Part E regarding Corporate Governance Aspects and Part F regarding Sustainability.

In addition, on February 26, 2025, the Company received a letter from the Commissioner regarding the Outline for Exercising the Company's Means of Control in the Subsidiaries: Phoenix Insurance and Phoenix Pension & Provident Funds. For more information regarding the Commissioner's Letter, see Chapter E below regarding Corporate Governance Aspects.

## 1.1.2. The Group's Structure

The following chart illustrates the principal holdings of the Company, close to the report publication date. A full list of the Company's investees at the report date is included in Part Four of the Periodic Report, under Regulation 11 of the Securities Regulations.




The holding structure includes the Group's principal companies.
As a result, subsidiaries of the insurance agencies were not included; companies established for the purpose of investing in real estate properties and some of the non-material subsidiaries of Phoenix Investment House, Phoenix Investments and Finances and Phoenix Advanced Investments were not included.
Dotted line – companies whose transfer will be completed in 2025

March 2025

# 1.2. Key Milestones in the Development of the Group's Business during the reporting year and until the Report Publication Date

## General

### 1.2.1. 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 rate risks of all of its assets and liabilities.

Interest rates - during the reporting year, the Bank of Israel decreased the interest rate from 4.75% to 4.5%. In addition, in the reporting year, the short-term NIS interest rate curve was up and the illiquidity premium was down' and in the fourth quarter of the year - the NIS interest rate curve decreased in the illiquidity premium; in addition to their effect on the assets, these changes led to a change in insurance liabilities and the K-value; for further details, see Section 6.4 to the Report of the Board of Directors and Note 8A to the Financial Statements.

Capital market - during the reporting year, despite volatility during the year, there were increases in financial markets in Israel and across the world. This increase affects the returns on Nostro assets and planholders' assets. It is noted that, as of the report publication date, the Company collects variable management fees. For details regarding the effects on investment income and variable management fees, see Section 6.4 to the Report of the Board of Directors.

Inflation - during the reporting year, the inflation rate increased by 3.4% compared to an increase of 3.3% 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 0.6% increase in inflation in January; these changes brought about real profits in the Nostro liquid portfolio. On the other hand, there was a decrease in the risk-free interest rate curve and liquidity premium, which may trigger an increase in insurance liabilities.

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 first quarter of 2025, and therefore the above does not constitute an assessment of the Company's results in the first 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 4 to the Report of the Board of Directors; for effects on the Company's financial results and sensitivity tests, see Section 6 to the Report of the Board of Directors, and Notes 8 and 41 to the Financial Statements. As to the effect of the changes in the shekel yield curve and in capital markets on Phoenix Insurance's solvency ratio, see Section 3.1.5 to the Report of the Board of Directors, and Section 8 in the Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2024.

For the purpose if using its financial results, the Company uses a real return of 3% (see Section 6.4.1 to the Report of the Board of Directors). In view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting income and investment income. It is noted that as from January 1, 2025, due to the change in the accounting standards and application of IFRS 17, the Company will measure its normalized investment results using nominal risk-free interest plus a 2.25% spread. For further details regarding the application of IFRS 17, see Section 2 to the Report of the Board of Directors.

### 1.2.2. 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.

Towards the end of the reporting year, ceasefire agreements were signed in Lebanon and Gaza, which are being complied with as of the report publication date; under the abovementioned agreements, some of the hostages who were abducted to Gaza at the beginning of the War were released.

Subsequent to the War, on February 9, 2024, it downgraded Israel's sovereign rating to A2 with a negative outlook. On September 27, 2024, Moody's rating agency announced that it was again downgrading Israel's sovereign rating to Baa1 with a negative outlook.

On April 18, 2024, S&P announced it was downgrading Israel's sovereign rating from AA- to A+, with a negative outlook. On October 1, 2024, S&P announced that it was again downgrading the Israel's sovereign rating to A with a negative outlook, among other things, due to the continuation and escalation of the fighting against Hezbollah.

Fitch rating agency announced on August 12, 2024 it was downgrading the State of Israel's rating from A+ to A with a negative outlook.

Following Moody's downgrade of Israel's sovereign rating, it also downgraded Phoenix Insurance's internation rating. For further details, see Section 1.3.27 to the Report of the Board of Directors.

Due to its activity, the 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 sensitivity and exposure to risk factors, see also Note 41 to the Financial 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.

## The insurance activity

### 1.2.3. Restricted Tier 1 capital of Phoenix Insurance

In April 2024, the Company sold approx. NIS 140 million of its holdings in the subordinated notes recognized as Tier 1 capital instrument by Phoenix Insurance and listed on the main list of the TASE, to entities listed in the First Addendum to the Securities Law, 1968.

### 1.2.4. Updating the minimum capital target

In August and December 2024, Phoenix Insurance's Board of Directors revised the minimum economic solvency ratio target without taking into account Provisions for the Transitional Period from 115% to 118% (in August) and from 118% to 121% (in December 2024), effective December 31, 2024.

### 1.2.5. Application of the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024

For details regarding the implementation of insurance rates as part of the reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024 by Phoenix Insurance, see Section 2.3 below.

### 1.2.6. Revising the demographic assumptions in life insurance and pension funds

As of July 24, 2024, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the Consolidated Circular regarding revising the demographic assumptions for insurance companies and pension funds (hereinafter - the "**Circular**").

Following the implementation of the Circular, the effect on Phoenix Insurance's financial results was an increase in insurance liabilities in life insurance, which caused a decrease of approx. NIS 168 million in pre-tax income in the third quarter of 2024. For further details, see Note 41 to the Financial Statements.

### 1.2.7. Revision and completion of a take-up rate (TUR) study

During 2024, the Company completed a study on the subject of retirement age and pension takeup rates regarding the tendency for pension takeup at different rates in accordance with the retirement age (hereinafter - the "**Study**"). Following the implementation of the study, the Company's insurance liabilities decreased, which increased its pre-tax income by approx. NIS 254 million. For further details, see Note 41 to the Financial Statements.

## Asset Management and Credit Activity

### 1.2.8. Restructuring in Asset Management and Credit

As part of the implementation of the strategic plan regarding the Asset Management and Credit Activity, and the Company's wish to concentrate each of activities under separate arms, on July 30, 2024, the Company's Board of Directors passed an in-principle resolution regarding a restructuring, which will include statutory mergers in accordance with the Eighth Part of the Companies Law, and the transfer of activities and assets of various group companies, as follows:

### 1.2.9. Approval of mergers of companies in the Phoenix group

The Company's Board of Directors approved that statutory mergers will be carried out as part of the restructuring between the Company and Phoenix Investments and Finances Ltd., a wholly-owned (100%) privately-held subsidiary of the Company (hereinafter - "**Phoenix Investments**"; the "**First Merger**") and between the Company and Platinum Finance & Factoring Ltd., a wholly-owned (100%) privately-held subsidiary of the Company (hereinafter - "**Platinum**"; the "**Second Merger**"). As a result of the mergers all of the assets and liabilities of Phoenix Investments and Platinum (which will be the merging entities in the mergers, as this term is defined in the Companies Law) will be transferred to the Company (which will be the surviving entity in the mergers, as this term is defined in the Companies Law), and they will cease to exist as separate companies.

In November 2024, simultaneously with the approval of the Company's financial statements, the Company's Board of Directors and the relevant entities in the Group companies approved the mergers.

The completion of the mergers was conditional upon, among other things, the fulfillment of all of the following conditions: (a) Receipt of the Israel Tax Authority's approval for a restructuring and merger, which is exempted from corporate income tax in respect of each of the mergers, in accordance with Section 103I to the Income Tax Ordinance (hereinafter - "**Approval by the Israel Tax Authority**"); and (b) the execution of the actions required to complete each of the mergers in accordance with the Companies Law and Companies Regulations (Merger), 2000.

As of the report publication date, the Israel Tax Authority and Registrar of Companies approved the merger, and the Company completed the measures required to complete each of the mergers. Accordingly, see the Company's report dated February 25, 2025 (Ref. No.: 2025-01-012796).

#### 1.2.9.1. Approval of additional structural changes to be executed subject to completion of the mergers

On completion of the First Merger, the Company transferred to Phoenix Capital Partners Ltd. - a new privately-held subsidiary established by it, which it shall wholly-own (hereinafter - the "**New Company**") - the entire asset management activity, which was carried out in Phoenix Investments prior to the merger date; its holding in all of Phoenix Advanced Investments Ltd.'s shares (hereinafter - "**Phoenix Advanced Investments**"); and its 19.9% stake in the shares of Phoenix Underwriting Ltd. In addition, the Company's holdings in the shares of Tehuda Management Service 1999 Ltd. and Safra Ltd., which were held by Phoenix Investments, were transferred to Phoenix Advanced Investments.

### 1.2.10. Restructuring of the credit and retail credit activity

At the end of 2023, as part of the execution of the said strategic plan in the Credit Segment, it was decided to execute a restructuring in the Credit Segment, as part of which Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**Phoenix Financing and Construction**") and was wholly owned by Phoenix Insurance, became wholly owned by Gama. For further details, see the Company's immediate report of December 12 2023 (Ref. No. 2023-01-134841).

In addition, under the restructuring detailed above, in the reporting year it was decided to transfer Phoenix Retail Credit's shares to Phoenix Gama in 2025, effective January 1, 2025, in consideration for issuance of shares in accordance with the exchange ratios. For further details, see Section 2.6.1 below.

It is noted that during the third quarter of 2024, Phoenix Retail Credit started marketing retail credit via a fully digital process.

### 1.2.11. Phoenix Investment House - Acquisition of assets under management from Psagot Investment House

In the reporting year, a transaction was completed between Phoenix Investment House and KSM Mutual Funds on the one hand, and companies of the Psagot Investment House group on the other hand, for the acquisition of assets (mutual funds activity and hedge funds activity) totaling approx. NIS 22.2 billion for a total consideration of NIS 150 million.

For further details, see the immediate reports dated December 20, 2023 and February 28, 2024 (Ref. Nos.: 2023-01-138141 and 2023-01-138141, respectively).

### 1.2.12. Phoenix Investment House – Shareholders Agreement

In November 2024 and February 2025, addendum were signed to the shareholders agreement of Phoenix Investment House Ltd. - Phoenix Investments and Finances, Mssrs. Boaz Nagar (Chairman of the Board of Directors of the Investment House and KSM Mutual Funds Ltd.) and Avner Hadad (CEO of the Investment House and KSM Mutual Funds Ltd.); (Boaz and Avner jointly - the "**Managers**"), which, among other things, extends - by three additional years - the term of the put and call options arrangements for the execution of transactions in connection with the Managers' holdings in the Investment House, as set forth in the shareholders agreement of May 2022. I.e., the transactions may be executed from 2026 to 2031 (instead of through 2029). The exercise price of the options will be set in accordance with an agreed valuations-based mechanism, which will be based on Phoenix Investment House's financial statements. For further details regarding the arrangements relating to Investment House options awarded to the Managers, see the Company's immediate report of March 15, 2022 (Ref. No.: 2022-01-025548).

### 1.2.13. Retirement (Pension and Provident) - Slice

In September 2024, Phoenix Pension and Provident Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with Slice Gemel Ltd. (under authorized administration) (hereinafter - "**Slice**"), whereunder Phoenix Pension and Provident will purchase from Slice several provident funds and an advanced education fund (hereinafter - the "**Funds**"). On October 30, 2024, the court handed down a ruling, which approves the sale of the Funds to Phoenix Pension and Provident in the manner and under the terms and conditions listed in the agreement. On December 4, 2024, the Capital Market Authority approved the agreement. The transfer of the funds' management and merger was completed on February 28, 2025. On the agreement completion date, the funds were transferred to Phoenix Pension & Provident and they were merged into existing funds under the management of Phoenix Pension & Provident.

### 1.2.14. Acquisition of ownership interests from partners by Phoenix Advanced Investments

In August 2024 Phoenix Advanced Investments increased its share in the Wealth Subsegment by acquiring ownership interests from several partners in various companies operating in the area of Wealth and IRA totaling approx. NIS 90 million.

### 1.2.15. Phoenix Agencies

As part of the Company's strategy of maximizing value from the activities of the Group subsidiaries, it continues to assess opportunities to unlock value in Phoenix Agencies and will report in accordance with any developments that may occur. For further details with respect to the conclusions of the report of the taskforce for assessing the holding of insurance agencies by institutional entities, see Section 4.1.2.8 below.

### 1.2.16. Oren Mizrach transaction

In August 2024, Phoenix Agencies signed an agreement for the purchase, directly and indirectly, and additional approx. 16% from companies owned by Mr. Oren Cohen in Oren Mizrach Insurance Agency Ltd. (hereinafter - "Oren Mizrach"), such that subsequent to this acquisition, Phoenix Agencies holds - directly and indirectly - approx. 84% of the ownership interest in Oren Mizrach instead of approx. 68% before of the abovementioned transaction. Furthermore, in accordance with the agreement, Phoenix Agencies issued to a company owned by Oren Cohen shares constituting approx. 1.75% of Phoenix Agencies' equity capital, such that, subsequent to the issuance, the Company holds approx. 78% of the issued and paid-up share capital of Phoenix Agencies.

### 1.2.17. One Part

One Part Ltd. (hereinafter - "**One Part**") is held in equal shares by the Company and partners. One Part started its operations in the first quarter of the reporting year; it is engaged in the importation and marketing of automotive bodywork (shell) spare parts in Israel. As part of the activity, One Part and Phoenix Insurance entered into an agreement for the supply of spare parts.

# Further developments in the reporting year and subsequent to the reporting year

## 1.2.18. Publishing a strategic targets map

In September 2024, the Company published the strategic objective map for the Company and the Group subsidiaries for 2027, based on the Company's multi-year strategic plan and joint work for the Group's management and work teams. In view of the implementation of IFRS 17 as from the Company's financial statements for the 1st quarter of 2025, and its positive effect on the Company's results and the Group's performance, the Company intends to assess and revise its strategic targets during 2025. For further details, see Section 5 to the Report of the Board of Directors below and the immediate report dated September 9, 2024 (Ref. No. 2024-01-601901).

## 1.2.19. Sustainability and ESG

In the reporting year, the Company implemented a comprehensive in-depth process to refine its sustainability strategy and focus it on areas in which the Company wishes to generate value for its shareholders and stakeholders. Accordingly, the Company decided to incorporate ESG into this Periodic Report. It is noted that these reports include a dedicated external assurance of the independent auditor. For more information, see Chapter F below on ESG.

## 1.2.20. The Company's preparation for the application of IFRS 17 and IFRS 9

The Company continues to prepare for applying IFRS 17 (hereinafter - the "**Standard**") and IFRS 9 (hereinafter - "**IFRS 9**") (hereinafter, jointly - the "**Standards**"), in the Financial Statements of the Company and Phoenix Insurance, which will first be reflected in the financial statements for the first quarter of 2025.

For further details regarding the effects of the implementation of the Standard on the Company's financial statements, see Section 2.2 to the Report of the Board of Directors.

# Debt raising

## 1.2.21. Extending the term of a shelf prospectus

In August 2024, the Israel Securities Authority approved the extension of the term of the Company's shelf prospectus by one further year, through August 23, 2025. For further details, see the immediate report dated August 15, 2024 (Ref. No.: 2024-01-083445). Concurrently, the Israel Securities Authority also approved the extension of the shelf prospectus of Phoenix Capital Raising (2009) Ltd., a wholly owned subsidiary of Phoenix Insurance, which is raising debt for Phoenix Insurance.

## 1.2.22. Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion

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.

# Company's Share Capital:

## 1.2.23. Dividend distribution policy and actual dividend distribution

### 1.2.23.1. The Company's dividend distribution policy

In May 2024, the Company's Board of Directors approved a revised dividend distribution policy, whereby the Company shall distribute a semi-annual dividend at a minimum rate of 40% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year (as of the 2024 income).[2]

Amounts used by the Company in the execution of buy-back plans are not included in the dividend distributions.

### 1.2.23.2. Phoenix Insurance's distribution policy

In 2024, the Board of Directors of Phoenix Insurance revised the dividend distribution policy in Phoenix Insurance, whereby - as from 2024 - Phoenix Insurance will distribute a semi-annual dividend of 40% to 60%[3] of Phoenix Insurance's comprehensive income as per its Consolidated Annual Financial Statements, as long as Phoenix Insurance meets the minimum capital target rate it has set, which is higher that the solvency ratio it is required to maintain under the regulations.

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

### 1.2.23.3. Dividend distribution and retained earnings

In 2023, the Company distributed a cash dividend of NIS 385 million.

In August 2024, the Company distributed a NIS 270 million interim dividend on account of the Company's 2024 profits (hereinafter - the "**Interim Dividend**").

Subsequent to the report date, on March 12, 2025, concurrently with the approval of the Company's Financial Statements as of December 31, 2024, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 565 million. The total amount in dividend which was distributed and will be distributed in cash in respect of 2024 including the interim dividend as stated above is NIS 835 million, which represents a dividend per share of approx. NIS 3.31. 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 in respect of said adjustment on the record date.

It is noted that, according to the Company's Financial Statements as of December 31, 2024, which are included in this Periodic Report, the Company has positive retained earnings of approx. NIS 9,221 million, taking into account the NIS 565 million dividend, as stated in this section.

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[2] Instead of the policy which was in place until then, of distributing a dividend of no less than 30% of the profit.

[3] Instead of the policy which was in place until then, whereby 30% to 50% of the income will be distributed.

### 1.2.23.4. 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 Note 27 to the Financial Statements.

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 is also 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 a revisions of the minimum solvency ratio target - without taking into account the Provisions for the Transitional Period - of 121%. It is noted that part of the sources of the interim dividend in accordance with Section 1.3.21.2 above originate in the distribution of a dividend by Phoenix Insurance to the Company in August 2024.

### 1.2.23.5. Dividend distribution from Phoenix Insurance

In August 2024, Phoenix Insurance distributed a dividend in the total amount of NIS 250 million, which exceeds the threshold set in Phoenix Insurance's dividend distribution policy. The distribution was carried out after compliance with solvency ratio targets and the distribution criteria in accordance with the Companies Law. In addition to the said distribution, at the beginning of the reporting year, Phoenix Insurance carried out a distribution of Phoenix Financing and Construction as a dividend in kind at a total amount of approx. NIS 315 million as detailed in Section 1.2.10 above.

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, some of which was in excess of Phoenix Insurance's distribution policy, in accordance with the following breakdown:

A. 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. The assets will be actually distributed after receipt of the approvals as detailed above. As of the report publication date, the abovementioned approval has been issued.

B. Distribution of Phoenix Insurance's shares in Bizi Finance Ltd. (hereinafter - "**Bizi**"), which constitute approx. 20% of Bizi's issued and paid-up share capital, and an investment of approx. USD three million under the SAFE mechanism, as a dividend in kind to the Company. The accounting value of the asset in Phoenix Insurance's books of accounts as of December 31, 2024 stood at approx. NIS 11 million. The above distribution is subject to approval by the Commissioner of Regulated Financial Service Providers (hereinafter - the "**Commissioner**"). The actual distribution will be carried out after receipt of the approval as detailed above. As of the report publication date, the approvals have not been obtained.

C. Distribution of participation units of Phoenix Insurance in Leader Capital Markets and Investments Limited Partnership (hereinafter - "**Leader Capital Markets**"), which constitute approx. 16.6% of the issued participation units of Leader Capital Markets, and an option to purchase 3.4% of the issued participation units of Leader Capital Markets, as a dividend in kind, to Phoenix Financial. The accounting value of the assets in Phoenix Insurance's books of accounts as of December 31, 2024 stood at approx. NIS 6.1 million. The actual distribution will be carried out together with the distribution in Subsection (b) above. As of the report publication date, the abovementioned approval has been issued.

D. 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 by the Financial Services Supervision Law (Regulated Financial Services), 2016 by Phoenix Mortgages. The actual distribution will be carried out after receipt of the license as detailed above. As of the report publication date, the abovementioned approval has been issued.

E. Distribution to the Company of all rights and obligations arising from loans advanced by Phoenix Insurance to Phoenix Mortgages for the purpose of advancing loans to Phoenix Mortgages, as a dividend in kind (hereinafter - "**Golden Mortgage Loans**"). The accounting value of the asset in Phoenix Insurance's books of accounts as of December 31, 2025 stood at approx. NIS 574 million. The distribution described above was recognized as a dividend and recorded as a liability in Phoenix Insurance's books of accounts as of December 31, 2024 at a fair value of NIS 574 million in 2024; the Company was extended a loan on January 1, 2025.

F. Distribution to the Company of Phoenix Insurance's shares in El Al Frequent Flyer Ltd. (hereinafter - "**El Al Club**"), which constitute approx. 19.9% of the issued and paid-up share capital of El Al Club, 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 180 million. The above distribution is subject to the approval of the Israel Tax Authority. The actual distribution will be carried out after receipt of the approval. As of the report publication date, the abovementioned approval has been issued.

As detailed above, as of the report publication date, approvals have not yet been received for the distributions of the dividend in kind, except for the distribution of the Golden Mortgage Loans portfolio, which is the only asset distributed in kind by Phoenix Insurance to the Company.

It is noted that the abovementioned Board of Directors' resolution regarding the distribution of the dividend in kind was passed given the scope of distributable retained earnings under the Companies Law, 1999 (hereinafter - the "**Companies Law**"), and the rate of the solvency ratio, and after the Board of Directors also assessed compliance with the solvency criterion (as per in Section 302(a) to the Companies Law), the profit criterion (as per Section 302(b) to the Companies Law), and compliance with the economic solvency target as set by the Board of Directors.

It is noted that Phoenix Insurance's Board instructed Phoenix Insurance's management 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 materialization of these actions may not materialize, in whole or in part, or may materialize in a materially different manner than 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 detailed in Phoenix Insurance's Report on the Corporation's Business or failure to obtain the approvals as detailed above.**

## 1.2.24. Share buyback

In January 2024, 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 "**Plan for 2024**"). In June 2024, the Company's Board of Directors approved the increase of the Plan for 2024 by further NIS 100 million to NIS 200 million in total. As part of the Plan for 2024, as of the report publication date, the Company made buybacks totaling approx. NIS 185 million.

In January 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 (hereinafter - the "**2025 Plan**"). As part of the Plan for 2025, as of the report publication date, the Company made buybacks totaling approx. NIS 11 million.
As of the report publication date, there are 11,529,677.5 treasury shares constituting approx. 4.4% of the Company's issued and paid-up share capital. For further details, see the Company's immediate reports dated January 29, 2025 and February 8, 2025 (Ref. Nos.: 2025-01-007405 and 2025-01-009361, respectively).

For details the non-inclusion of the share buybacks in the dividend calculation, see Section 1.2.22 above.

## 1.2.25. 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.

### 1.2.25.1. Extension of the exercise period of the 2022 option outline

In April 2024, the Company's Compensation Committee and Board of Directors, respectively, approved the extension of the exercise period of the first tranche of options under the 2022 Outline, including the options, which were awarded to the Company's CEO, by a further period of approx. ten months through April 10, 2025, which is the exercise date of the second tranche of options (as defined by the 2022 Outline), without making any further changes to the 2022 Outline.

For further details, including the Board of Directors' reasons for the extension of the period, see immediate report of April 24, 2024 (Ref. No.: 2024-01-040690).

### 1.2.25.2. First-time allocation of restricted share units (RSUs) to employees and officers

In August 2024, the Company's Compensation Committee Board of Directors approved the allocation of up to 778 thousand RSUs to the Company's CEO, and to officers and employees of the Company and its subsidiaries, without cash consideration. On September 29, 2024, the General Meeting approved the allocation of 3,098 restricted share units (RSUs) for the Company's CEO. For further details, see Note 37 to the Financial Statements.

On March 10, 2025 and March 12, 2025, concurrently with the approval of the financial statements, the Company's Compensation Committee and Board of Directors approved an additional allocation of 1,283,996 illiquid 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 is subject to approval by the Company's General Meeting.

### 1.2.25.3. Allocation of options by subsidiaries

#### 1.2.25.3.1. Gama

In January 2024, the Company's Compensation Committee and Board of Directors approved the allocation of non-marketable options of Phoenix Gama to the Company's CEO and Chairman of the Board, as part of the compensation terms of the Company's CEO and the Chairman of its Board in respect of their service as directors in Phoenix Gama. The allocation has been preapproved by Gama's competent organs. The allocation of the options to the Company's CEO and to the Chairman of the Board of Directors was approved as part of an extraordinary general meeting of the Company on March 7, 2024.

The allocation of options was made as part of the allocation to officers in the Phoenix group who had an effect on and contributed to the activity of Phoenix Gama.

For further details, see immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

#### 1.2.25.3.2. Phoenix Agencies

In August 2024, the Company's Compensation Committee and Board of Directors approved the allocation of (non-marketable) options of Phoenix Agencies to the Company's CEO and Chairman of the Board as part of the compensation terms of the Company's CEO and Chairman of its Board in respect of their service as directors in Phoenix Agencies. The allocation has been preapproved by Phoenix Agencies' competent organs.

The allocation of options was made as part of the allocation to officers in the Phoenix group who had an effect on and contributed to the activity of Phoenix Agencies. For further details, see the immediate reports dated August 22, 2024 and September 30, 2024 (Ref. Nos.: 2024-01-086865 and 2024-01-607009, respectively).

#### 1.2.25.3.3. 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 and Chairman of the Board, as part of the compensation terms of the Company's CEO and Chairman of its Board in respect of their service as directors in Phoenix Capital Partners. The allocation has been preapproved by Phoenix Capital Partners' competent organs. The allocations to the Company's Chairman and CEO are subject to approval by the Company's General Meeting.

The allocation of options was made as part of the allocation to officers in the Phoenix group who had an effect on and contributed to the activity of Phoenix Capital Partners.

## 1.2.26. Shareholders' meetings

### 1.2.26.1. Annual Meeting - First Session

On August 14, 2024, a first session of the annual General Meeting of the Company was held, with the following items on its agenda, which were brought for discussion and/or approval: 1) discussing the 2023 Periodic Report; 2) reappointing the Company's independent auditor and authorizing the Company's Board of Directors to set its fees; 3) Changing the Company's name to Phoenix Financial Ltd."). For further details, see the Company's immediate reports dated July 31, 2024 and August 14, 2024 (Ref. Nos.: 2024-01-078429 and 2024-01-082707).

### 1.2.26.2. Annual Meeting - Second Session

On September 29, 2024, a second session of the Company's annual general meeting was held, and on the agenda the following items were brought for approval: (1) Reappointment of Mr. Benjamin Gabbay as a director of the Company; (2) Reappointment of Mr. Roger Abravanel as a director of the Company; (3) Reappointment of Dr. Ehud Shapira as an independent director of the Company; (4) Allocation of restricted share units (RSUs) of the Company and options (non-marketable) of Phoenix Agencies to the Company's CEO, Mr. Eyal Ben Simon; (5) Allocation of (non-marketable) options of Phoenix Agencies to the Company's Chairman of the Board, Mr. Benjamin Gabbay. For further details, see the Company's immediate reports dated August 22, 2024 and September 30, 2024 (Ref. Nos.: 2024-01-086865 and 2024-01-607009).

### 1.2.26.3. Extraordinary meetings

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

In March 2024, an extraordinary meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of Phoenix Gama. For further details, see the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-020488, respectively).

In January 2025, an extraordinary meeting of the Company was held, the agenda of which included the appointment of four new directors to the Company's 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, including the directors' statements issued as part of the meeting summons report, see immediate reports dated: December 10, 2024 and January 14, 2025 (Ref. Nos.: 2024-01-623250 and 2025-01-004151, respectively).

### 1.2.27. Renewal of liability insurance for officers and board members

In October 2024, the Company's Compensation Committee approved the engagement in an officers liability insurance policy covering the officers of the Company and its subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period starting on November 3, 2024, in accordance with Regulation 1B1 to the Companies Regulations (Exemptions for Interested Party Transactions), 2000. The limit of liability coverage is USD 165 million per case and in total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said limit of liability for claims in Israel.

### 1.2.28. Legal proceedings

For details regarding legal proceedings, see Note 43A to the Financial Statements.

### 1.2.29. Human capital

For details regarding the Company's human capital and changes therein, see Section 4.6 below and Note 42 to the Financial Statements.

## 1.3. Areas of Activity

As described at the beginning of the Description of the Corporation's Business chapter, the Group is engaged, through its subsidiaries, in two key activities: Insurance (life and savings, Property and Casualty, and health insurance), and management of assets and credit (retirement (pension and provident funds), Phoenix Investment House and Gama), holding of insurance agencies, provision of credit and other financial services, including the setting up and sale of alternative investments. The Group's key material operating segments are as detailed below:

### 1.3.1. Life and Savings Segment

The Life Insurance Segment includes life insurance policies, permanent health insurance policies, and savings policies, focusing mainly on retirement savings (under various categories of insurance policies), and insurance coverage of various risks, such as: life, disability and permanent health insurance. For further details, see Section 2.1 below.

### 1.3.2. Property and Casualty

Property and Casualty Insurance includes all insurance subsegments, except for life insurance, long-term savings, and health insurance. The principal insurance coverages provided in this segment are property and liability insurance. The Group operates in the Property and Casualty Insurance Segment in the following key subsegments - compulsory motor insurance, motor property insurance, and other property and casualty insurance.

#### 1.3.2.1. Compulsory Motor Insurance Subsegment

Comprises the Group's activity in providing insurance coverage pursuant to the statutory provisions of the Motor Insurance Ordinance [New Version], 1970, resulting from the use of a motor vehicle, and provides cover for bodily injury (to the driver of the vehicle, passengers in the vehicle or pedestrians) resulting from the use of a motor vehicle, under the CRAV Law.

#### 1.3.2.2. Motor property insurance

Focuses on cover for property loss to insured vehicles and includes the Group sale of policies for property damages to insured vehicles, including cover for motor property loss (for example, due to accident and/or theft) and cover for third-party loss caused by the insured vehicle.

#### 1.3.2.3. Other Property and Casualty Insurance:

This includes the Group's activity in the sale of a variety of policies in three key subsegments: property (non-motor) insurance - which provides policyholders with cover against physical damage to his/her property (for example, insurance for homes and small businesses); liability insurance which is generally sold together with property insurance for businesses and provides cover for the policyholder's liability towards third parties (for example, third-party liability, employers' liability, professional liability, including directors' and officers' liability, and product liability for faulty products); and Other Property and Casualty Insurance Subsegments (for example, personal accidents insurance, engineering insurance - including contract works and marine insurance). For further details, see Section 2.2 below.

### 1.3.3. Health insurance

This segment includes the Group's activity in illnesses and hospitalization insurance, for individuals and groups, as well as dental insurance. The policies sold in these subsegments cover the range of damages sustained by the policyholder due illnesses and/or accidents (excluding death). Furthermore, this segment also includes the Group's activity in long-term care insurance and critical illness insurance, as well as travel insurance and sick leave insurance. For further details, see Section 2.3 below.

### 1.3.4. Asset management - Retirement (Pension and Provident)

The Group manages various types of pension funds and provident funds through Phoenix Pension and Provident (which confer rights according to bylaws), including advanced education funds. For further details, see Section 2.4 below.

### 1.3.5. Asset management - Investment House and Wealth

Activity in this segment takes places through Phoenix Investments (as from January 1, 2025 - by Phoenix Capital Partners), Phoenix Investment House and Phoenix Advanced Investments (which is held by Phoenix Capital Partners), consists mainly of financial asset management services such as the marketing and management of investments for customers, underwriting and investment banking, management of mutual funds, and provision of stock exchange and trading services. In addition, the Phoenix group manages private funds under this area of activity, which are aimed at qualified investors. For further details, see Section 2.5 below.

### 1.3.6. The Credit Segment

This segment includes operating segments such as: **credit cards** - acquiring-aggregator; **business credit** – loans and credit to businesses, supplier financing (invoice financing), business guarantees, factoring of payment card vouchers, financing against post-dated checks (checks discounting), financing against liens on real estate properties; **construction financing** - Sale Law guarantees and construction financing. **Consumer Credit** - As from January 2025, this segment also includes the consumer credit activity. The activity is mostly conducted by Gama Management and Clearing Ltd. (hereinafter - "**Gama**"), which is wholly-owned by the Company. For further details, see Section 2.6 below.

### 1.3.7. Distribution (agencies)

This area of activity includes insurance brokerage services provided by the Phoenix group through insurance agencies held by a subsidiary of the Company - Phoenix Insurance Agencies (1989) Ltd. (hereinafter - "**Phoenix Agencies**"), which markets insurance products, and Retirement (Pension and Provident) of various institutional entities in the market. For details regarding the material agencies held by Phoenix Agencies, see Section 2.7 below. For details regarding the report of the taskforce for assessing holdings of insurance agencies by institutional entities, see Section 4.1.2.8 below.

## 1.4. Additional operations that do not constitute areas of activity

In addition, and as part of its activity in the segments described above, the Group is engaged in a range of investment activities, including investments in securities, bonds and other financial assets (both liquid and illiquid), financing, credit, financial derivatives, real estate and holding companies, as well as ownership interest in various companies. The investing activity is conducted mainly against various insurance reserves, and against the own funds required for the insurance activity and capital surpluses of Phoenix Insurance and other Group companies. For details regarding the Company's investment activities, see Section 4.4 below.

## 1.5. Risk management

The Company manages the aforementioned areas of activity by employing risk management methodologies. The Group places emphasis on management of the risks to which it is exposed, with the purpose of identifying, quantifying, managing and estimating the potential impact of these risks on the future financial position of the Group companies. For further details on risk management, see Note 41 to the Financial Statements, and the "Disclosure on exposure to and management of market risks" chapter in the Report of the Board of Directors.

## 1.6. Investments in the Company's Equity and Transactions in its Shares

For more information on the Company's controlling shareholders, see Section 1.1.1 above.

# Part B

## Description of the Group’s business by operating segment

# 2.1. Life and Savings

The Group is engaged, among other things, in areas of the Life Insurance Segment, which include life insurance policies, permanent health insurance policies and savings policies.

## 2.1.1. Life insurance

### 2.1.1.1. General

Life insurance policies provide an option to obtain insurance coverage without a savings components (including protection in the event of death, disability insurance and disability insurance), as well as an option to combine insurance coverage with a savings component, or even savings without any insurance coverage. The policyholder can redeem the savings upon retirement or at another date. The policyholder may choose the composition that best suits his/her needs from among the insurance products (hereinafter - "**Life Insurance**") and savings components (hereinafter - "**Saving**"). Policies may be individual or sold as insurance funds in accordance with the Provident Fund Regulations. Savings for retirement in policies which are recognized as insurance funds are designed exclusively for payment of an annuity (excluding the severance pay component). Until December 31, 2007, policyholders could choose between an annuity or capital track (from which the savings could be withdrawn as one lump sum). Policies with a savings component can be divided into several key categories, differentiated by the methods employed by insurance companies to invest the funds, the types of coverages and the management fees or expenses collected by the insurance companies.

### 2.1.1.2. Key characteristics of life insurance instruments

**2.1.1.2.1.** **There are a number of instruments for the management of life insurance policies:** (a) individual policies that include only risk-weighted components; (b) policies with a savings component that can incorporate insurance coverage and include policies, which are subject to Provident Fund Regulations ("Insurance Funds"), and policies, which are not subject to Provident Fund Regulations ("individual insurance").

**2.1.1.2.2.** The insurance funds (known as "executive insurance") provide to savers tax incentives, and include various provisions the protect the policyholders in accordance with labor laws.

**2.1.1.2.3.** **The insurance coverage**: Life insurance policies that combine life insurance and savings provide considerable flexibility in determining the various components and scope of the insurance coverage. As of the reporting year, the Company does not market life insurance policies that combine life insurance and savings.

**2.1.1.2.4.** **Manner of engagement and payment obligations of the institutional entity**: In life insurance, the insurance company's obligation towards the policyholder is a contractual undertaking written into to the insurance contract (the policy). In an insurance contract, the insurance company undertakes to pay the insurance benefits when, upon the occurrence of the insured event, even if there have been changes which were not taken into account when the contract was drawn up, such as an increase in life expectancy.

**2.1.1.2.5.** **Returns**: in life insurance policies sold since 1991 and in provident funds, the accrued funds are invested in the free market in various investment channels, according to the saver's choice.

**2.1.1.2.6.** **Management fees**: For details regarding restrictions on management fees, see Section 2.1.2 below.

### 2.1.1.3. Description of life insurance products

Information regarding the Group's various life insurance products:

**Products that include a savings component - guaranteed return**
**Policies with a savings component that may incorporate insurance coverage:**
**Policies subject to the Provident Fund Regulations (hereinafter - "Insurance Funds"), which include (a) Executive insurance policies: insurance which includes a retirement savings component, comprising contributions made by the employee and employer (severance pay and retirement benefits), where the premium paid for the insurance is allocated to the different risks (mainly death and disability) and to a retirement savings. The executive insurance is approved as an insurance fund in accordance with the Provident Fund Regulations, and entitles the employer and employee to various tax benefits; (b) Retirement benefits insurance for the self-employed: An insurance which includes a savings for retirement age component and an insurance coverage, which entitles the policyholder to various tax benefits.**

| Type of policy[4] | Product description | Marketing period | Main premium components | Linkage terms and annuity recipients |
|---|---|---|---|---|
| "Mixed" policies - guaranteed return | The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65). | By the end of 1990 | Life insurance and savings and riders for the policyholder, to the extent purchased. | The insurance amounts, the savings accrued in these policies and the annuities they pay are CPI-linked. The basis for guaranteeing the return is the insurance companies' investment in respect of a significant part of the accrual in designated government (Hetz) bonds, which guarantee linkage to the CPI plus interest ranging from 4% to 6.2%. The Annuity Conversion Factor in these policies is guaranteed and based on the life expectancy as known at the time they were marketed. |
| Guaranteed return "pension" policies | The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy. | | | |
| Classic guaranteed return policies | The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or to the policyholder at the end of the policy period (usually at the age of 65). | | | |
| "Preferred" policies ("Yielding") | Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, in accordance with the Provident Fund Regulations and life insurance, and death risk, where the policyholder determines how the premium shall be split between the life insurance component and savings component and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company. | | | |

[4] These products do not involve management fees. Company's gains from these products arise from interest differences between the bonds and actual returns.

| Products that include a savings component - participating | | | | |
|---|---|---|---|---|
| **Type of policy[5]** | **Product description** | **Marketing period** | **Main premium components** | **Linkage terms and annuity recipients** |
| "Mixed" policies - participating | The insurance amount is predetermined and paid to the beneficiaries in the event of the premature death of the policyholder or at the end of the policy period (usually at the age of 65). | Between 1991 and 2003 | Life insurance and savings and riders for the policyholder, to the extent purchased. | The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the income attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed. |
| Participating "Pension" policies | The amount of the monthly pension that will be paid at the end of the insurance period is predetermined in the policy. The amount of pension specified in the policy is paid out when the policyholder reaches the age specified in the policy. | | | |
| Classic participating policies | The amount specified in the policy is paid at the end of the policy period; however, if the policyholder dies before that date, his/her beneficiaries receive the redemption amount according to the policy's terms and conditions. | | | |
| Participating "Preferred" ("Yielding", "Abundant") policies | Policies that combine a savings component, which may be withdrawn as a monthly annuity or as a lump sum upon reaching retirement age, and life insurance with and death risk, where the policyholder determines how the premium shall be split between the life insurance component and savings component and may change the ratio in accordance with the policy's terms conditions and subject to approval by the Company. The ratio between the accrued assets and the annuity that the policyholder may receive (hereinafter - the "**Annuity Conversion Factor**") in these policies is specified and guaranteed. | | | |

[5] The insurance company is entitled to fixed management fees at a rate of 0.6% per annum of total assets, plus a 15% rate of the real return less the fixed management fees (hereinafter - "**variable management fees**"). If real losses have accrued, the insurance companies are not entitled to variable management fees until the accrued loss is covered.

| Products that include a savings component - yield-dependent insurance policies | | | | |
|---|---|---|---|---|
| **Type of policy**[6] | **Product description** | **Marketing period** | **Main premium components** | **Linkage terms and annuity recipients** |
| Policies that include "Track", "Track for Life", "New Track" and "Track for Managers and Employees" and "Track for Self-Employed" coverages | Characterized by separation and full transparency regarding the various premium components: The savings amount accumulated in "Track" policies is invested in various investment tracks, as selected by the policyholder from a range of investment tracks offered. In policies sold until the end of 2012, the Annuity Conversion Factor is specified and guaranteed, whereas in policies sold as from 2013, the Annuity Conversion Factor is guaranteed only for policyholders who took out the policy when they were aged 60 or more, except for individual policies, in which the Annuity Conversion Factor is not guaranteed at all. | Since 2004 | Life insurance component, savings component and management fees. | The savings accumulated in these policies as well as the annuity that they pay are not CPI-linked but rather depend on the income attained by the insurance company in the various investment channels. The Annuity Conversion Factor in these policies is based on the known life expectancy when they were marketed. In policies sold on or after January 1, 2013, the conversion factor will only be determined when the policyholder retires, based on the mortality tables in force at that time, unless the policyholder was more than 60 years of age when the insurance policy commenced. |

[6] The insurance company is entitled to fixed management fees in respect of the accrual and to management fees in respect of the premium. For details regarding the maximum management fee rates, see the table in Section 2.1.2 below.

| Policies that include risk component only (no savings component)<br>These policies do not include a savings component and do not accumulate redemption values. These insurance policies are offered both as individual insurance and through collective insurance agreements | | | | |
|---|---|---|---|---|
| **Type of policy** | **Product description** | **Marketing period** | **Main premium components** | **Linkage terms and annuity recipients** |
| Pure risk life insurance | Life insurance in the event of death with no savings component. This insurance guarantees the beneficiary a lump sum or payment in installments to beneficiaries in the event of death. The policy period varies from one to several years. This insurance is sold as a rider (additional coverage) to other life insurance policies or as a stand-alone policy. | N/A | Risk component only | N/A |
| Permanent health insurance | Guarantees payment of a monthly compensation amount after a waiting period, which starts when the policyholder becomes incapacitated (partially or fully); the policy pays out until the earlier of the end of its term or when the policyholder is once again able to work. Usually, the waiting period is three months. In addition to paying out a monthly compensation amount, the insurance benefits include releasing the policyholder from payment of the premium for other insurance coverages (death, disability, etc.), if any, and from payment of a premium in respect of the policy's savings component, thereby retaining the policyholder's rights throughout this period. | | | |

| Savings policies only<br>Policies which are not subject to the Provident Fund Regulations:<br>Individual insurance policies: policies for private individuals for savings purposes, which are not approved as provident funds. | | | | |
|---|---|---|---|---|
| **Type of policy** | **Product description** | **Marketing period** | **Main premium components** | **Linkage terms and annuity recipients** |
| Investment policies | These policies are for private individuals for savings purposes, which are not approved as provident funds. For more information regarding the new hosting tracks included in investment policies under Phoenix's management, see Section 2.1.3 below. This policy is not subject to the Provident Fund Regulations.[7] | Since 2004 | Savings component | The savings accumulated in the policies is not linked to any index but rather depends on the gains that the insurance company will obtain in the different investment tracks. |
| | | Collective policies | | |
| Collective life insurance | Life insurance designed for groups of policyholders, as prescribed in the Supervision of Insurance Business Regulations (Collective Life Insurance), 1993. Additional types of insurance may also be included. The premium is paid as a lump sum for the Group's planholders. | N/A | Risk component only | N/A |
| | | Other | | |
| Other types of insurance | Insurance coverage such as accidental disability, accidental death, professional disability, and more, which account for a small part of total premiums and are immaterial to the Company's business performance. | N/A | Risk component only | N/A |

[7] According to the Provident Fund Regulations, the remaining policies described above are approved as an insurance fund and entitle the employer and employee or the self-employed planholder to various tax benefits.

## 2.1.2. Structure of profitability

Basic profitability in the Life Insurance Segment stem from the following principal sources:

In the Life Insurance and Savings Segment, the profitability analysis was conducted based on a breakdown into underwriting income as detailed below and the income arising from capital market effects as detailed below.

In this regard, (1) "**underwriting income"** consists of revenue from fixed management fees and variable management fees in a participating portfolio, and financial margin in guaranteed return policies on the portfolio's free portion and investment income after offsetting a return credited to policyholders in the non-free portion. All these components are included assuming a real return of 3%; (2) "**income arising from capital market effects**" consists of nostro revenue and management fees calculated above or below a real return of 3%, the effect of the interest rate curve including changes in the K-value and other special items.

Profitability of the Life Insurance Segment as reported in the financial statements are also affected by accounting rules pertaining to revenue recognition and deferral of expenses, revaluation of assets, development of actuarial provisions as a result of regulatory requirements, and changes in the actuarial assumptions arising, among other things, from demographic changes that affect longevity, mortality, morbidity, changes in the uptake of pension benefits, changes in the interest rate environment, etc.

The insurance company's profitability from the sale of life insurance policies is based mainly on the aggregate performance of the abovementioned components throughout the term of the policy. Therefore, the extent to which the policies are retained (hereinafter - "**Portfolio Retention**") therefore plays a crucial role in the profitability of the insurance company over time.

Investment revenue held against insurance reserves and capital have a significant effect on the Insurance Company's income, due to the substantial amounts of the Group's assets and reserves invested in the capital market. Changes in the capital market, in the returns and in other investments in the economy have a material effect on the Group's profitability.

As of January 1, 2025, due to the change in the accounting standards and the application of IFRS 17, the Company will measure its normalized investment results using nominal risk-free interest plus a 2.25% spread. For further details regarding the application of IFRS 17, see Section 2 to the Report of the Board of Directors.

**Following are the main restrictions placed on management fees in the executive insurance and retirement benefits insurance for the self-employed in accordance with the provisions of the law:**

| Executive insurance and retirement benefits insurance for the self-employed (track) | |
|---|---|
| **Maximum management fees until December 31, 2012** | 2% of accrual + 13% of contributions, provided that: deposits are converted using a ratio of 1:10 (*) |
| **Maximum management fees for 2013 (transitional period)** | 1.1% of accrual + 4% of contributions (**) |
| **Maximum management fees as from 2014** | 1.05% of accrual + 4% of contributions (***) |
| **Maximum management fees collected from planholders with whom the fund lost contact or deceased planholders** | 0.3% of accrual |
| **Maximum management fees collected for annuity recipients for policies marketed until January 31, 2022** | 0.6% of annuity |
| **Maximum management fees collected for annuity recipients for policies marketed as from February 1, 2022** | 0.3% of annuity |

(*) Applicable to policies issued as from January 1, 2004.
(**) Applicable to policies issued from January 1, 2013.
(***) Applicable to policies issued from January 1, 2014.

It is noted that in participating policies issued between 1991 and the end of 2003, the rate of management fees was 0.6% of the accrual and 15% of the real gains.

## 2.1.3. Impact on competition between the various products

In the long-term savings market, there are several products, with provident funds being the major ones for long-term savings, inter alia as a result of measures taken by the Commissioner, such as: the default funds reform that accelerated the decrease in management fees in the pension fund product; cancellation of guaranteed conversion factors in life insurance products that include a savings component which made the product less attractive; transfer of savings funds from executive insurance to provident products; cancellation of capital provident funds. Furthermore, the attractiveness of executive insurance was adversely affected due to the Amendment of Regulation 19 to the Income Tax Regulations concerning the capping of contributions to executive insurance, such that as from September 1, 2023, contributions may be made to a new executive insurance policy only after exhausting the contribution cap for a comprehensive pension fund. It is also noted that, in the reporting year, the Minister of Finance instructed the setting up of a "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings" in order to assess the existing regulation of the investment instruments in short and medium-term savings (investment policies, investment provident funds, and mutual funds), and to map the regulatory and tax gaps therein. In February 2025, the Ministry of Finance published a draft for public comments of the interim report of the taskforce set by the Minister of Finance presenting interim recommendations. For details, see Section 4.1.2.7 below.

## 2.1.4. Other financial products (individual savings products)

In the reporting year, the trend continued whereby the total amount of the public's investments in savings products, such as investment policies that constitute an alternative to liquid savings products, but nevertheless, some of the public's investments were diverted to other channels such as money market funds, etc.

**The Company believes that the trends in the long-term savings subsegment may lead to the following:**

- The pension fund shall continue serving as a main product among long-term savings products, especially in view of additional restrictions on transfer and signing-up to executive insurance and against the backdrop of legislation regarding guaranteed returns.
- The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.
- Lower profitability of life insurance products.
- Growth in individual savings products will continue.
- To expand the collaborations to diversify the investment channels offered to customers in the various products under the restrictions of the investment track reform as detailed in Section 2.1.5 below.

## 2.1.5. New products

**Setting up hosting tracks in an investment policy** –

During the reporting year, a new hosting track was launched in an investment policy named "Phoenix Apollo Credit and Bonds" as part of a collaboration with the global investment fund Apollo, which is one of the world's leading asset managers, with expertise in illiquid debt transactions alongside liquid debt.

During the reporting year, as part of the investment track reform, the Company completed the process of adapting the structure of the tracks to the Circular's provisions and the list of investment tracks in all long-term savings products, which are subject to these provisions, including executive and individual insurance products under the management of the insurance company. For details regarding the reform, see Section 4.1.6(1)(i) below.

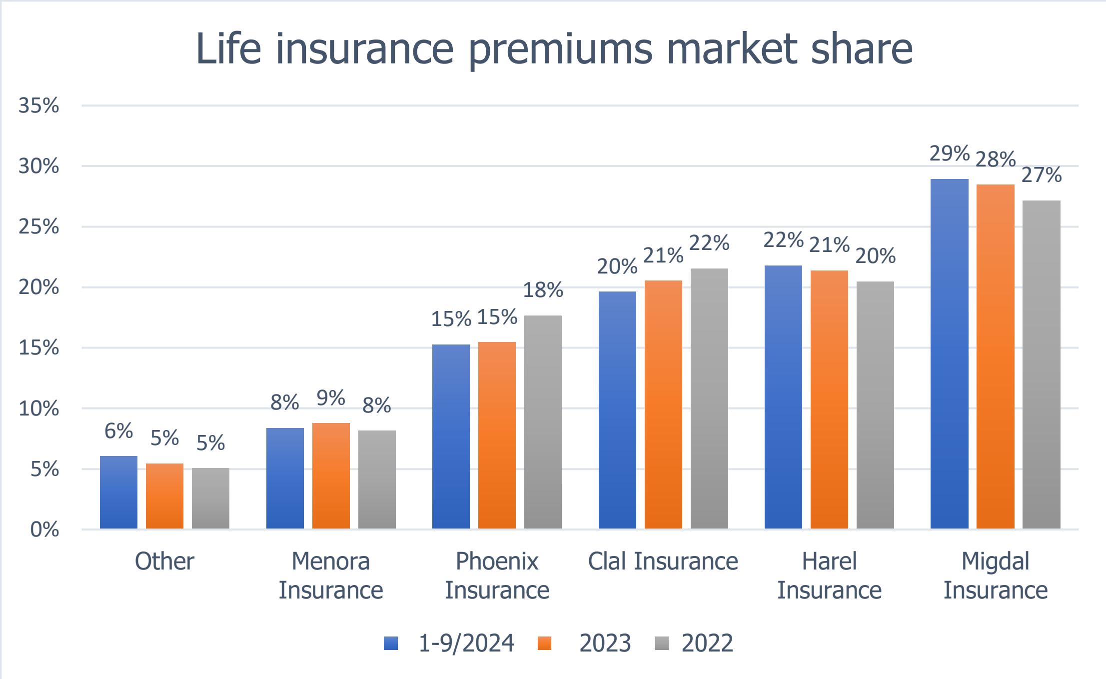
**In the period subsequent to the report date (February 2025):** A new investment track was set up at "Phoenix Invest", which specializes in tracking stock indices. This track is fully exposed to the Israeli equity market.

## 2.1.6. Competition

**Life insurance**

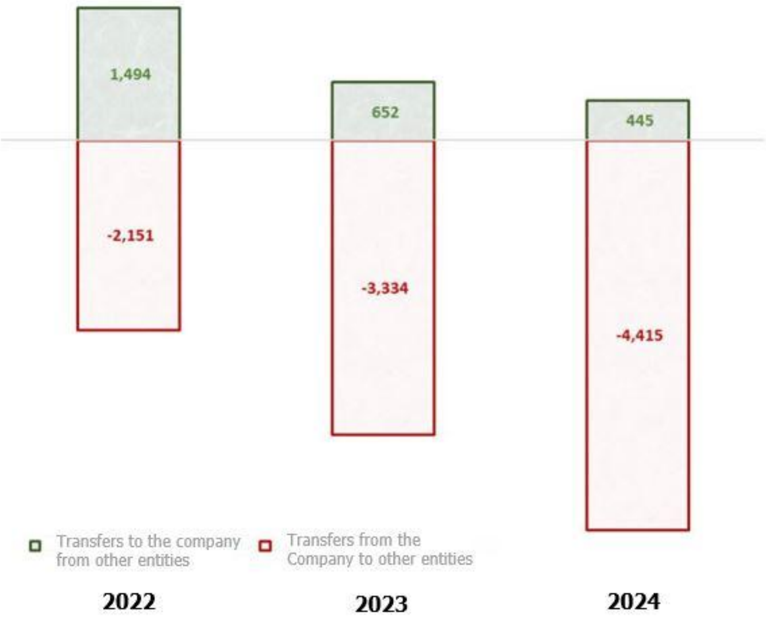
Five key insurance companies operate in Israel in the Life Insurance Segment - Phoenix, Migdal, Clal, Harel, and Menora, as well as several smaller insurance companies. According to the figures of the Capital Market, Insurance and Savings Authority, these five companies collected approx. 95% of the premiums in this segment in the first three quarters of 2024.

The market shares of the five key insurance companies in Israel out of total premiums in 2022 to September 2024 are as follows, by percentage:




The competition between the companies is reflected mainly in the discounts on risk products and management fees paid by policyholders, the price of the insurance coverages they purchase, the quality of service, returns on the investments, level and method of compensation in the various distribution channels, and in the development of additional distribution channels.

**Following is information regarding the transfer of funds from/to the Company in the Life Insurance Segment from 2022 to 2024:**




* External transfers only (excluding transfers within the Group)

### Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the life insurance market. Following are the main provisions:

- The cap on contributions and transfer of funds to executive insurance.
- Lowering prices of life insurance products.
- Lowering the management fees in alternative long-term savings products. For instance, through default funds.
- Amendment to the Advice Law, which prohibits a link between the rate of management fees and the amount of distribution fee paid to the pension agent.
- Reduction of maximum management fees charged from annuity recipients.
- The reform pertaining to direct expenses, and the requirement to present an expected annual cost which allows customers to compare costs between companies and investment tracks.
- Revision of the mortality tables in insurance policies.

The Company believes that these changes may enhance existing trends in the Long-Term Savings Subsegment, as described above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profitability in the Long-Term Savings Subsegment.

### How the Group deals with competition

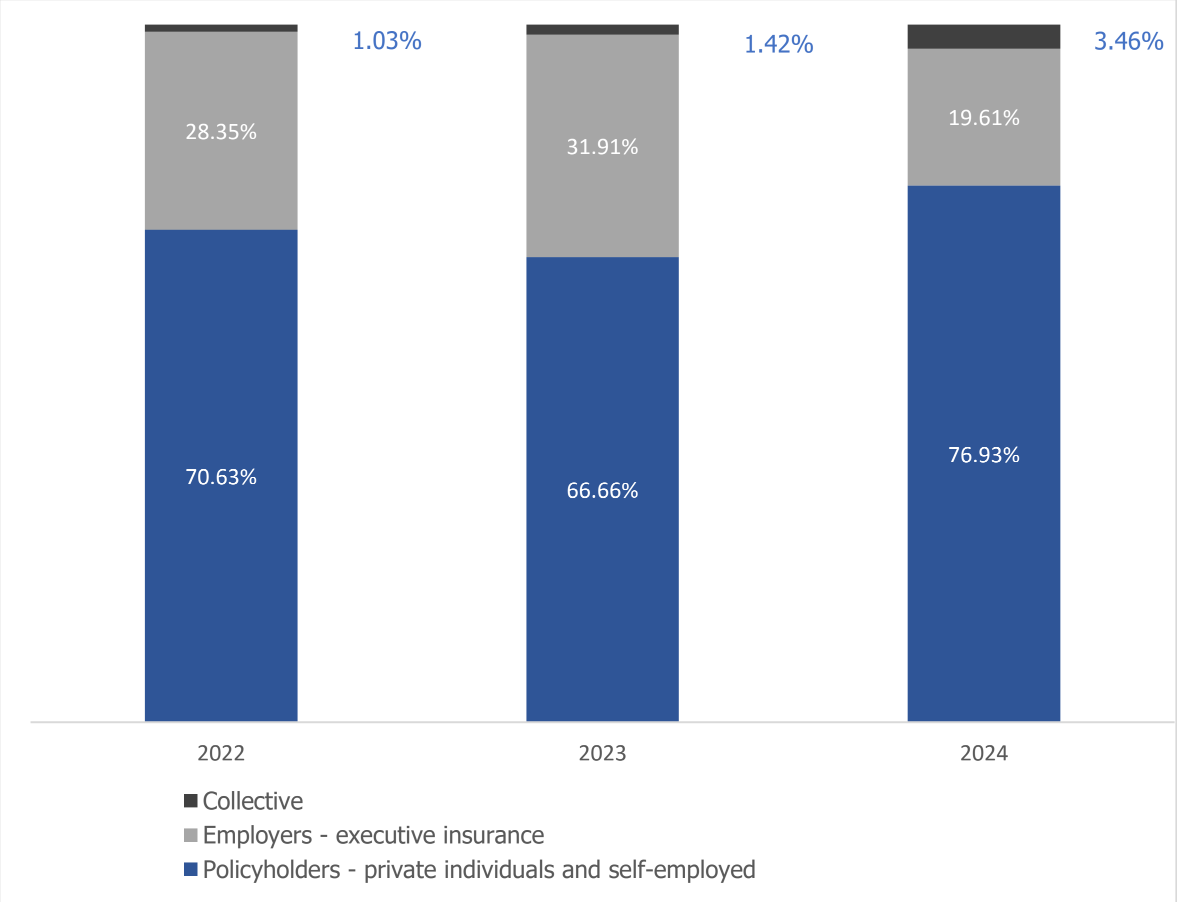
The Group is taking action to address the growing competition in the industry, mainly through the following measures:

- Continued development and improvement of the investment function and quality of investment management.
- Increase in total assets under management.
- Organizational and operational streamlining in the Company's structure, and in the different units in the subsegment
- Improving the various service processes in the field with an emphasis on providing digital services, including: depositing and receiving funds via digital checks; open banking – making payments and transferring funds directly to the policy account from the bank account without the need for physical evidence;
- Automating the signing-up process and the issuance of signing-up documents while cutting the time for completion of the process; automating investment track switching processes, such that they are fully digital;
- Furthermore, during the reporting year, Phoenix launched an app for Group customers, which provides a response regarding all of the customer's products and services, including in life insurance and savings, with the option to carry out a range of transactions through the app. For details regarding the app, see Section 4.7.2(b) below.
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Expanding the risk product offering - life insurance and accidental disability insurance, through the age of 80.
- Collaboration with international entities.
- Setting up new investment tracks that provide a range of investment alternatives to customers.

## 2.1.7. Customers

**Life insurance**

Phoenix Insurance markets its products to a broad range of customers who can be divided into three main categories - salaried employees planholders, individual and self-employed policyholders, and groups. Phoenix Insurance has no significant dependence on any single customer. The following table provides a breakdown of premiums and contributions towards benefits among life insurance customers, by percentage:[8]




The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

[8] Including insurance contracts and investment contracts (investment contracts are individual policies without an insurance component).

# 2.2. Property and Casualty

**Key subsegments of Property and Casualty Insurance**

This area of activity includes the Group's operations in the Compulsory Motor Insurance Subsegment, the motor Property Insurance Subsegment and other property and casualty insurance, which includes the remaining Property and Casualty Insurance subsegments, such as property, liability, engineering, marine and aviation insurance.

The terms of most property and casualty insurance policies is up to one year, and these policies provide indemnity to the policyholder in the event of loss, depending on the insurance coverage.

## 2.2.1. Compulsory motor insurance

Compulsory motor insurance provides coverage for bodily injury resulting from the use of a motor vehicle.

### 2.2.1.1. Products and services

This subsegment consists of a single product - insurance coverage for bodily injury incurred as a result of road accidents, under the Motor Insurance Ordinance (New Version), 1970 (hereinafter - the "**Motor Insurance Ordinance**") for the motor vehicle owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle. For additional information regarding the CRAV Law, see Section 4.1.8.1 (b) below.

**Characteristics of compulsory motor insurance:**

1. Duty to insure - the Motor Insurance Ordinance stipulates that a person shall not use, cause or allow another person to use a motor vehicle unless his/her or another person's use of the motor vehicle is covered by a policy which is in force.
2. Standard policy - the wording of the policy is dictated by the Commissioner in the Motor Vehicle Insurance Ordinance.
3. Absolute liability with no need to prove blame.
4. Exclusivity of course of action - a road accident victim, who has a cause of action under the CRAV Law, must claim damages only under the CRAV Law, and will have no cause of action under any other law.
5. Limit of compensation - the policy has no limit of liability. Nevertheless, the maximum wages for purposes of calculating the compensation due to loss of income and loss of earning capacity is limited to three times the average wages in Israel (net), and the maximum compensation for non-financial loss is limited to the amount prescribed in the CRAV Law, which is currently approx. NIS 180 thousand.
6. The insurance premium is a differential premium, which is based on a closed list of parameters which were set by the Capital Markets Authority.
7. Date on which the insurance comes into force - the date of commencement of the insurance stated in the insurance certificate, but not before the date on which the insurance certificate was stamped with the bank's stamp.

### 2.2.1.2. Competition

The Compulsory Motor Insurance Subsegment is characterized by intense competition since all insurance companies operate in this subsegment. In recent years, new direct insurance companies were established which operate in this segment. Given that the insurance coverage is standard and the size of the market is limited, competition in the compulsory motor subsegment focuses mainly on insurance prices, rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them, as well as on developing digital tools to improve the selling and service capabilities both for the policyholders and agents working with Phoenix Insurance.

Most customers purchase the compulsory motor insurance and the motor property insurance from the same company, and therefore customers usually look at the price with respect to both products together (compulsory motor insurance and motor property insurance).

Following is information about the market share of the Company and key competitors in the Compulsory Motor Subsegment, by gross premiums by percentage (activity in Israel only):


The Company copes with competition by working to increase its market share while maintaining the quality and profitability of the portfolio on the one hand, and applying command and control measures on the other. Furthermore, Phoenix Insurance diversifies its marketing and distribution methods by engaging in direct sales under the "Phoenix Smart" brand, via digital sales channels and call and service centers.

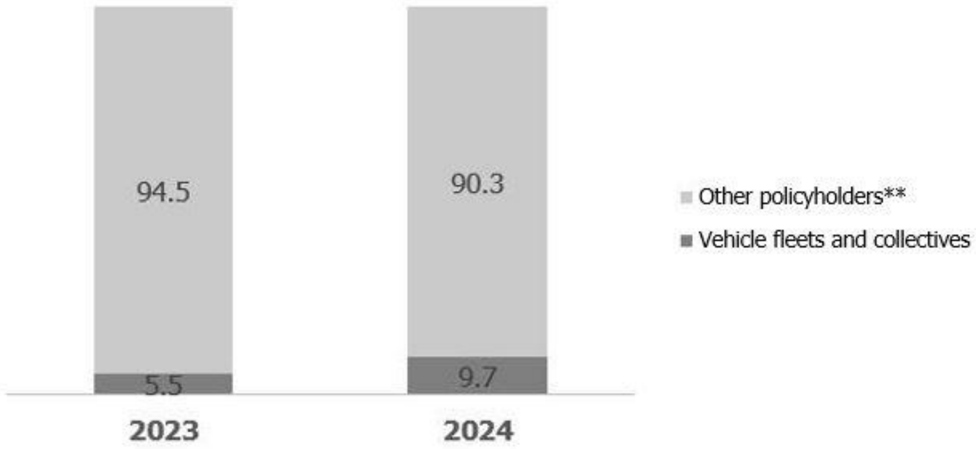
### 2.2.1.3. Customers

A. Phoenix Insurance is not dependent on any single customer in the Compulsory Motor Insurance Subsegment.

B. Phoenix Insurance has no single customer that accounts for 10% or more of its total revenue.

C. Phoenix Insurance's customers consist of private customers, business customers, groups and car fleets.

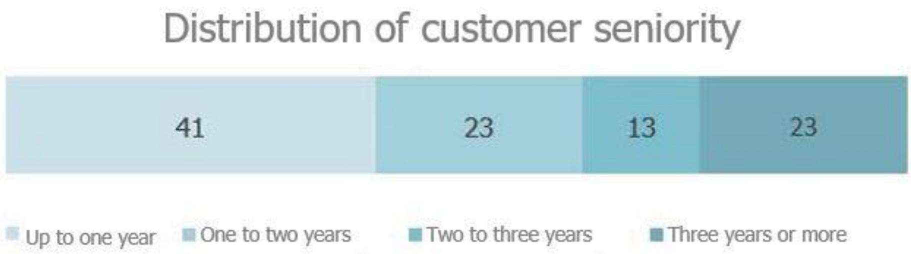
D. The increase in the collectives rate in the reporting year arises from the signing-up a new insurance collective.




* The figures are based on insurance policy commencement dates.
** Mainly individual policyholders.
The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

**Customer loyalty and retention:**
The renewal rate in terms of premiums in the Compulsory Motor Insurance Subsegment in 2024 stood at approx. 69.2%, compared to approx. 60.5% in 2023.

Following are details regarding customer loyalty in the Compulsory Motor Insurance Subsegment in terms of premiums turnover in 2024, by percentage:




## 2.2.2. Motor property insurance

Motor property insurance consists of coverage for damage to property caused to the insured vehicle as well as for the policyholder's liability in respect of damage to third-party property resulting from the use of a motor vehicle.

### 2.2.2.1. Products and services

Motor property insurance (CASCO) is the most common type of voluntary insurance in the Property and Casualty Insurance Segment. Motor property insurance covers property damage caused to the insured vehicle (hereinafter - "**comprehensive insurance**") and damage caused to third-party's property as a result of the use of the insured vehicle (hereinafter - "**third-party insurance**"). In this chapter, comprehensive insurance signifies coverage given both in respect of property damage caused to the insured vehicle and in respect of property damage that the insured vehicle may cause to third-party's property.

This subsegment is divided into two categories:

A. Insurance for private and commercial motor vehicles weighing up to 3.5 tons (hereinafter - "**light commercial vehicle**"). This category is subject to the terms and conditions of a standard motor insurance policy, as explained below.

B. Insurance for vehicles which are not private or light commercial vehicles. This category is residual and applies to all vehicles which are not included in the first category (e.g. trucks, taxis, motorbikes, tractors, mechanical engineering equipment, etc.). The terms and conditions of the standard policy do not apply to these vehicles.

**Characteristics of motor property insurance:**

A. Motor property insurance is voluntary insurance which is not mandatory under law.

B. Standard Policy - by virtue of the Supervision of Insurance Business Regulations (Contract Terms and Conditions for Insuring a Private Vehicle), 1986. The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damages, property damage caused to a third party, etc.

C. The Company markets various types of coverages and riders in the motor property segment: The terms and conditions of the standard policy include, among other things, coverage in the event of an accident, theft, fire, malicious damage, natural disaster damages, property damage caused to a third party, and more. The Company also offers various riders in addition to the basic coverage, such as coverage for risks of earthquake, riots, strikes as well as related services such as towing, replacement vehicle in the event of an accident or theft, coverage for broken windscreen and coverage for headlights and mirrors. The Company also offers a range of riders and specific coverages for electric vehicles, as well as for commercial vehicles which are not light commercial vehicles. The Company also offers a service package for EVs, which includes, among other things, towing to a charging station when the vehicle's battery is depleted, coverage for damage to the charging equipment, etc.

## 2.2.2.2. Competition

The Motor Property Insurance Subsegment is highly competitive, mainly due to the lack of differentiation in the insurance coverage offered by various companies and due to the establishment of new direct insurance companies in recent years. Competition in this segment focuses mainly on insurance prices, the service rendered by insurance companies to their policyholders, riders added to the standard policy, the rates of fees and commissions paid by the various companies to insurance agencies, proper segmentation of the population of policyholders and accurate pricing of the policies offered to them, as well as by developing digital tools to improve the sales and service capabilities both to policyholders and the agents with whom it cooperates. Following is information about the market share of the Company and key competitors in this subsegment, by gross premiums, by percentage (activity in Israel only):

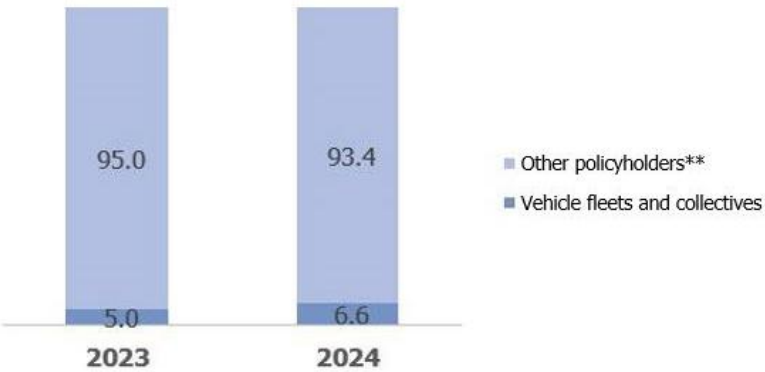

To cope with the competition, the Company ensures that it maintains a reasonable level of profitability by applying an appropriate segmented pricing strategy, developing new products and recruiting agents. Furthermore, Phoenix Insurance diversifies its marketing and distribution methods by engaging in direct sales under the "Phoenix Smart" brand, via digital sales channels and call and service centers.

### 2.2.2.3. Customers

A. Phoenix Insurance is not dependent on any single customer in the motor Property Insurance Subsegment.

B. Phoenix Insurance has no single customer that accounts for 10% or more of its total revenue.

C. Phoenix Insurance's customers in the motor Property Insurance Subsegment consist of private customers, business customers, groups and car fleets.




* The figures are based on insurance policy commencement dates. The definitions for vehicle fleets and collectives were taken from the Codex of Regulations (Consolidated Circular).

** Mainly individual policyholders.

**Customer loyalty and retention**

In 2024, the renewal rate in the Motor Property Insurance Subsegment, in terms of premiums for policies which were in force in the previous year was approx. 71.1%, compared to approx. 76.1% in 2023.

**Following are details regarding customer loyalty in the motor Property Insurance Subsegment in terms of premiums turnover in 2024, by percentage:**


In the motor Property Insurance Subsegment, customers who also had compulsory motor insurance policies in 2024, 2023 and 2022 accounted for 97%, 93% and 94%, respectively, of all the policies in this subsegment in the relevant years.

## 2.2.3. Other Property and Casualty Insurance

Other Property and Casualty Insurance consists of a broad range of insurance coverages that can be divided into three key main subsegments: property insurance, liability insurance and other insurance.

### 2.2.3.1. Products and services

Phoenix Insurance sells property and casualty insurance products in property, liability and other subsegments, offering insurance solutions as part of a broad range of plans catering to an extensive range of occupations and needs.

**Property insurance**

In the Property Insurance Subsegment, the Group offers mainly home insurance, private dwelling insurance covering the mortgage period, and various types of business insurance.

A. **Home insurance policy**: this policy is based on the standard policy and includes a package of riders in addition to the mandatory requirements under the Supervision of Insurance Business Regulations (Terms of Home and Contents Insurance Contracts), 1986. Customers can opt for multiple coverages including building insurance covering the mortgage period, all risks insurance for jewelry and valuables, employers liability insurance, third-party liability insurance, terrorism damage insurance (beyond government compensation), etc.
The Company also offers its policyholders coverage against terrorism risks in respect of their home contents (excluding government compensation payout). Payment in respect of this coverage is made in addition to insurance benefits the policyholder is entitled to receive by virtue of the Property Tax and Compensation Fund Law, 1961, according to which the policyholder will be paid compensation due to loss or damage caused to the contents of his/her home due to an act of terrorism.

B. **Small business insurance and large businesses insurance**: this type of insurance is designed to provide insurance coverage in respect of the policyholder's interests in business-related property and buildings and the contents thereof; the insurance covers physical loss or damage caused due to fire and related risks (coverage sold together with coverage for risk of fire, lightning and additional risks, e.g. burglary, natural damages, explosions, earthquakes, to the extent that these coverages are purchased (extended fire insurance policy)).

Furthermore, one may purchase coverage for consequential loss, stemming from certain physical damages to the property, i.e., loss of income.

Phoenix Insurance generally offers this insurance as part of a comprehensive insurance package that includes, among other things, an option to purchase liability insurance and other types of insurance, such as money insurance, goods in transit insurance, electronic equipment insurance, etc. Business insurance is provided to small businesses under umbrella policies (i.e., policies that combine various insurance coverages). Furthermore, the Company has its EXTRA series of policies for offices, stores, workshops and synagogues, which are dedicated policies for these business categories. The coverage for large businesses is provided according to the needs of each customer and, in most cases, the customer works with an insurance consultant who acts on its behalf and defines the needs and, quite often, the wording of the policy as well.

In addition, the Company also sells business insurance coverage against cyber crimes; such coverage includes, among other things: breach of privacy, reimbursement of costs and expenses associated with managing a cyber event, reimbursement of costs associated with responding to a security breach, cyber extortion, loss of income, and data recovery costs.

**Liability insurance**

A. **Employers' liability insurance**: this type of insurance covers the employer's (the policyholder) liability towards its employees over the term of the policy in respect of bodily injury sustained by the employee covered under the insurance policy due to an accident or illness during the course of his work or as a result thereof. This policy is event-based. Coverage under these policies is usually residual and applies to amounts payable in excess of payouts by the National Insurance Institute, which is in charge of workplace accidents. In some cases, the limit of liability in policies of this type is pre-determined; however, a higher liability limit may be purchased based on the policyholder's needs and at his/her request. The liability covered by these policies is usually governed by the Torts Ordinance.

This coverage is sold both as an individual standalone policy (employer liability coverage only), and as part of large business insurance policies, small business insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies.

B. **Third-party liability insurance**: the purpose of this insurance is to protect policyholders against legal liability which they may have towards third parties, for bodily injury or property damage caused due to their negligence, including consequential damages, and which occurred during the policy period. This policy is event-based. The coverage is adapted to the policyholder's activity and the limit of liability is set by the policyholder, at his/her discretion, based on the level of risk to which he/she believes to be exposed. This cover is sold both as an individual standalone policy (third-party liability coverage only), and as part of large business insurance policies, small business insurance policies, umbrella insurance policies, or as a chapter within contractors' insurance policies. The liability covered by these policies is usually governed by the Torts Ordinance.

C. **Other liability insurance**: liability insurance also includes other products, including professional liability insurance, directors' and officers' liability insurance, and product liability insurance.

In contrast to the types of liability insurance listed above, these products offer tail coverage, although such policies usually also refer to the date on which the event occurred (policies based on the date on which the claim were filed with a retroactive date).

D. **Other types of insurance**

In addition to property and liability insurance, Phoenix Insurance also markets contractors' insurance (for the duration of a project or open policies for one insurance year in respect of all projects during that period), insurance covering mechanical-engineering equipment, mechanical breakdown insurance, refrigerated inventory insurance, cargo in transit and shippers' liability insurance, fidelity insurance, agricultural insurance, investment insurance for home buyers (Sales Law guarantee), electronic equipment insurance, insurance covering production and cancellation of events, clinical trials insurance, flight cancellation insurance, money insurance, goods in transit insurance, works of art, marine, aviation, terrorism acts and cyber insurance, as well as pet insurance.

## 2.2.3.2. Competition

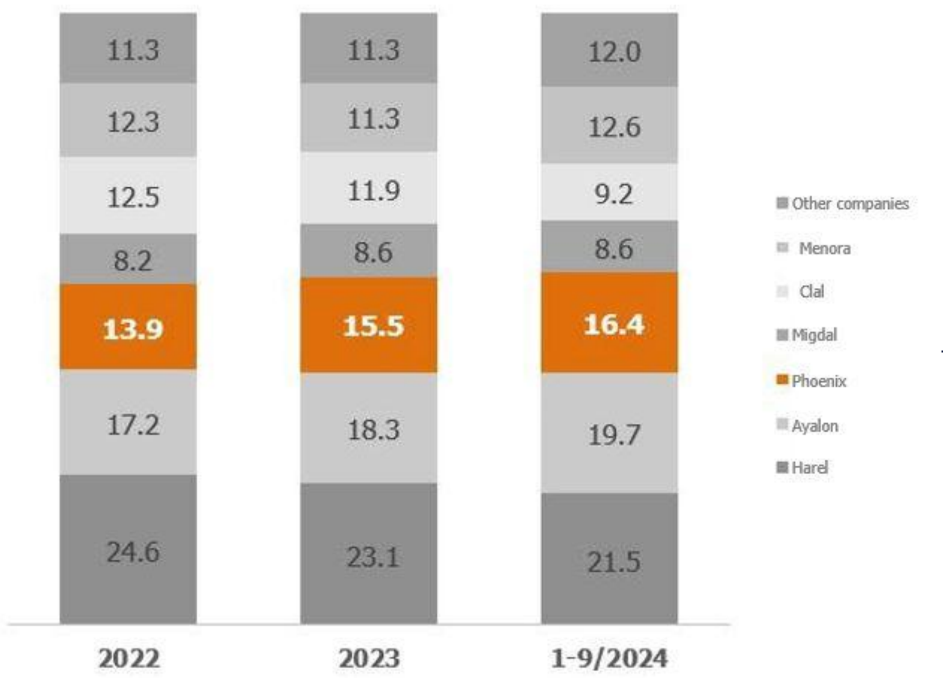
The Other Property and Casualty Insurance Subsegment is characterized by intense competition, which is reflected in adapting the insurance policies to the needs of customers, entering into unique insurance niches, lowering rates and providing special discounts, as well as through the development of digital tools to improve sale capabilities and service both for policyholders - to allow direct purchase of some of the insurance products - and for agents with whom Phoenix Insurance works. Most Israeli insurance companies compete with Phoenix Insurance in the Other Property and Casualty Insurance Subsegment.

**Following are details regarding the market share of the various companies in the Other Property and Casualty Insurance Subsegment, by percentage:**

**Following is a breakdown of information by property and Liability Subsegments:**

Property and Other Insurance Subsegments (excluding Motor Property Insurance)


Liability Subsegments




The principal methods for coping with competition in this segment include providing high-quality, readily accessible service, entering into niche insurance markets where the Company can develop its expertise and reputation, development of digital tools to improve pricing capabilities as well as sales and service - both to policyholders and agents working with Phoenix Insurance, customizing policies to customers' needs, and improving the quality of pricing. Competition in this segment is impacted, among other things, by trends in the global reinsurance market.

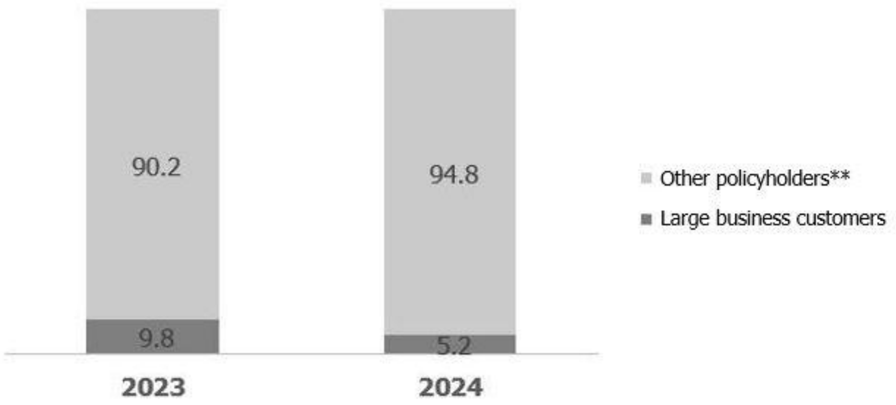
### 2.2.3.3. Customers

A. Phoenix Insurance is not dependent on any single customer in the other Property and Casualty Insurance subsegment.

B. Neither does the Company have a single customer in the other property and casualty subsegment, which accounts for 10% or more of its revenue.

C. The Company's customers in the Other Property and Casualty Insurance Subsegment are mostly private customers, in addition to companies and merchants.

**Breakdown of premiums from customers (gross), by percentage:***




* The figures are based on the commencement dates of the insurance policies. "Large business customers" signify policyholders which account for at least 1% of the premiums in the segment.

** Mainly individual policyholders.

The renewal rate in the Other Property and Casualty Insurance Subsegment is relatively high due to the customization of policies to customers' requirements, specialization by the insurance companies and the tendency of customers in this subsegment to remain loyal to one insurance company, in part due to the desire to maintain continuity of the insurance coverage. In the Home Insurance Segment, the renewal rate in 2024 was approx. 89%, compared with approx. 88% in 2023 (in terms of premiums received in the current year in respect of policies which were in effect in the previous year).

**Following are details regarding customer loyalty in the Home Insurance Segment in terms of premiums in 2024, by percentage:**

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

# 2.3. Health

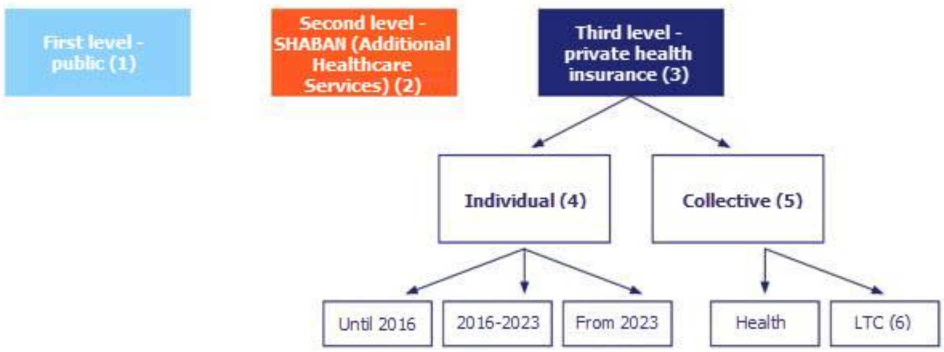
## 2.3.1. Products and services

### 2.3.1.1. General

Health insurance policies are designed to indemnify or compensate policyholders for medical expenses incurred as a result of decline in health, illness or accident. The illnesses and hospitalization subsegment also includes long-term care insurance, critical illness insurance, dental insurance, insurance covering sick leave, travel insurance, and personal accidents insurance.

### 2.3.1.2. Segment's structure and key markets

The Israeli health insurance market is divided into three levels:




**Comments to chart:**

**(1) The first level** comprises the basic basket of health services (hereinafter - the "**Healthcare Services Basket**"), which is provided mainly by health maintenance organizations to all Israeli residents by virtue of the National Health Insurance Law, 1994 (hereinafter - the "**Health Insurance Law**").

**(2) The second level**, which is an extension of or an alternative for the Healthcare Services Basket, is the supplementary health services (hereinafter - the "**SHABAN**"), which are provided to the public only by health maintenance organizations. This level is subject to the limitations stipulated in the Health Insurance Law.

**(3) The third level** comprises private health insurance purchased directly from insurance companies and subject to underwriting considerations applied by insurance companies when they issue such insurance to policyholders. Private health insurance is offered both in the form of personal health insurance policies (**individual insurance policies**) and in the form of collective policies (**collective insurance**). The Group's activity in the Health Insurance Segment includes both individual and collective insurance policies.

Private health insurance (individual and collective) serve as an addition to the health services provided by the state as part of the basic Healthcare Services Basket. Among other things, private healthcare services include the use of drugs, which are not included in the Healthcare Services Basket, advanced medical treatments and surgical procedures both in Israel and abroad, new medical technologies, which are not included in the Healthcare Services Basket, transplants, etc. In addition, private healthcare services are readily available and tailored to the specific needs of different population groups.

The different levels of the health insurance sector in Israel are highly regulated and closely supervised. The legislative arrangements in this sector have changed considerably and, in some cases, are influenced by government policies relating to healthcare, including the expansion or curtailing of the services provided as part of the Healthcare Services Basket.

**(4) Individual insurance** - these are generally insurance plans offered for long periods (for the policyholder's entire life or up to a pre-determined age), even if the policyholder's medical condition changes during this period.
Most health insurance plans marketed from February 2016 and thereafter are subject to provisions according to which the insurance period is renewed every two years (for the Policyholder's entire life or up to a pre-determined age) (hereinafter - the "**Renewable Policies**").
Some of the Renewable Policies are characterized with the accumulation of considerable reserves during those periods. Changes in actuarial assumptions and forecasts with respect to future risk may lead to material changes in the provision amounts. Due to the considerable weight of the reserves amount.
**(5) Collective insurance** - The terms and conditions of the collective insurance agreements are decided in negotiations between the insurer and the Policyholder representing the collective, and they apply to all individuals included in the relevant group. Such agreements are usually signed for pre-determined periods of several years (but no more than five years) and sometimes include a mechanism for adjusting the premium during the policy period. Due to this difference, the tariffs paid for collective insurance are generally lower than those paid for similar coverages in individual policies. Some collective insurance agreements provide insurance continuity at the end of the term of the collective insurance agreement or at the end of the policyholder's membership in the collective (right of continuity).
**(6) Collective long-term care insurance** - In accordance with the Commissioner's Directives, Phoenix Insurance ceased to sell collective long-term care policies at the end of 2017, except for long-term care insurance to HMO members. As from January 2019, Phoenix Insurance insured the customers of Maccabi Healthcare Services, and according to the agreement, the engagement terminated on December 31, 2023 and undertaken by another insurer.

## 2.3.1.3. Principal changes in the Health Insurance Segment

### 2.3.1.3.1. Health insurance reform

On October 1, 2023 (hereinafter - the "**Effective Date**"), the **reform in health insurance of the Capital Markets Authority** came into force. This is a comprehensive and significant reform relating both to the nature and to the scope of the products, as well as to the methods employed in their marketing and management. The reform applies to individual health insurance policies that will be taken out as from the Effective Date, and to collective health insurance policies that will be taken out or renewed as from the Effective Date, such that individual health insurance policies will be divided into three groups:

| Policies marketed until 2016 | Policies marketed in 2016-2023 | Policies sold as from October 2023 |
|---|---|---|
| • Non-renewing policies.<br>• Their premiums can be updated with the Commissioner's approval.<br>• These policies are not subject to the reform. | • Renewable policies every two years (the last renewal occurred in June 2024).<br>• Not subject to the reform but subject to the Economic Arrangements Law, as detailed below. | • Renewable policies that are subject to the reform and provisions of the Economic Arrangements Law, as detailed below. |

Under the Capital Market, Insurance and Savings Authority's reform, five tiers were established for health insurance policies:


<u>The first</u> - a basic health insurance policy that will be composed of three uniform policies that define a uniform and comprehensive coverage in their respective areas: (1) a policy covering transplants and special treatments abroad; (2) a policy covering medicines which are not included in the Israeli health care basket; and (3) a policy covering surgical procedures and alternative treatments to surgical procedures abroad;

The second - policies covering surgical procedures and alternative treatments to surgical procedures in Israel ("From the First Shekel") or Supplementary SHABAN without a deductible or with a NIS 5,000 deductible;

The third, expansion policies for the basic tier, the second tier (surgical procedures and alternative treatments to surgical procedures in Israel) or the fifth tier (critical illness);

Fourth pillar - The following ambulatory insurance plans: Consultation and tests; tests and quick medical diagnosis; home hospitalization; treatments using advanced technology and medical accessories; medical support and treatments during a significant medical event, such as surgery, hospitalization or critical illness; any insurance plan approved by the Commissioner in advance and in writing;

and the fifth - critical illness policy.

In addition, the following key provisions were set: 1. Products from the second and fourth tiers shall be sold on the proviso that the policyholder has taken out a basic health insurance policy (the first tier), and in a manner that will allow the policyholder to purchase a basic policy from one company and other health insurance products from the other tiers from another company, if he/she chooses to do so; 2. Prohibition on the sale of overlapping insurance in indemnity health insurance products; 3. Imposition of requirements on the marketing entity regarding the presentation of the premium in the in the process of adding new policyholders, and the imposition of disclosure requirements as part of the sale of a policy covering surgical procedures in Israel; and 4. Prohibition on short-term rebates while setting a fixed-rate rebate for a period of at least ten years, including regarding the provision of rebates that will be renewed in existing and renewable policies.

#### 2.3.1.3.2. Introduction of riders and marketing thereof

In February 2023, the Capital Market, Insurance and Savings Authority published an **amendment to the provisions of the circular regarding "Riders and Marketing Thereof"**, in order to adapt the provisions to the said reform in the health insurance sector. The amendment stipulates, among other things, that riders may be marketed in health insurance as long as the coverage or part thereof as part the rider is not marketed under the health plans in the fourth tier (ambulatory insurance plans).

#### 2.3.1.3.3. The economic plan for 2023 and 2024 - an additional reform alongside the Capital Market Authority's reform

The Health Chapter in the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024), 2023 (hereinafter - the "**Economic Arrangements Law**"), came into force on October 1, 2023.

The objective of the law is to reduce the incidence of overlapping insurance in the surgical procedures subsegment between Supplementary Healthcare Services (SHABAN) of health maintenance organizations and private health insurance policies; the aim is to reach a situation where most of private surgical procedures in Israel will be conducted by the health management organizations as part of the SHABAN plans; this is based, among other things, on the recommendations of the public committee for strengthening healthcare services in Israel and regulating the public and private health system (hereinafter - the "Ash Committee"), which was set up in 2022 by the Ministry of Health in order to assess the issue, and whose recommendations were included in a report it published in November 2022.

Following are the key points of the heath chapter in the Economic Arrangements Law:

1. Where a policyholder who has a "surgeries in Israel - first shekel" policy files a claim for a surgery performed in Israel by virtue of his/her rights under the SHABAN Plan, and such a surgical procedure is also covered by the policyholder's insurance policy, the insurer shall pay the health maintenance organization through which the surgical procedure was carried out a total equal to the price of the surgical procedure paid by the health maintenance organization as per the Ministry of Health's price list. Furthermore, a mechanism was set for appealing against the amount of the health maintenance organization's payment demand as described above.
2. In accordance with the provisions of the Economic Arrangements Law, in June 2024 Phoenix Insurance signed-on - as a default insurer - policyholders who hold a "first shekel" surgical procedures in Israel policy (hereinafter - the "**Original Policy**") and who also have SHABAN coverage in place - to a Supplementary SHABAN surgical procedures policy instead of the Original Policy, unless a policyholders informed - prior to their transfer - that they wish to stay with the Original Policy. Implementation of the provisions of the Economic Arrangements Law in this regard led to a change in the mix of policyholders who hold the Original Policy ("first shekel" insurance policy), such that in the reporting year the number of policyholders who hold a Supplementary SHABAN surgical procedures policy is higher than the previous year. It is also noted that a policyholder, who was transferred to the Supplementary SHABAN insurance policy, has the option of reverting to the Original Policy for a year after their transfer (i.e. until the end of May 2025), without reassessment of previous medical conditions and without a qualification period, and therefore there may be another change in the mix of policyholders, who hold the Original Policy and policyholders who hold a Supplementary SHABAN policy; it will be possible to assess the final extent of this change at the end of May 2025.
3. List of physicians - In accordance with the Economic Arrangements Law, Phoenix Insurance has set a single list of surgeons to be included in the arrangement. This list is also be offered to "first shekel" policyholders and to policyholders holding a SHABAN supplementary policy. In addition, at least half of the physicians included in the list were included in the lists of SHABAN physicians of the health maintenance organizations.
4. These provisions became effective for surgical procedure insurance plans (individual and collective) issued or renewed as from October 1, 2023, and for existing policies marketed as from February 1, 2016.

   For information regarding other legislative changes relating to the Health Insurance Segment in the reporting year, see Section 4.1.9 below.

## 2.3.1.4. Description of health insurance plans/principal health services offered

### 2.3.1.4.1. Medical expenses insurance

Such insurance plans usually include indemnification in respect of expenses incurred due to surgery, transplants and/or special medical treatment abroad, coverage for medicines which are not included in the Healthcare Services Basket, alternative treatments, medical services that involve the use of advanced technologies, ambulatory medical services, etc., all in accordance with the insurance plans purchased for or by policyholders. Supplementary products are added to these insurance plans, which provide a broad range of options for expanding the insurance coverage, in accordance with the policyholder's needs. It is noted that as part of the reform carried out in the field of health insurance in 2016, a uniform policy for surgeries was prescribed, and as part of the 2023 reform uniform policies were set for other products: Transplants and special treatments abroad; medicines which are not included in the Israeli healthcare basket; and surgical procedures and alternative treatments to surgical procedures abroad.

### 2.3.1.4.2. Long-term care insurance

Insurance for long-term care is designed to cover the costs incurred by individuals who are unable to perform activities of daily living (ADLs),[9] and require special care. Policyholders utilize their entitlement to long-term care insurance benefits primarily in old age. Long-term care insurance plans entitle policyholders to receive monthly benefits upon the occurrence of an insured event, in accordance with the insurance amount purchased by the policyholder, for long-term care in the policyholder's home or in a nursing home. Coverage is provided for the period specified in the policy upon the occurrence of the insured event. Some policies in this segment provide benefits for a limited time, while others provide life-long benefits, based on the option selected by the policyholder when taking out the insurance. The importance of this segment stems mainly from the increase in life expectancy and the relative increase in the number of people requiring long-term care. Phoenix Insurance does not market individual long-term care policies in view of the risks involved in such insurance in its present form, and the complexity of the reinsurance that this segment requires. In addition, Phoenix Insurance reduced the exposure to this subsegment upon the expiry of the collective long-term care agreement for members of the Maccabi health maintenance organization on December 31, 2023.

### 2.3.1.4.3. Dental insurance

Under dental insurance, the Company issues policies that provide coverage for dental treatments including, among other things, conservative dentistry, orthodontics, implants, and periodontal dentistry. The policy is paid by way of monthly premiums. Dental insurance coverage is sold only as part of collective insurance.

### 2.3.1.4.4. Critical illness insurance

Insurance that includes a payout upon diagnosis of a critical illness. The insurance guarantees payment of a one-time amount if the policyholder is diagnosed with one of the critical illnesses listed in the policy. Benefits are paid to the policyholder without any requirement to prove expenses incurred for the purpose of treating the illness; this differentiates critical illness policies from health insurance policies in which the policyholder is entitled to indemnity payments based on reimbursement of expenses. Phoenix Insurance markets critical illness insurance with a compensation component.

### 2.3.1.4.5. Travel insurance

Phoenix Insurance sells a travel insurance policy - "Phoenix Smart Travel Insurance", which is a modular travel insurance policy comprising a uniform basic policy and optional riders, which enable to adapt it to the traveler's needs, according to their travel style and existing medical condition; due to the Iron Swords War, in the reporting year there was a substantial decrease in the purchase of travel policies compared with the same period last year, inter alia due to the decrease in the number of flights and travelers overseas.

[9] Activities of Daily Living (ADLs) are six basic daily activities; one's inability to do all or some of those activities defines his/her need for long-term care.

## 2.3.2. Structure of profitability

In the Health Insurance Segment, profitability is generated, among other things, by applying a proper and strict underwriting process to policyholders, proper pricing of the various products, while taking into account the costs of inputs of the various health indices, and efficient medical procurement activity. It is noted that the profitability of individual insurance has a higher inherent risk due to, among other things, the prolonged coverage period (normally a significant number of years) and the lack of flexibility with respect to making changes both to the policy's terms and to the insurance prices. This is especially relevant for policies marketed since February 2016, with respect to which the Commissioner has the power to demand that changes are made to the insurance terms and conditions with respect to existing policyholders on renewal dates. Accordingly, in September 2022, the Capital Market Authority published a circular regarding the "Updating of Tariffs in Renewable Health Insurance Policies", which sets conditions whereby the insurance companies will be allowed to update the premium without first obtaining the Commissioner's approval. These terms were designed to balance out the need to update the terms and tariffs of medical expenses insurance policies, against the need to protect policyholders' interests.

Segment results are also affected by interest rates and capital market fluctuations, which have a major effect on investment revenues, and on long-term insurance reserves, primarily in the long-term care subsegments. In addition, the results of this subsegment have a significant effect on Phoenix Insurance's solvency ratio. For further details, see Section 2.1.5 to the Report of the Board of Directors.

The changes which took place and which were detailed in this chapter (approval of new tariffs in accordance with the capital market reform with respect to the health products, provisions regarding transfer of policyholders with surgical procedure insurance policies in Israel from "first shekel" policies as from 2016 to a "Supplementary SHABAN" surgical procedure policy, and changes in the rules for providing discounts in health insurance and critical illness policies, which apply both to new sales and the existing portfolio, have reduced the cancellation rate of the Company's health insurance policies.

In addition, the profitability of the "surgical procedures in Israel" coverage may be affected from policyholders' preferring the "First Shekel" policy or the "SHABAN Supplementary" according to the availability of the surgical procedures in SHABAN and any changes that may be made to the SHABAN plans.

It should also be noted that at this preliminary stage there is uncertainty as to the extent of the effect of the changes in the market and the nature of this effect, in view of the fact that changes may have conflicting effects in accordance with the relevant factors noted above; therefore, at this stage it is impossible to assess the impact of the change, if any, on the Health Insurance Segment.

As from January 1, 2025, IFRS 17 will apply. For further details regarding the application of IFRS 17, see Section 2 to the Report of the Board of Directors.

## 2.3.3. New products

Phoenix prepared the individual insurance products, the riders and the collective insurance policy in accordance with the provisions of the health insurance reform and provisions of the Economic Arrangements Law. On January 25, 2024, Phoenix received a permit from the Commissioner regarding the new individual insurance products and riders and started marketing them.

In addition, in the reporting year, Phoenix Insurance expanded its **consultations and tests program in the field of ambulatory services**.

In the "**Restore to Health**" plan **– compensation for critical illness diagnosis** - coverage was added for the early detection of cervical cancer.

In addition, in the reporting year Phoenix Insurance continued to streamline and improve the digital claim filing process and adopted processes in this context designed to map the insurance cases, which qualify for insurance benefits, prevent incorrect filings and expand the options for controls over claim approval and denial. This leads to an improved customer experience, streamlined claim settlement procedures, and operational cost savings.

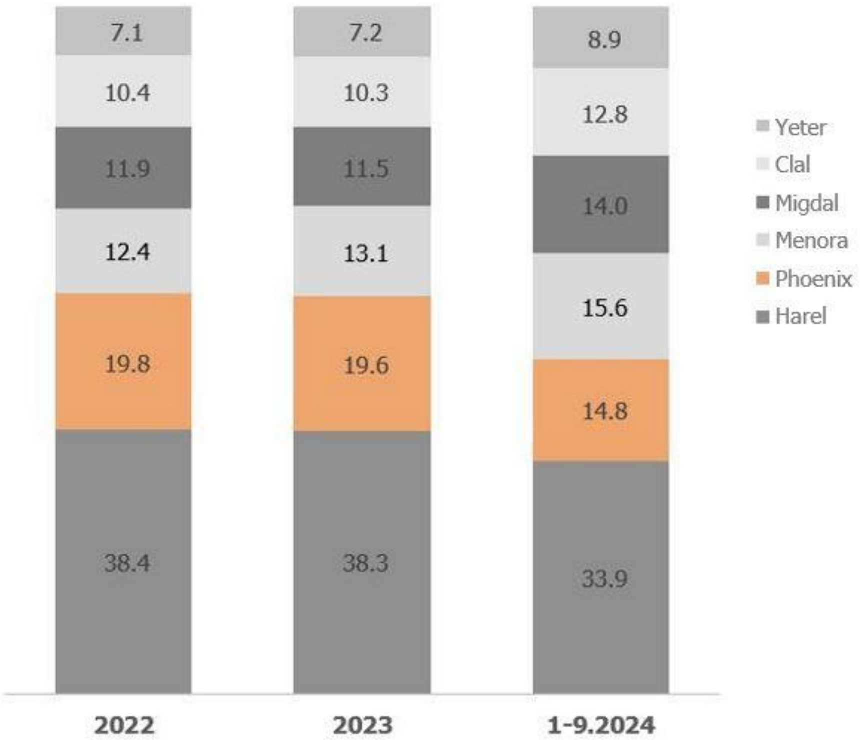
## 2.3.4. Competition

The key competitors in this segment are Harel, Clal, Migdal, and Menora, and the Supplementary Healthcare Services of the health maintenance organizations (SHABAN). In collective insurance, which are usually decided upon through a tender process, the large number of participants intensifies competition, which is reflected, among other things, in the erosion of rates.

As detailed in the following table, Phoenix Insurance has the third largest market share among Israeli insurance companies.

The health insurance reform which entered into force in February 2016 prescribed a standard policy for surgeries in Israel; the additional reform which entered into force in October 2023 also prescribes standard policies in the following fields: (1) transplants and special treatments abroad; (2) medicines which are not included in the Israeli healthcare basket; and (3) surgical procedures and alternative treatments to surgical procedures abroad. Furthermore, the Authority publishes a calculator for comparing prices of health insurance policies offered by the various companies. The standard policies and the calculator intensify the competition in the segment.

**Following[10] is information about the market share of the Company and key competitors in the Health Insurance Segment, by earned gross premiums, by percentage:**




The change in the premium between the reporting year and 2022-2023 in respect of Phoenix Insurance arises from the termination of long-term care insurance for members of Maccabi health maintenance organization on December 31, 2023 and the renewal of the insurance with another insurer.

## 2.3.5. Customers

Health insurance customers can be divided into three main categories:

A. **Private individuals**: Illnesses and hospitalization insurance plans for individual customers are typically whole-life insurance plans. Under individual policies, the policyholder may cancel the policy at any time.

B. **Collective insurance**: Phoenix Insurance enters into collective insurance policies with entities, workers' unions, and major Israeli corporations, under which it provides employees of these companies and their families with health and dental insurance. The term of illnesses and hospitalization insurance plans for customers in collective insurance is fixed, mostly up to 5 years. Entities that enter into collective insurance plans normally use the services of expert external insurance consultants, and their insurance policies are more diversified, in accordance with the customer's specific requirements. Additionally, collective insurance rates are lower (at the policyholder level) due to volume discounts, due to the fact that the policy period is fixed, as well as since agreements often include a price adjustment mechanism.

[10] The figures in this table are based on a sectors report from the Commissioner's website.

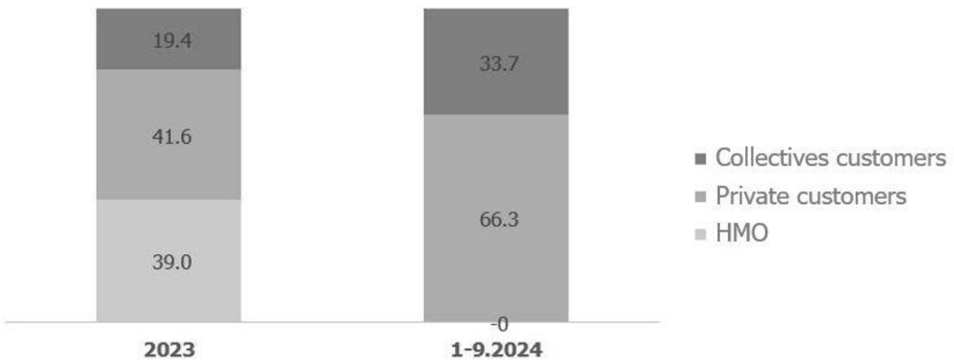
Under collective insurance plans, all policyholders are normally not tested for pre-existing medical conditions and are exempt from a qualifying period.

C. **Members of HMOs**: Until December 31, 2023, Phoenix Insurance 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 addition, Phoenix continued providing operating services through March 31, 2024.

In accordance with the agreement with Maccabi, Phoenix will continue paying insurance benefits in the existing claims and will deal with new claims that will be filed so long as the insured event took place through December 31, 2023.

For that purpose, Phoenix Insurance left under its management a claims reserves in accordance with the provisions of the agreement. In addition, Phoenix's engagement in a quota share reinsurance contract with several reinsurers will continue for the purpose of hedging and diversifying Phoenix Insurance's risk in respect of new claims, where the insured event occurred during the agreement term.

**Following is a breakdown of premiums from customers (gross) in 2023-1-9.2024, by percentage -**




The change in the breakdown of customers between the reporting year and 2023 arises mainly from the termination of long-term care insurance for members of Maccabi health maintenance organization on December 31, 2023 and the renewal of the insurance with another insurer.

In the reporting year, the Group did not have a single customer, the total revenue from which constitute 10% or more of the total amount of Group's revenue from health insurance premiums.

The rate of policy cancellation for private long-term insurance policies in the Health Insurance Segment, in terms of premiums[11] is 7.2%, 10.8%, and 10.4% in 2024, 2023 and 2022, respectively, and in individual long-term care - approx. 3%.

[11] Individual insurance policies only. Excluding critical illness insurance, LTC insurance and foreign travel insurance.

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

## 2.4. Asset management - Retirement (Pension and Provident)

### 2.4.1. General

The Group manages various types of pension funds and provident funds through Phoenix Pension and Provident Fund.

In addition, the Group manages - through Phoenix IEC Central Severance Fund Ltd. (hereinafter - "**IEC Gemel**") - the central provident fund for annuity of Israel Electric Corporation employees.[12]

Since the Company views asset management as comprising short-term asset management through Phoenix Investment House, and asset management in the mid- and long-term through Phoenix Pension and Provident, the Company decided to classify pension and provident asset management as a separate segment.

As of the report date, the Company directly holds 100% of the shares of Phoenix Pension and Provident, and 100% of the shares of IEC Gemel.

**Key characteristics of the pension and provident instruments**

The pension savings products - pension fund and provident fund – are designed for medium- and long-term savings and for planning one's income after reaching retirement age. Therefore, these instruments are incentivized by the government - mainly by way of giving tax incentives to savers, through various provisions in labor laws, and by securing a returns on the investment of some of the planholders' funds, and in some of the products.

[12] The management of the central provident fund for annuity of employees of the Israel Electric Corporation Ltd. is carried out in accordance with the management services agreement signed with the Israel Electric Corporation Ltd., which was extended through the end of 2025, when it was amended in March 2022, with the addition of an option for the IEC to extend the agreement by further 5 years.

| Characteristic | Description |
|---|---|
| The insurance coverage | The pension plans combine insurance coverage and savings. The insurance coverage is intended for events of retirement, disability, or death. Provident funds, on the other hand, offer only a savings component. Nevertheless, as from July 2013, provident funds may offer their planholders insurance coverage as part of collective and individual policies. |
| Manner of engagement and payment obligations of the institutional entity | In a pension fund and/or provident fund, the planholder undertakes to comply with the fund's rules and regulations which define the rules for entitlement to payment, the rate of payment, etc. In a pension fund, there is mutual guarantee between the planholders. The actuarial assumptions which form the basis for planholders' rights in pension funds are reviewed from time to time according to actual circumstances, and if these assumptions change, due to the fund's actuarial surplus or deficit, the planholders' rights change accordingly, and they bear jointly any surplus or deficit, as the case may be. |
| Returns - designated bonds | **Economic Efficiency Law**: In November 2021, the Economic Efficiency Law was published with the aim of ensuring stability in the returns of pension funds. The law stipulated that the mechanism, whereby 30% of pension funds' assets will be invested in designated bonds, will be replaced by a new mechanism. According to the new mechanism, the state provides pension funds with an undertaking to supplement a real annual return of 5.15% instead of 4.86% for assets accrued as from the amendment's effective date. The assets of the pension funds with respect to which an undertaking was provided to supplement the return will be invested in the capital market. **Amendment to the Yield Imputation Regulations**: It is noted that during the reporting year, an amendment was published to the regulations regarding the imputation of yield in a new pension fund. The Regulations prescribe provisions regarding the method of imputation of return to planholders and pensioners in a comprehensive new pension fund, including a different allocation of the designated bonds by age group. Under the Amendment, the temporary order period was extended, until December 31, 2025, under Regulation 8, whereby allocation of the designated bonds to the 50 or more planholders group and to the 50 or less planholders group will be the same. For details, see Section 4.1.6(1)(o) below. |
| Management fees | For details regarding restrictions on management fees, see the table in Section 2.4.2.3 below. |

## 2.4.2. Products and services

### 2.4.2.1. The Pension Subsegment

**General**

The Group's activity in the Pension Subsegment is carried out through Phoenix Pension and Provident. Pension funds enable their policyholders to save for pension in the long term (old-age pension) and also provides coverage for disability (disability pension) and death (survivors' pension), according to its articles of association.

The pension fund provides the following insurance coverages:

(1) Old-age pension: an annuity paid to planholders from the date of their retirement throughout their life.

(2) Disability pension: a pension paid to planholders who are work-incapacitated, based on a decision of the fund's medical committee. The annuity amount is determined as a percentage of the qualifying income for disability and survivors benefits, as defined by the fund's rules and regulations and in accordance with the degree of disability. Additionally, a planholder who becomes disabled may be "released" from contributions to the fund as long as he/she remains disabled. This means that the fund continues to credit his/her account with contributions during that period, as if he/she had made the contributions themselves, in accordance with the degree of his/her disability.

(3) Survivors pension: an allowance paid to the survivors (widow/er and orphans younger than 21) of a planholder who dies during the period in which he/she was insured or after he/she retires. As in the case of the disability pension, the survivor's pension is a percentage of the qualifying income for disability and survivors benefits, as defined by the fund's rules and regulations.

There are three categories of pension funds - old pension funds (under special/ordinary administration), new comprehensive pension funds, and new general pension funds:

(1) **Old Pension funds** - As part of the 1995 the pension funds reform, the purpose of which was, among other things, to reduce the funds' deficits and to balance out the funds' assets and liabilities, the old pension funds were closed to new policyholders, and the proportion of designated bonds was reduced. As a result of the reform, there are currently two classes of old funds - balanced old pension funds (10 funds) and pension funds under special government administration (8 funds).

(2) **New comprehensive pension funds** - as of the report publication date, there are 9 comprehensive pension funds operating in Israel.

These new pension funds started operating in 1995 following the aforementioned reform, whereby new planholders will be enrolled in new pension funds to be established as of that. The new comprehensive pension funds are entitled to various benefits from the government, including tax benefits as per the Income Tax Ordinance, the Provident Funds Law and the Provident Fund Regulations.

Contributions into a new fund are capped at the equivalent of 20.5% of double the average wage in Israel. Currently, the maximum rate of management fees is 6% of the contributions towards benefits and 0.5% of the accrual.

As of June 2018, the new comprehensive pension funds operate according to unified rules and regulations that apply to all of the aforesaid pension funds.

(3) **New general pension funds** - As detailed above, contributions into a new comprehensive pension fund are capped at the equivalent of 20.5% of double the average wage in Israel. Savers who wish to contribute higher amounts, may do so in new general pension funds. Those funds were not eligible for designated bonds, and accordingly they are also not eligible to the supplementation of returns to up to 5.15% as is the case in a comprehensive fund since October 2022. In new general funds, contributions are not capped, and one-time contributions may also be made. It is also noted that a new general fund does not have to provide the insurance coverages mentioned above, and as such, some of these funds only provide old-age pension. As of the report publication date, there are 9 new general pension funds operating in Israel. The maximum management fees, which may be collected in the general pension fund, are 1.05% of the accrual and 4% of the contributions. For further details regarding management fees and changes therein, see the table in Section 2.4.2.3 below.

Contributions made by a planholder in a pension fund are divided into several components: Risk components (if insurance coverages have been purchased), savings component and management fees component. Pension fund management companies generate their revenue from the management fees they collect (from the contributions towards benefits and the accrual).

Claim payouts in the pension fund are paid out of the pension fund – i.e., out of planholders' assets, such that the policyholders themselves bear the risks of the claims. It is noted that the new funds are required to apply an actuarial balancing out mechanism every quarter, which adjusts the actuarial liabilities to the fund's assets.

**Phoenix Pension and Provident manages the following funds:**

**Following are key data regarding the pension funds under the Phoenix group's management in the reporting year:**

| Fund | Type of fund | Fund description | Contributions towards benefits for 2024 in NIS million* | Assets as of December 31, 2024, in NIS million |
|---|---|---|---|---|
| Phoenix Comprehensive Pension | Comprehensive pension | Comprehensive pension fund established in 1995. The pension fund operates various insurance tracks offering various levels of insurance coverage and various types of payouts upon reaching retirement age; the fund also offers planholders several investment tracks to choose from. | 10,474 | 106,756 |
| Phoenix Supplementary Pension (previously named - "Phoenix General Pension") | New general | New general fund established in 2000. The fund operates in conjunction with the comprehensive pension fund and contributions in excess of the aforesaid cap are deposited with it. | 1,042 | 3,153 |
| Amit Yessod (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. | 9 | 1,859 |
| Magen (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into Phoenix Pension and Provident. | 2 | 552 |
| Attorneys' Pension Fund (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into Phoenix Pension and Provident. | 7 | 742 |
| **Total** | | | **11,534** | **113,063** |

| Fund | Type of fund | Fund description | Contributions towards benefits for 2023 in NIS million | Assets as of December 31, 2023, in NIS million |
|---|---|---|---|---|
| Phoenix Comprehensive Pension | Comprehensive pension | Comprehensive pension fund established in 1995. The pension fund operates various insurance tracks offering various levels of insurance coverage and various types of payouts upon reaching retirement age; the fund also offers planholders several investment tracks to choose from. | 9,662 | 84,712 |
| Phoenix Supplementary Pension (previously named - "Phoenix General Pension") | New general | New general fund established in 2000. The fund operates in conjunction with the comprehensive pension fund and contributions in excess of the aforesaid cap are deposited with it. | 1,042 | 4,248 |
| Amit Yessod (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. | 10 | 1,753 |
| Magen (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into Phoenix Pension and Provident. | 2.5 | 551 |
| Attorneys' Pension Fund (Pension Fund for Senior Planholders) | Old balanced | An old balanced pension fund, which was closed to new planholders in 1995. It was transferred to the management of Phoenix Pension and Provident in 2021 as part of the merger between Halman Aldubi Provident and Pension Funds Ltd. into Phoenix Pension and Provident. | 8 | 718 |
| **Total** | | | **10,725** | **91,982** |

* The contributions towards benefits are current contributions only, and do not include transfers of accruals in respect of planholders' transitioning to the pension funds from other pension funds.

Money transferred to the Group's pension funds in 2024 (including transfers for unification of accounts) totaled approx. NIS 10,666 million and, on the other hand, money transferred from the Group's pension funds to other funds totaled approx. NIS 10,929 million.

**Structure of profitability**

Management companies in the Pension Subsegment generate their revenue from management fees they collect from contributions and accruals, and the profitability is the difference between the net management fees (after discounts, if any) and the management company's actual operating and marketing expenses. It is noted that in recent years, there has been an erosion in management fees as a result of various reforms and increased competition in the industry. In this context, in September 2024, the Commissioner published a document dealing with the results of the fourth procedure for determining selected pension funds, which includes a notice as to the Commissioner of the Capital Market, Insurance and Savings' selecting four new pension funds that will be used as "default funds" (select funds), rate of management fees to be collected and the terms attached thereto for four years, in respect of the period spanning from November 1, 2024 to October 31, 2028. For details, see Section 4.1.6(1)(m) below.

Amounts paid out by pension funds in respect of claims (including payment of annuities) have no direct effect on the management company's profitability, since the insurance is mutual and the risks arising from the claims are borne by the planholders.

In the pension funds, the return on investment of the planholders' funds is credited to the planholders (net of direct expenses) and it indirectly affects the total management fees from accruals collected by the management company.

Management fees as a percentage of contributions are not affected by the accrual amounts and from the results of the investments, but rather only by the contribution amounts. Furthermore, there are investment gains on the management company's nostro portfolio.

## 2.4.2.2. Provident Funds Subsegment

**General**

Provident funds offer savers (hereinafter - "**planholders**") an additional option for long-term or mid-term savings, entitling them to various tax benefits and the option (under certain conditions) to withdraw accrued funds as a lump sum.

Provident funds and advanced education funds are managed by the Group through Phoenix Pension and Provident Funds.

In addition, the central provident fund for annuity of Israel Electric Corporation employees is managed through Phoenix IEC Gemel. The purpose of this fund is to pay annuities to eligible IEC employees, as defined by the fund's rules and regulations. The group of eligible employees is a defined and closed group, and the rights of those employees are derived from the number of their years of service and the salary used to calculate their pension rights. The fund has an actuarial balancing out mechanism, under which the IEC's actuarial obligation is assessed against the fund's assets on a monthly basis, and funds are transferred in order to ensure balancing-out in accordance with the fund's bylaws and the provisions of the law.

Following are the types of provident funds managed by the Group:

| Type of fund | Nature of fund | Summary of terms for withdrawal from fund |
|---|---|---|
| Provident fund for savings - retirement benefits fund | Long-term provident fund. In these funds, both the employer and the employee make regular monthly contributions deducted from the employee's salary, whereas for self-employed planholders, only the planholder contributes into the fund. | ○ Amounts deposited through December 31, 2007 may be withdrawn as a lump sum at the age of 60 or on other dates, in accordance with the provisions of the law.<br>○ Amounts which were deposited as from January 1, 2008 may be withdrawn as an annuity. The withdrawal of funds accrued in excess of the amount required to pay the minimum annuity shall be done in accordance with the planholder's decision, whether by the capitalization of an annuity, or by payment of an annuity after a transfer to a pension or insurance fund.<br>○ Redemption of severance pay funds on the date of termination of employer-employee relations, in accordance with the provisions of the law. |
| Advanced education fund | Mid-term fund. The funds are designed for the employee's training or any other purpose in accordance with the fund's rules and regulations, and the provisions of the law. | For training purposes from the end of the third year of their enrollment in the fund; after six years of enrollment, the funds may be withdrawn for any purpose. |
| Personal severance pay provident fund | Fund for varying periods, depending on the periods of employment and planholder's preferences. | Regarding contributions made from January 2008 and thereafter, these funds also function as savings provident funds, but severance pay may be withdrawn as a lump sum, even if contributions were deposited with the fund in 2008 and thereafter, upon termination of the employer-employee relations and in accordance with the provisions of the law. |
| Central severance pay fund | A fund in which employers accumulate funds to guarantee the payment of severance pay to their employees. In these funds, the planholder is the employer, which accumulates the funds in its own name on behalf of all of its employees (these funds were closed to contributions in 2011). | The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law. |
| Sick pay fund | A provident fund designated to accrue funds by the employer in order to secure its employees' rights to receive sick pay. | Withdrawal of funds is possible in the event of employee's sickness, and subject to the provisions of the law. |

| | | |
|---|---|---|
| Minimum Guaranteed Return Provident Fund | A fund that guarantees a minimum rate of return to its planholders in accordance with the fund's rules and regulations. These funds are no longer open to new planholders. | In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits. |
| Self-Directed provident funds and advanced education funds | Through which the planholder or a portfolio manager acting on his/her behalf can manage these types of self-employed planholders' saving funds which are defined in the regulations, as well as funds deposited with advanced education funds, subject to investment restrictions to be observed by the management company charged with the management of the savings. As from June 2017, the amount of contributions towards benefits in a self-managed provident fund is capped; as of the report date, this amount stands at approx. NIS 6.1 million per year. | In accordance with the above withdrawal provisions regarding savings provident funds - funds for retirement benefits and advanced education funds. |
| Investment provident fund | A savings provident fund which was first marketed in late 2016; the total amount of contributions towards benefits in such a fund is capped at NIS 70,000 per calendar year (CPI-linked). As of the report publication date, the contribution cap stood at NIS 81,711. | planholders may withdraw funds from an investment provident fund at any time with no obligation to wait until retirement age. However, early withdrawals are subject to tax on the total real profits accrued. |
| Child long-term investment provident fund for savings | Provident funds with which the National Insurance Institute of Israel has been depositing every month - since January 2017 - NIS 50 for every child entitled to a child allowance until the child reaches the age of 18. The parents can increase the sum of the savings by further NIS 50 out of the child allowance funds paid by the National Insurance Institute. Until the child reaches the age of 21, the National Insurance Institute will pay the management fees in respect of the savings with the provident fund; thereafter, the fees will be paid by the planholder. As from January 1, 2024, the contribution amount for child allowance stands at NIS | Withdrawal of the accrued funds is possible when the child reaches the age of 18; if the child does not withdraw the funds until he/she reaches the age of 21, the child will receive a NIS 568 grant from the government. |

| | | |
|---|---|---|
| | 57 per month (accordingly, the amount by which parents may increase the savings amount was also revised) | |
| Central provident fund for annuity | A provident fund designed for a single planholder - an employer planholder; the objective of such a fund is to pay annuity to the employees of that employer planholder, who are entitled to receive an annuity. The employer pays annuity payments through the fund to eligible employees, as defined by the fund's bylaws, in accordance with the employer's actuarial undertaking to the eligible employees, calculated in accordance with labor agreements and the rules set in the fund's bylaws and the legislative arrangement. | The employer may redeem the funds or instruct the fund to pay the funds to its employee, subject to the provisions of the law. |

Companies managing provident funds generate their revenue from the management fees they collect on the assets. For details regarding the management fees in the provident funds managed by the Group, see the table in Section 2.4.2.3 below. Given that the management company does not charge management fees as a percentage of income, the effect of the return on management fees income is indirect, and stems from the effect of the return on total assets under management, which forms the basis for collecting the management fees.

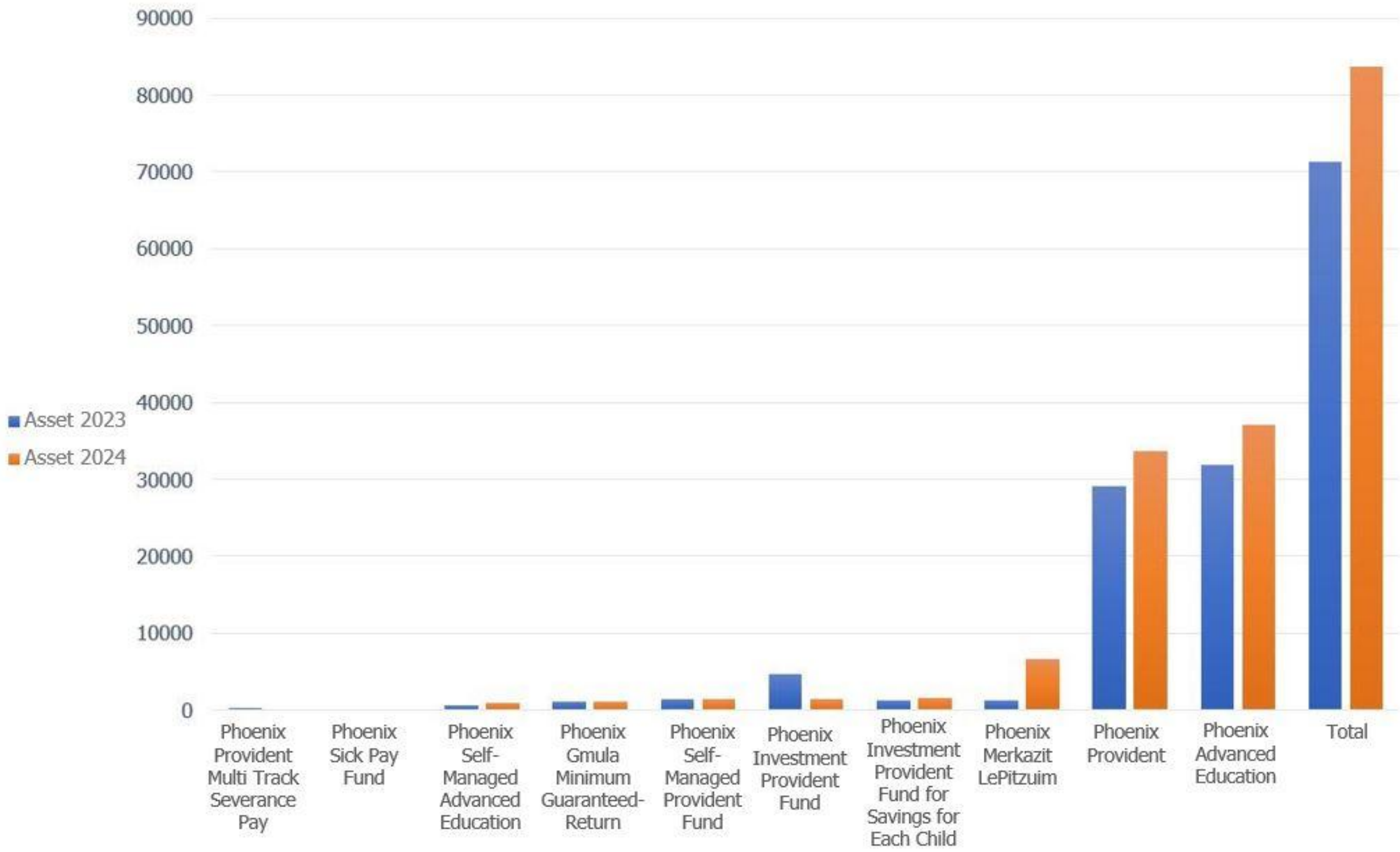
**Provident funds managed by the Group**

**Following are the details of Phoenix Pension and Provident:**

| Fund | Type of fund | Year founded | Contributions towards benefits in 2024 (in NIS million) | Net accrual in 2024 (In NIS million) | Assets under management as of December 31, 2024 (In NIS million) |
|---|---|---|---|---|---|
| **Phoenix Provident** | Benefits and severance pay | 1979 | 594 | (1,940) | 33,644 |
| **Phoenix Advanced Education** | Advanced education | 2000 | 3,581 | (338) | 37,002 |
| **Phoenix Merkazit LePitzuim** | Severance pay | 1965 | 1,740 | (77) | 6,594 |
| **Phoenix Investment Provident Fund** | Savings provident fund | 2016 | 194 | 1,121 | 1,476 |
| **Phoenix Gmula Minimum Guaranteed-Return** | Benefits and severance pay | 1974 | 4 | 0 | 1,102 |
| **Phoenix Provident Multi Track Severance Pay** | Severance pay | 2016 | - | (247) | 0 |
| **Phoenix Investment Provident Fund for Savings for Each Child** | Savings provident fund | 2017 | - | 125 | 1,537 |
| **Phoenix Sick Pay Fund** | Sick pay provident fund | 2004 | - | - | 3 |
| **Phoenix Self-Managed Advanced Education** | Self-directed advanced education fund | 2011 | 66 | 167 | 851 |
| **Phoenix Self-Managed Provident Fund** | Self-directed provident fund | 2011 | 1 | (4) | 1,410 |
| **Total** | | | **6,179** | **(1,193)** | **83,619** |

| Fund | Type of fund | Year founded | Contributions towards benefits in 2023 (in NIS million) | Net accrual in 2023 (In NIS million) | Assets under management as of December 31, 2023 (In NIS million) |
|---|---|---|---|---|---|
| **Phoenix Provident** | Benefits and severance pay | 1979 | 552 | (1,949) | 29,069 |
| **Phoenix Advanced Education** | Advanced education | 2000 | 3,298 | 231 | 31,926 |
| **Phoenix Merkazit LePitzuim** | Severance pay | 1965 | - | (8) | 1,190 |
| **Phoenix Investment Provident Fund** | Savings provident fund | 2016 | 949 | 588 | 4,589 |
| **Phoenix Gmula Minimum Guaranteed-Return** | Benefits and severance pay | 1974 | 6 | (33) | 1,063 |
| **Phoenix Provident Multi Track Severance Pay** | Severance pay | 2016 | - | - | 259 |
| **Phoenix Investment Provident Fund for Savings for Each Child** | Savings provident fund | 2017 | 183 | 137 | 1,219 |
| **Phoenix Sick Pay Fund** | Sick pay provident fund | 2004 | - | - | 3 |
| **Phoenix Self-Managed Advanced Education** | Self-directed advanced education fund | 2011 | 28 | 7 | 605 |
| **Phoenix Self-Managed Provident Fund** | Self-directed provident fund | 2011 | - | (257) | 1,319 |
| **Total** | | | **5,016** | **(1,284)** | **71,242** |

In 2024, net accrual increased compared with 2023 (from negative accrual of NIS 1,284 million in 2023 to negative accrual of NIS 1,193 million in 2024. In 2024, monies transferred to the Group's provident funds totaled NIS 10,725 million (2023 - transfers totaling NIS 5,250 million), whereas monies transferred from the Group's provident funds to other funds totaled NIS 14,170 million (2023 - transfers totaling NIS 7,141 million).



90000
80000
70000
60000
50000
40000
30000
20000
10000
0
Asset 2023
Asset 2024
Phoenix Provident Multi Track Severance Pay
Phoenix Sick Pay Fund
Phoenix Self-Managed Advanced Education
Phoenix Gmula Minimum Guaranteed-Return
Phoenix Self-Managed Provident Fund
Phoenix Investment Provident Fund
Phoenix Investment Provident Fund for Savings for Each Child
Phoenix Merkazit LePitzuim
Phoenix Provident
Phoenix Advanced Education
Total

**Data on the main annuity provident funds managed by the Group:**

| Fund | Type of fund | Year founded | Contributions towards benefits in 2024 (in NIS million) | Net accrual in 2024 (in NIS million) | Assets under management as of December 31, 2024 (in NIS million) |
|---|---|---|---|---|---|
| **Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees** | Central provident fund for annuity | 2020 | 9 | (235) | 3,230 |
| **Central provident fund for annuity of System Operator Company Ltd. employees** | | 2020 | 0 | (1) | 379 |
| **Central provident fund for annuity of Ashdod Port Company Ltd. employees** | | 2021 | 0 | (12) | 74 |
| **Central provident fund for annuity of Israel Electric Corporation employees** | | 2005 | 15 | (1,333) | 39,415 |
| **Total** | | | **9** | **(235)** | **3,230** |

| Fund | Type of fund | Year founded | Contributions towards benefits in 2023 (in NIS million) | Net accrual in 2023 (in NIS million) | Assets under management as of December 31, 2023 (in NIS million) |
|---|---|---|---|---|---|
| **Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees** | Central provident fund for annuity | 2020 | 4 | (219) | 3,296 |
| **Central provident fund for annuity of System Operator Company Ltd. employees** | | 2020 | 0.3 | (0.3) | 360 |
| **Central provident fund for annuity of Ashdod Port Company Ltd. employees** | | 2021 | 1 | (32) | 81 |
| **Central provident fund for annuity of Israel Electric Corporation employees** | | 2005 | 479 | (806) | 38,410 |
| **Total** | | | **484.3** | **(1,057.3)** | **42,147** |

## Structure of profitability

In the Provident Funds Subsegment, a management company's principal source of profitability is the difference between the revenue from management fees collected and the selling, operating and service expenses incurred by the management company. In recent years, management fees have eroded due to various reforms and increased competition in the industry.

The return on investment of the planholders' funds is credited to the planholders and it indirectly affects the total management fees from accruals collected by the management company. On the other hand, management fees as a percentage of contributions are not affected by the results of the investments, but rather only by the contribution amounts.

For data regarding maximum management fees, see the table in Section 2.4.2.3 below.

In this context, it is noted that Phoenix Pension and Provident manages, among other things, a guaranteed-return provident fund - "Gmula". According to the rules and regulations of this fund, the maximum rate of management fees that may be charged in the fund's guaranteed return tracks is 2% of the accrual. Since this is a minimum guaranteed-return fund, the management company is required to ensure that planholders are credited by the amount of the guaranteed return. The annual calculation is performed with respect to the annual return achieved. To the extent that returns are obtained in excess of the guaranteed return and in excess of the relevant management fee rates charged by the company, these excess returns are credited to the fund through a dedicated fund that accumulates a surplus which is used in years in which the guaranteed return is not achieved.

**Summary information about the Group's pension and provident funds:**

**2024**

| In NIS million | Old | Pension funds – compre-hensive | Pension funds – supple-mentary | Provident funds for retirement benefits and severance pay | Advanced education Funds | Central severance pay fund | Investment provident fund | Child long-term investment provident fund for savings | Central funds for annuity | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets under management** | 3,153 | 106,756 | 6,491 | 33,643 | 36,999 | 6,594 | 1,476 | 1,537 | 3,683 | 4 | 200,336 |
| **Contributions towards benefits** | 19 | 10,473 | 1,215 | 594 | 3,581 | 1740 | 194 | | 9 | - | 17,825 |
| **Net accrual (decrease)** | (109) | 1,384 | 8,038 | (1,936) | (340) | 1121 | 125 | (77) | (248) | | 7,958 |
| **Rate of management fees on accruals** | 0.03% | 0.15% | 0.14% | 0.60% | 0.63% | 0.60% | 0.01% | 0.56% | | 0.82% | |
| **Rate of management fees on contributions** | 6.63% | 1.55% | 1.29% | 0.14% | - | - | - | - | | | |

## 2023

| In NIS million | Old | Pension funds – compre-hensive | Pension funds – supple-mentary | Provident funds for retirement benefits and severance pay | Advanced education Funds | Central severance pay fund | Investment provident fund | Child long-term investment provident fund for savings | Central funds for annuity | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets under management** | 1,753 | 84,712 | 4,248 | 31,451 | 32,531 | 3,738 | 4,590 | 1,219 | 3,738 | 3 | 167,983 |
| **Contributions towards benefits** | 10 | 9,662 | 1,042 | 558 | 3,328 | - | 949 | 183 | 6 | - | 15,738 |
| **Net accrual (decrease)** | (42) | 15,981 | 1,572 | (2,240) | 239 | (252) | 589 | 137 | (8) | 0 | 15,976 |
| **Rate of management fees on accruals** | | 0.16% | 0.33% | 0.57% | 0.63% | 0.48% | 0.60% | 0.23% | | | - |
| **Rate of management fees on contributions** | 6.20% | 1.60% | 1.60% | 0.17% | - | - | - | - | | | - |

## 2022

| In NIS million | Old | Pension funds – compre-hensive | Pension funds – supple-mentary | Provident funds for retirement benefits and severance pay | Advanced education Funds | Central severance pay fund | Investment provident fund | Child long-term investment provident fund for savings | Central funds for annuity | Other | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Assets under management** | 2,996 | 61,070 | 2,338 | 30,966 | 29,323 | 3,910 | 3,467 | 999 | 1,357 | 3 | 136,428 |
| **Contributions towards benefits** | 27 | 7,490 | 743 | 916 | 2,951 | 0 | 855 | 163 | 6 | 0 | 13,151 |
| **Net accrual (decrease)** | (78) | 15,226 | 1,186 | 2,743 | 3,596 | (249) | 828 | 131 | (89) | 0 | 23,294 |
| **Rate of management fees on accruals** | 00.3% | 0.17% | 0.18% | 0.61% | 0.65% | 0.60% | 0.60% | 0.02% | %0.90 | 0.61% | |
| **Rate of management fees on contributions** | 86.2% | 1.70% | 1.34% | 0.09% | - | - | - | - | - | - | |

### 2.4.2.3. Following are the main restrictions placed on management fees according to the various pension and provident channels in accordance with the provisions of the law:

| | Non-annuity provident funds (savings provident funds) | Advanced education funds, provident funds which are not non-annuity provident funds (which are not savings provident funds), self-directed funds and Gmula** | General pension fund | Comprehensive pension fund | Investment provident fund | Child long-term investment provident fund for savings |
|---|---|---|---|---|---|---|
| **Maximum management fees until December 31, 2012** | 2% of accrual + 0% of contributions | 2% of accrual + 0% of contributions | 2% of accrual + 0% of contributions | 0.5% of accrual + 6% of contributions | N/A | N/A |
| **Maximum management fees for 2013 (transitional period)** | 1.1% of accrual + 4% of contributions | Without change | 1.1% of accrual + 4% of contributions | Without change | N/A | N/A |
| **Maximum management fees as from 2014** | 1.05% of accrual + 4% of contributions (*) | No change (*) | 1.05% of accrual + 4% of contributions | Without change | N/A | N/A |
| **Maximum management fees** | Without change | Without change | Without change | Without change | 1.05% of the accumulated balance; 4% of contributions | 0.23% of the accumulated balance*** |
| **Maximum management fees collected from planholders with whom the fund lost contact and deceased planholders** | 0.3% of accrual | 0.3% of accrual | 0.3% of accrual | 0.3% of accrual | 0.3% of the accumulated balance | 0.23% of the accumulated balance*** |
| **Maximum management fees collected for annuity recipients for policies marketed until January 31, 2022** | - | - | 0.6% of annuity | 0.5% of annuity | - | - |
| **Maximum management fees collected for annuity recipients for policies marketed as from February 2022** | - | - | 0.3% of annuity | 0.3% of annuity | - | - |

(*) Notwithstanding that which is stated in the table, as of 2016, the management fees collected from a planholder's accrual in all his/her accounts with a provident fund which is not an insurance fund will be no lower than NIS 6 per month.

(**) In the case of Phoenix Gmula provident fund, the fund's rules and regulations stipulate that the maximum management fees that may be collected in guaranteed return tracks will be up to 2% of the accrual.

(***) Collected from the National Insurance Institute rather than from planholders.

## 2.4.2.4. Impact on competition between the various products

There are several products in the long-term savings market, with the pension fund product being the main one among long-term savings products. The pension product's becoming a leading product over the past few years stemmed, among other things, from regulatory provisions, such as: The default funds reform, the cancellation of guaranteed conversion factors in life insurance products, and the cancellation of the capital provident funds. Furthermore, the addition of the restriction as to signing-up and transfer to executive insurance intensified the said trend even further.
Since advanced education funds offer dedicated tax benefits to those who make contributions into such funds, and since the minimum savings period is relatively short (6 years), there are no real alternatives to this savings channel.
Investment provident fund have several advantages, including: exposure to illiquid investments, attractive management fees, the option of switching to other investment tracks without a taxable event, and tax benefits upon reaching retirement age, as well as the option to transfer to other management companies without paying tax. The reporting year saw a continued trend whereby the volume of public investments in investment provident funds that constitute an alternative to other liquid savings products continued to grow. In the investment provident fund product, the annual contribution cap for 2025 is NIS 81,711.

It is also noted that, in the reporting year, the Minister of Finance instructed the setting up of a "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings" in order to assess the existing regulation of the investment instruments in short and medium-term savings (investment policies, investment provident funds, and mutual funds), and to map the regulatory and tax gaps therein. In February 2025, the Ministry of Finance published a draft for public comment of the interim report prepared by a taskforce appointed by the Minister of Finance, which includes the interim recommendations. For details, see Section 4.1.2.7 below.

**The Company believes that the trends in the long-term savings subsegment may lead to the following:**

1. The pension fund shall continue serving as a main product among long-term savings products, especially in view of additional restrictions on transfer and signing-up to executive insurance and against the backdrop of legislation regarding guaranteed returns as detailed in Section 2.4.1 below.
2. Continued trend of increased competition in the investment provident product as reflected in the number of transfers.
3. The use of technological and digital means in the marketing and distribution process of the products will increase in this segment.

## 2.4.2.5. New investment tracks

During the reporting year, the launch of new investment tracks and/or the adaptation of the specialization of investment tracks, under the reform in investment tracks and direct expenses was completed - under that part of the investment track reform pertaining to collection of direct expenses and investment tracks in provident funds, in July 2024 the group completed the process of setting up new tracks and closing others for the purpose of adapting the structure of the tracks to the Circular's provisions as well as the list of investment tracks in all long-term savings products, which are subject to these provisions – pension funds, savings provident funds, advanced education funds, investment provident funds under Phoenix Pension and Provident's management, and executive and individual insurance under the insurance company's management. Under this process, the track offering was adapted according to the situation in the market and the demand by customers and agents, such as passive tracks with exposure to markets abroad, share tracks with exposure to Israel, and more, while improving competitive positioning by ensuring that sought-after tracks in the market meet demand in a more accurate manner and improving access thereto. For details regarding the reform, see Section 4.1.6(1)(i) below.

#### 2.4.2.6. Acquisition and merger of the track funds of Slice Gemel Ltd. (under authorized management)

On September 30, 2024, the Company entered into an agreement with Slice Gemel Ltd. (hereinafter - "**Slice**"), according to which the Company will purchase from Slice the savings provident fund, the advanced education fund, the investment provident fund, and the child long-term investment provident fund under its management (hereinafter - the "**Funds**") in consideration for NIS 5 million, which will be paid to Slice in the manner and on the dates set out in the agreement and subject to the consideration adjustment mechanism as detailed in the agreement; however, in no event will the total consideration exceed NIS 5 million. On October 30, 2024, the Tel Aviv District Court handed down a ruling, which approves the sale by Slice of the Funds to the Company in accordance with the manner and under the terms and conditions listed in the agreement. On December 4, 2024, the approval of the Capital Market, Insurance and Savings Authority was granted to the outline for the transfer of management and the merger of the funds. Upon obtaining the abovementioned Court and Capital Market Authority's approvals, the agreement's conditions precedent were fulfilled. In accordance with the agreement, upon fulfillment of the conditions precedent, on December 10, 2024, the Company paid Slice only the consideration for the Savings for Each Child fund totaling NIS 2 million. The mergers plan, as defined by the agreement, was completed subsequent to the balance sheet date, on February 28, 2025; on this date, the funds were transferred to the management of the Company and they were merged into existing funds under its management. In accordance with the agreement, upon completion of the merger plan, Slice was paid a consideration of NIS 1.5 million. The outstanding consideration amount will be paid to Slice in accordance with the mechanism set out in the agreement. Total assets under management in the funds as transferred to the management of the Company on February 28, 2025 amount to approx. NIS 1.15 billion.

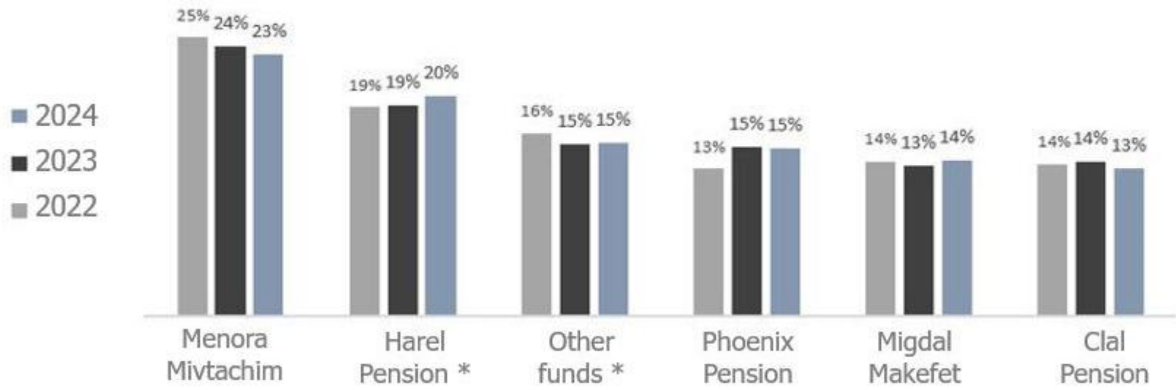
### 2.4.3. Competition

#### 2.4.3.1. Market input

**Pension** - in 2024, total contributions paid into comprehensive pension funds for the entire market amounted to approx. NIS 80.1 billion, compared to approx. NIS 71.9 billion in 2023.

Other than Phoenix Pension and Provident, the largest companies that operate in the Pension Subsegment are Menora Mivtachim, Migdal Makefet, Clal Pension and Harel Pension. In addition, the activity of the default funds intensifies the competition in this field and the trend of erosion of management fees.

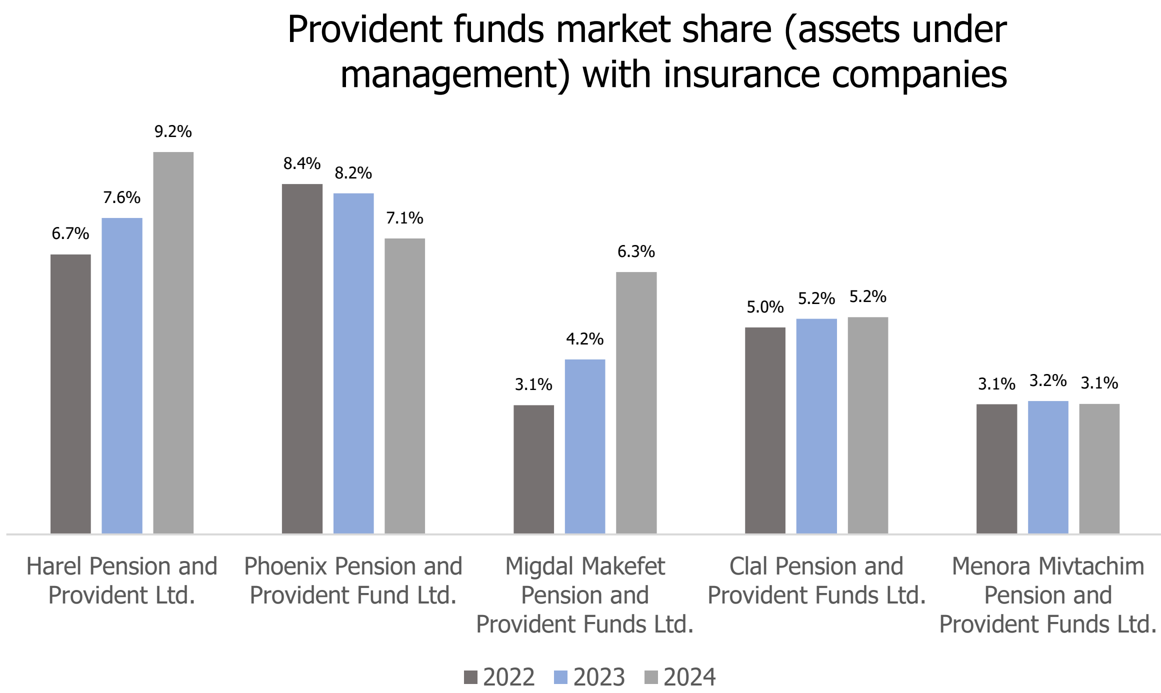
Following is data on the market share of the principal competitors in the pension market in 2022-2024 out of total premiums of the new comprehensive pension funds (according to the Capital Market, Insurance and Savings Authority's website "Pension Net"; figures are based on contribution amounts), by percentage:

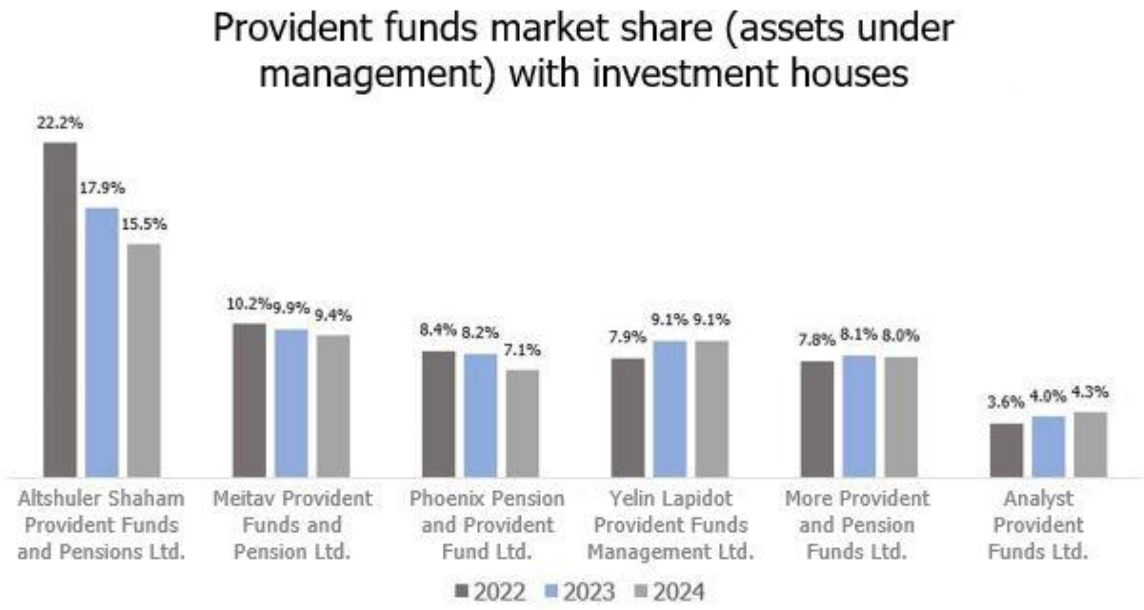



The pension funds subsegment is characterized by fierce competition, which increased as a result of the introduction of the default pension funds. As a result of greater public awareness of the importance of saving towards retirement, and as a result of changes in alternative products, the public is more aware of the management fees rates collected on the deposits and accruals of pension funds planholders, as well as of the quality of investment management in the pension funds and the returns attained therein - all of which constitute important factors in the process of selecting a fund; there is also greater awareness of the quality of service rendered to customers.

**Provident funds** - In 2024, total assets under management by the segment was approx. NIS 850 billion, compared with approx. NIS 722 billion as of December 31, 2023.

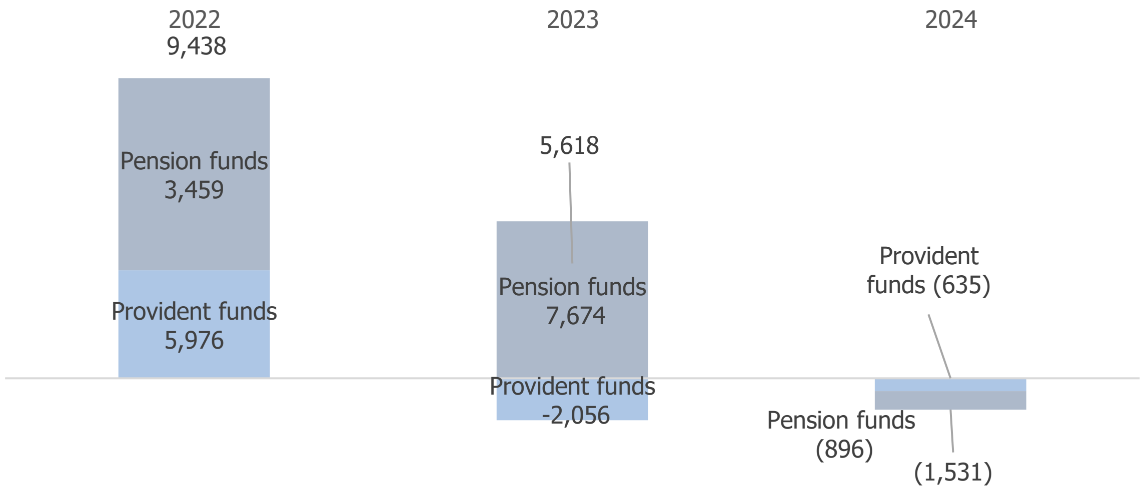
Following is a list of the management companies with the highest amounts of assets under management in the provident funds segment, and a description of the development of their share in total provident fund assets in 2022 to 2024 based on the Capital Market, Insurance and Savings Authority's figures ("Gemel Net"), by percentage:






* It is noted that in 2022, the provident funds managed by Psagot Provident and Pension Funds Ltd. and Halman Aldubi Provident and Pension Funds Ltd. are recorded this year as controlling a zero market share, since in the reporting year these funds were purchased by Altshuler Shaham and Phoenix, respectively.

**Following is a summary of the net transfer of money (from/to the Company) in the Retirement (Pension and Provident) subsegments from 2022 to 2024:**



**Following is detailed information regarding the transfer of money from and to the Company in the Retirement (Pension and Provident) subsegments from 2022 to 2024:**

**2024**

| In NIS thousand | Provident funds | Pension funds | Total |
|---|---|---|---|
| **Transfers to the company from other entities** | | | |
| Transfers from other insurance companies | 49,970 | 1,970,729 | 2,020,699 |
| Transfers from pension funds | 18,513 | 7,559,230 | 7,577,743 |
| Transfers from provident funds | 341,436 | 372,520 | 713,956 |
| **Total transfers to the company** | **409,918** | **9,902,479** | **10,312,397** |
| **Transfers from the Company to other entities** | | | |
| Transfers to other insurance companies | 33,034 | 23,975 | 57,009 |
| Transfers to pension funds | 18,875 | 10,379,564 | 10,398,439 |
| Transfers to provident funds | 992,587 | 395,500 | 1,388,086 |
| **Total transfers from the Company** | **1,044,496** | **10,799,039** | **11,843,534** |
| **Net transfers** | **(634,578)** | **(896,560)** | **(1,531,137)** |

**2023**

| In NIS thousand | Provident funds | Pension funds | Total |
|---|---|---|---|
| **Transfers to the company from other entities** | | | |
| Transfers from other insurance companies | 582,662 | 2,062,916 | 2,645,578 |
| Transfers from pension funds | 215,861 | 10,325,987 | 10,541,848 |
| Transfers from provident funds | 3,981,229 | 291,752 | 4,272,981 |
| **Total transfers to the company** | **4,779,753** | **12,680,654** | **17,460,407** |
| **Transfers from the Company to other entities** | | | |
| Transfers to other insurance companies | 216,209 | 51,853 | 268,062 |
| Transfers to pension funds | 123,535 | 4,690,645 | 4,814,180 |
| Transfers to provident funds | 6,496,472 | 263,235 | 6,759,707 |
| **Total transfers from the Company** | **6,836,216** | **3,111,431** | **11,841,949** |
| **Net transfers** | **(2,056,463)** | **9,397,441** | **5,618,458** |

**2022**

| In NIS thousand | Provident funds | Pension funds | Total |
|---|---|---|---|
| **Transfers to the company from other entities** | | | |
| Transfers from other insurance companies | 68,480 | 1,569,150 | 1,637,630 |
| Transfers from pension funds | 92,011 | 10,709,351 | 10,801,362 |
| Transfers from provident funds | 8,771,147 | 230,371 | 9,001,518 |
| **Total transfers to the company** | **8,931,638** | **12,508,872** | **21,440,510** |
| **Transfers from the Company to other entities** | | | |
| Transfers to other insurance companies | 164,450 | 63,244 | 227,694 |
| Transfers to pension funds | 195,252 | 2,894,162 | 3,089,414 |
| Transfers to provident funds | 3,279,969 | 154,025 | 3,433,994 |
| **Total transfers from the Company** | **3,639,671** | **3,111,431** | **6,751,102** |
| **Net transfers** | **5,291,967** | **9,397,441** | **14,689,408** |

### 2.4.3.2. Effect of legislative changes on competition in the area of activity

Regulatory provisions in recent years have led to increased competition between the various entities operating in the pension savings market. Following are the main provisions:

- Lowering the management fees in alternative long-term savings products. For instance, through default funds.
- Prohibition on linking the rate of management fees and the amount of distribution fee paid to pension agents.
- Settlement of the consolidation of pension savings by transferring amounts saved by the planholder with inactive pension funds to his/her account with active pension funds.
- Provisions which increase the possibility for planholders' transitioning to new pension funds close when approaching retirement age.
- Amendment to the regulations on transfer of funds from one provident fund to another; the amendment makes it possible to transfer funds from one investment provident fund to another or to an annuity pension fund.
- Reduction of maximum management fees charged from annuity recipients.
- The reform in allocation of designated bonds for pension funds.
- The reform pertaining to direct expenses, and the requirement to present an expected annual cost allows customers to compare costs between companies and investment tracks.
- Changes and adjustments to investment tracks in the different savings products, in view of the publication of the Investment Tracks Circular. For further details, see Section 4.1.6(1)(i) below.
- The cap on contributions and transfer of funds to executive insurance.
- Updating the mortality tables in a pension fund's rules and regulations.

The Company believes that these changes may enhance existing trends in the provident and pension asset management segment, as described above in connection with boosting competition. The weighted effect of these trends may have an adverse effect on profitability in the provident and pension asset management segment.

### 2.4.3.3. How the Group deals with competition

The Group is taking action to address the growing competition in the industry, mainly through the following measures:

- Continued development and improvement of the investment function and quality of investment management.
- Creating economies of scale by increasing total assets under management.
- Organizational and operational streamlining in the Company's structure, and in the different units in the subsegment
- Improving the various service processes with an emphasis on the provision of digital services, including: Automating the signing-up process and the issuance of signing-up documents while cutting the time for completion of the process; automating investment track switching processes (in pension funds), such that they are fully digital; taking out a fund loan using a digital form;

  Furthermore, during the reporting year, Phoenix launched an app for Group customers, which provides a response regarding all of the customer's products and services in the Phoenix group, with the option to carry out a range of transactions through the app.
- Setting up new investment tracks that provide a range of investment alternatives to customers.
- Service and marketing using diverse distribution channels.
- Allocating management and financial resources to advertising, marketing and distribution channels, as well as brand-name enhancement.
- Activation of customer retention function dealing with customers who wish to transfer their funds to other funds/withdraw their funds.
- Management of the relationship with the distribution channels both in terms of customer recruitment and in terms of portfolio retention.

## 2.4.4. Customers

**Pension funds**

Following is a breakdown of Phoenix Pension and Provident Funds' customers,[13] by percentage:

| | 2023 | 2022 |
|---|---|---|
| Salaried employee planholders | 97 | 96 |
| Planholders - private individuals and self-employed | 3 | 4 |
| **Total** | **100** | **100** |

The number of planholders of Phoenix Comprehensive Pension Fund was lower in 2024 by approx. 2%, and its assets under management increased by approx. 26% compared with 2023, following the increase in the number of planholders and total assets by approx. 9.1% in 2023 and approx. 39% in 2022, respectively.

[13] In Phoenix Comprehensive Pension and Phoenix Supplementary Pension.

**Provident funds**

Following is the breakdown of planholder categories in provident funds, by percentage:

| Fund | Type of fund | Year founded | Contributions towards benefits in 2024 (in NIS million) | Net accrual in 2024 (in NIS million) | Assets under management as of December 31, 2024 (in NIS million) |
|---|---|---|---|---|---|
| **Central provident fund for annuity of Israel Ports Development and Assets Ltd. employees** | Central provident fund for annuity | 2020 | 8 | (234) | 3230 |
| **Central provident fund for annuity of System Operator Company Ltd. employees** | | 2020 | 0.3 | (1) | 379 |
| **Central provident fund for annuity of Ashdod Port Company Ltd. employees** | | 2021 | 1 | (11) | 74 |
| **Central provident fund for annuity of Israel Electric Corporation employees** | | 2005 | 15 | (1333) | 39415 |
| **Total** | | | **62.3** | **(1,579)** | **43,098** |

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

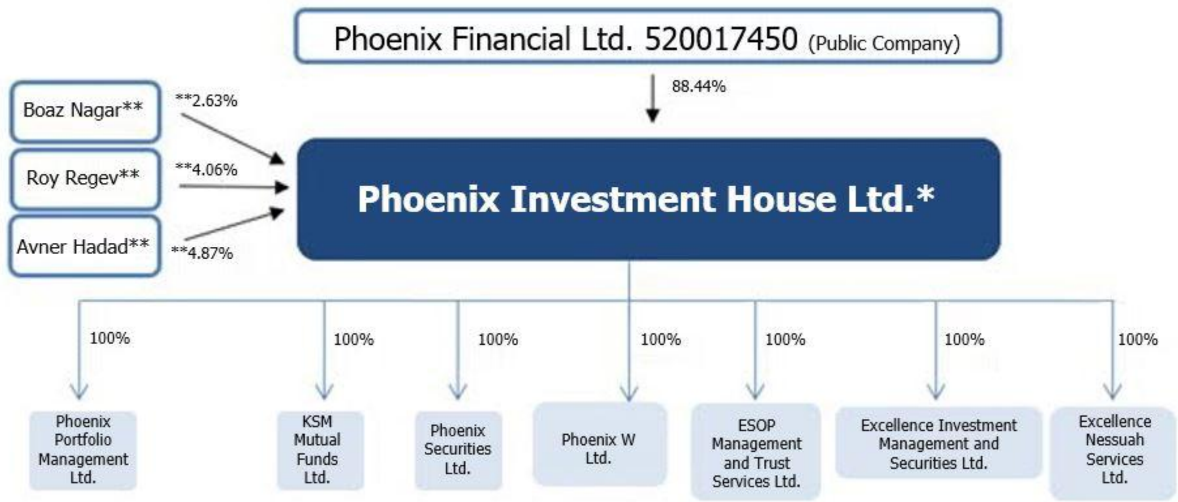
# 2.5. Asset management - Investment House and Wealth

## 2.5.1. General information about the segment

### 2.5.1.1. Segment structure and changes therein

The Phoenix group operates in the asset management - Investment House and Wealth segment, inter alia, through Phoenix Investment House Ltd. (hereinafter - "**Phoenix Investment House**" and/or the "**Investment House**").

The following is a chart of the holdings structure in Phoenix Investment House:




* Material companies only. The Investment House has other companies, which are inactive or whose area of activity is secondary. It is clarified that Phoenix Investment House Ltd. and all of its subsidiaries are privately-held companies. For a chart detailing the holdings in Phoenix Advanced Investments, which deals with the development and distribution of alternative investment products, see Section 1.1.2 above.

** Directly and indirectly, including through a trustee or a wholly-owned company.

As of the report publication date, the Company has a stake of approx. 88.44% in Phoenix Investment House's shares. For further details in connection with the restructuring of the holding in Phoenix Investment House, see Section 2.5.1.2 below. Phoenix Investment House operates through companies under its control in a variety of activities in the capital market sector: 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.

Significant external changes that affect this area of activity are the scope and nature of activity in the capital market as well as regulatory changes. For further details, see Section 2.5.3 below.

The Group also operates in the field of asset management - Investment House and Wealth in the development and distribution of alternative investment products. The activity is carried out under Phoenix Advanced Investments Ltd. (hereinafter - "**Phoenix Advanced Investments**"), which outlines the activity in this field and its development through subsidiaries and/or related companies, as detailed below.

### 2.5.1.2. Holding structure of Phoenix Investment House

The Company holds approx. 88.44% of the shares of Phoenix Investment House and the minority interests hold approx. 11.56% of the shares of Phoenix Investment House, with the executives' share - Avner Hadad (who serves as CEO of the Investment House) and Boaz Nagar (who serves as Chairman of the Investment House) - being 7.5%.
Furthermore, options arrangements were established between the Company and minority interests to execute transactions, from 2026 to 2029, between the Company and the Managers in connection with their holdings in the Investment House's shares at the market price to be determined, in accordance with an agreed-upon mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration - in case of exercising the option by the managers - in cash or by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion. The options arrangements shall expire on the date of an initial public offering of Phoenix Investment House.

In November 2024 and February 2025, addendum were signed to the shareholders agreement of Phoenix Investment House Ltd. - Phoenix Investments and Finances, Mssrs. Boaz Nagar (Chairman of the Board of the Investment House and KSM Mutual Funds Ltd.) and Avner Hadad (CEO of the Investment House and KSM Mutual Funds Ltd.); (Boaz and Avner jointly - the "**Managers**"), which, among other things, extends - by three additional years - the term of the put and call options arrangements for the execution of transactions in connection with the Managers' holdings in the Investment House, as set forth in the shareholders agreement of May 2022. I.e., the transactions may be executed from 2026 to 2031 (instead of through 2029). The exercise price of the options will be set in accordance with an agreed valuations-based mechanism, which will be based on Phoenix Investment House's financial statements. For further details regarding the arrangements relating to Investment House options awarded to the Managers, see the Company's immediate report of March 15, 2022 (Ref. No.: 2022-01-025548).

### 2.5.1.3. Restructuring under Phoenix Investment House

In September 2024, the TASE Member and a sister company, Phoenix Portfolio Management Ltd. (formerly - Phoenix Capital Markets and Investment Management Ltd.) (hereinafter - "**Phoenix Portfolio Management**") signed an agreement for the transfer of the entire portfolio management activity of the TASE Member to Phoenix Portfolio Management. The Portfolios Acquisition Agreement stipulates that all the direct employees of the portfolio management activity will also be transferred. On December 29, 2024, the Court approved an outline for the transfer of customers between the two companies. The companies are working to implement the said change.

On January 1, 2025, the TASE Member transferred to Phoenix Investment Management and Securities Ltd. the institutional customers trading activity, the strategic customers trading activity, and its customers' credit activity. After transferring the abovementioned activities, the TASE Member continues to provide hosting and operating services to the transferred activities, including provision of credit and capital, with Phoenix Securities Ltd. providing management, marketing and sales services.

### 2.5.1.4. Acquisition of the portfolio management activity, the mutual funds and hedge funds from Psagot

On December 19, 2023, Phoenix Investment House and KSM Mutual Funds engaged with companies of the Psagot Investment House group in two binding agreements for the sale of assets as detailed below for a total consideration of NIS 150 million (hereinafter in this section - the "**Agreements**" and/or the "**Transaction**"). Following are the key details of the Agreements:

**Agreements for the sale of the active funds and the shares of Psagot Compass Investments Ltd.**

A. The agreement between Phoenix Investment House and KSM Mutual Funds on the one hand and Psagot Finance and Investment Group Ltd., Psagot Investment House Ltd., and Psagot Funds on the other hand (hereinafter - "**Psagot Group**" and "**Psagot Investment House**", respectively), whereunder Psagot Funds will sell KSM all the active funds, which are currently under the management of Psagot Funds with assets under management of approx. NIS 22.2 billion (hereinafter - the "**Active Funds**"); the agreement includes an undertaking on behalf of Psagot Group and Psagot Investment House not to compete with the activities of the Active Funds (hereinafter jointly - the "**Funds Sale Agreement**"). The Funds Sale Agreement includes a mechanism which is designed to ensure that no activity will be transferred from Psagot Funds to KSM Mutual Funds, in the event that - as a result of such a transfer - the 20% threshold pertaining to the funds market as set in the law shall be exceeded.

B. An agreement between Phoenix Investment House, Psagot Group and Psagot Investment House, whereunder Psagot Investment House shall sell 100% of the shares of Compass Investments Ltd., which operates in the field of hedge fund management (hereinafter - "**Psagot Compass**"), which includes an undertaking of the Company and Psagot Investment House not to compete in the field of hedge fund management (hereinafter - the "**Compass Agreement**").

The consideration amount also includes components in respect of non-compete undertaking as stated above. The consideration is subject to an adjustment mechanism, which is based on the rate of decrease - if any and if it exceeds a minimum set rate - in the income the active funds will have on completion date, compared to the income attributed thereto immediately prior to the signing date.

On March 21, 2024, a Compass Agreement was completed concurrently with the transfer of funds and the consideration for the Funds Sale Agreement.

On April 30, 2024, a transaction was completed for the sale of all of Psagot Compass's shares to a third party for a consideration, which is immaterial to Phoenix Investment House.

## 2.5.2. Restrictions, legislation, standards and specific constraints

Phoenix Investment House's operations in various areas of the capital market are subject to substantial regulation. The following is a list of key provisions that apply to the Investment House's operations:

### 2.5.2.1. Regulation of mutual funds

Mutual funds management is regulated under the provisions of the Joint Investments in Trust Law and regulations promulgated thereunder, and the ETFs activity is also regulated under the Tel Aviv Stock Exchange regulations and guidelines, including with regard to listing ETFs. This subsegment is regulated by the Israel Securities Authority. The law and regulations include, among other things: provisions about the approvals required to set up a mutual fund; holdings through means of control of the fund manager; terms and conditions for the qualifications of employees and/or people who take part making decisions concerning the management of a fund's investment portfolio; requirements pertaining to the composition of the board of directors of the fund manager; qualification of its members; appointment of board of directors' committees; obligation to publish a prospectus; obligation to publish the fund's annual report; duties of the fund's manager and trustee; allowed transactions, types of assets and maximum rates of such assets that the fund's manager may hold; material transactions or transactions that involve a conflict of interest and approval thereof; actions which the fund's manager, trustee and related parties thereof may not carry out; definition of actions that constitute breaches that carry monetary sanctions (administrative compliance); civil or criminal offenses and related sanctions; minimum equity; obligation to have insurance coverage; and other various restrictions in respect of changes in the fund's investment policy.

The law also regulates the fund manager's disclosure and reporting requirements, including monthly reports to the Israel Securities Authority about each fund's assets, liabilities, payments made out of its assets, and further details, as well as reports issued on an ongoing basis.
On January 1, 2024, the Ministry of Finance and the Israel Securities Authority published a law memorandum for the Law for the Encouragement of Activity in the Capital Market (Legislative Amendments), 2023, which includes steps to accelerate economic activity and develop the capital market after the Iron Swords War. As part of the law memorandum, the public's investment channels will be expanded by creating an infrastructure for setting up private mutual funds.

On June 26, 2024, the Bill for Encouragement of Capital Market Activity (Legislative Amendments), 2024 (hereinafter: the "**Bill**") was published, which includes four main legislative amendments, designed to encourage capital market activity, diversify investment and financing channels and improve the capital market. Under the bill, it was proposed to amend the Joint Investments in Trust Law, 1994 (hereinafter: the "**Investments in Trust Law**"), in order to create a legal infrastructure for setting up private mutual funds, in which a fund manager will be allowed to buy and hold for a fund - in addition to assets that mutual funds may currently hold - also unlisted securities and assets, which are not securities, and to implement hedging strategies in the fund.
Furthermore, the bill seeks to regulate the applicability of the Law Regulating the Practice of Investment Advice, Investment Marketing and Investment Portfolio Management, 1995 (hereinafter - the "**Regulation of Practice of Investment Advice Law**") and adapt the definitions of investment marketing and advice to the current reality.

In October 2023, the Israel Securities Authority published a directive entitled Investment Management in a Tracker Fund. Under the directive, rules were set regarding the assets serving as tracked assets in tracker funds, including with regard to the fund's exposure thereto, and provisions were set for the publication of various data regarding ETFs, including indicative value, quote spreads of the market maker in ETFs, as well as a tracking error and a tracking difference as detailed in the directive. On July 1, 2024, the directive came into effect, except for section 7(a) of the directive, which came into effect on October 3, 2024.

In February 2025, the Ministry of Finance published a draft for public comment of the interim report prepared by a taskforce appointed by the Minister of Finance to narrow regulatory gaps in short- to mid-term voluntary savings instruments. For more information on this issue, see Section 4.1.2.7 below.

### 2.5.2.2. Regulation of investment marketing and portfolio management

Investment portfolio management and investment marketing are regulated by the provisions of the Advice Law, its regulations, directives, as well as circulars of the Israel Securities Authority. According to the Advice Law, a corporation engaged in the management of investment portfolios and investment marketing, as well as those it employs as investment portfolio managers and/or in providing investment marketing services to customers, must hold a portfolio management license from the Israel Securities Authority. The Advice Law and the regulations promulgated thereunder also apply to the relationships between the license holder and its customers and imposes various duties as to the nature of the engagement, the dealings between the license holders and customers, the provision of services to customers, as well as meeting minimum capital and insurance coverage requirements.

### 2.5.2.3. Regulation of TASE services:

Following are the main statutes that govern the operations of the TASE Member:

A. TASE Rules and Regulations: The TASE Member is subject to the provisions of the TASE Rules and Regulations and the guidelines set thereunder, which relate, among other things, to: terms of qualifications for TASE membership; TASE members' obligations vis-a-vis the TASE, its members, and their customers; permitted areas of activity; requirements for appointing various control functions; provisions regarding monitoring and control over compliance with the TASE Rules and Regulations; various provisions for IT management, etc.

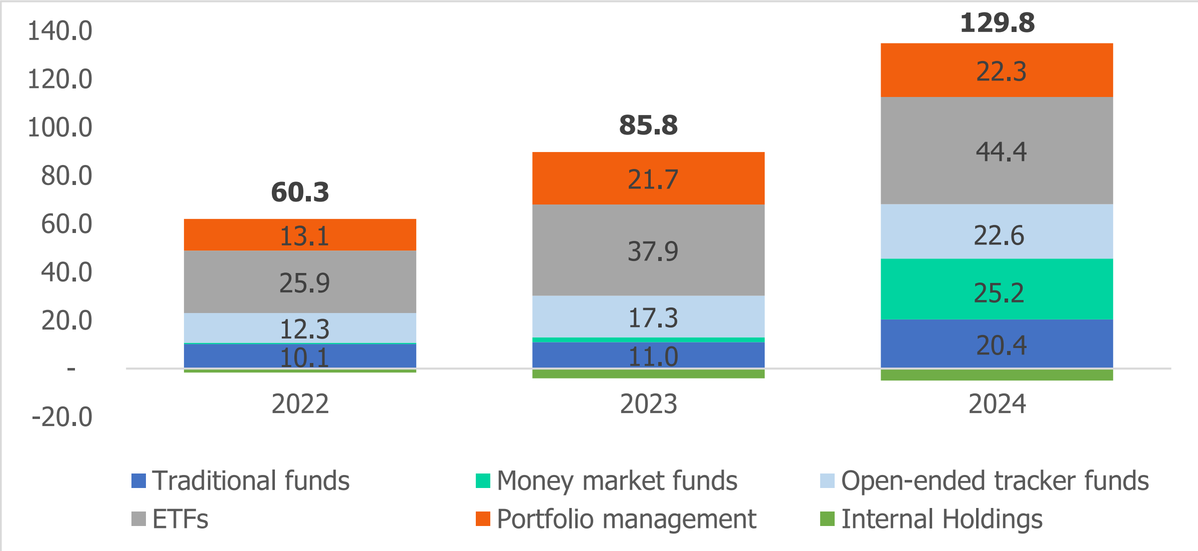
B. TASE clearing house bylaws: In addition to its membership in the TASE, the TASE Member is part of the TASE clearing house and thus subject to the Clearing System's bylaws. Furthermore, since some of its customers trade options and derivatives on the MAOF clearing house, and since the TASE Member is not a member of the MAOF clearing house, the Member operates in this clearing house through a supporting member, and as such is subject to the MAOF clearing house bylaws applicable to TASE members who are not members of the Clearing System.

C. The Advice law and the regulations promulgated thereunder: Since the TASE Member holds an investment marketing license, it is subject to the provisions of the Advice Law, regulations promulgated thereunder, guidelines and circulars of the Israel Securities Authority.

D. The Prohibition on Money Laundering Law and ordinances promulgated thereunder: The TASE Member is subject to the provisions of the Prohibition on Money Laundering Law and the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Portfolio Managers to Prevent Money Laundering and Financing of Terrorism), 2010. These provisions stipulate, among other things, the duties of to identify the account holder and duties concerning control and reporting with respect to customers of the TASE Member.

## 2.5.3. Changes in the scope of operations and profitability of the subsegment

On December 31, 2024, assets under management by the Investment House totaled approx. NIS 129.8 billion, compared to approx. NIS 85.8 billion as of December 31, 2023. The increase in assets under management arose mainly from the acquisition of the activity of Psagot's funds under the Psagot transaction as described in Section 2.5.1.4 above and from raising of funds in money market funds and tracker funds and returns in funds.




**Market trends in the reporting year and their effect on the Investment House's areas of activity:**

A. **Mutual funds**

The scope of activity in this industry is derived from the situation in the capital market, the range of instruments issued, the number of issues and total amount of investments therein, and from changes in the public's preferences as to investments specializing in foreign markets and in Israel, commodities and financial derivatives.

The reporting year was characterized by gaps between the subsegments of the funds industry: while the passive funds raised approx. NIS 30 billion, the traditional active funds redeemed NIS 9 billion, and the money market funds raised NIS 37 billion.

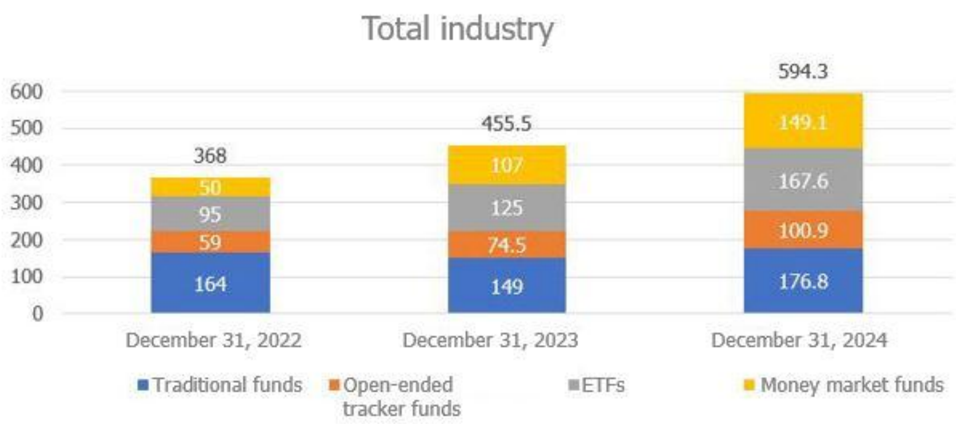
As of the end of the reporting year, Phoenix Investment House manages, through the Fund Manager, 440 funds in most of the existing investment channels: 132 managed funds, 173 ETFs, and 135 open-ended tracker funds.

The increase in the value of the funds arises from the acquisition of Psagot's mutual funds, market returns and the creation of new participation units. The relatively high interest rate environment in the past year continued the trend of investors' entry into money market funds as a substitute for bank deposits and a substantial increase in this segment in KSM Mutual Funds.

Following are details regarding total assets under management by the mutual funds sector in Israel and in KSM Mutual Funds (in NIS billion):

**KSM Mutual Funds**


**Total industry:**




B. **Investment marketing and investment management for customers**

Total assets under management in investment portfolios (including financial assets issued by the Investment House and acquired into the managed portfolios) as of December 31 of each of the last three years was as follows (in NIS billion):

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Asset under management** | 22.3 | 21.7 | 13.1 |

There was no material change to the asset during 2024. The increase in the asset as of December 31, 2023 stems mainly from the acquisition of Epsilon Portfolios, which was completed on February 13, 2023 (approx. NIS 2.3 billion), and the acquisition of the portfolio management activity from Psagot (approx. NIS 5.8 billion), which was completed in June 2023; the actual transfer of the portfolios was carried out in the first quarter of 2024 after receipt of the court approval as detailed in Section 2.5.1.4 above.

C. **Market making**

Trade on the Tel Aviv Stock Exchange was conducted against the backdrop of uncertainty due to the war in Gaza and Lebanon and on the various fronts, which contributed to the increase in turnover and the volatility on the local stock exchange.

The daily turnover on the Tel Aviv Stock Exchange was characterized by high trading volumes and totaled to an average daily turnover of NIS 2.2 billion compared to a turnover of NIS 2 billion in 2023, which represents a 10% increase.

In the corporate bonds market, the average daily turnover amounted to NIS 1.16 billion, an increase of 14.8% compared to 2023.

D. **Stock exchange and trading services**

During the reporting year, trading volumes on the TASE increased by approx. 4% compared with 2023. This increase arose mainly from an increase in trading volumes in stocks and bonds.

In the reporting year, the TASE Member's trading volumes increased by 7% compared with 2023; this increase stemmed mainly from the increase in trading volumes in shares and bonds.

The profitability generated by the TASE Member is exposed to changes in the Bank of Israel interest rate and in the Federal Reserve's interest rate. Following global macroeconomic developments that have been taking place since the second quarter of 2022, inflation rates in Israel and across the world have increased. Consequently and in order to curb the rise in prices, central banks in Israel and across the world started raising interest rates. Since the third quarter of 2024, inflation rates in Israel and across the world subsided to some extent. Therefore, central banks across the world started cutting interest rates. In Israel, the cutting of interest rates has not yet started. The current interest rate affects the increase in the Investment House's finance income.

## 2.5.4. Critical success factors

The critical success factors in this operating segment are: securing high returns on investments for customers compared with competitors in the same investment channels or alternative investment channels; a professional and high-skilled workforce; a savvy marketing function; a high-level digital infrastructure; a high level of service to customers; rapid response to market events and developments; familiarity and relationships with financial institutions abroad; expanding the product mix while adapting it to market needs; innovation; adapting the nature of operations to regulatory changes; ongoing, close work relationships with institutional investors and customers; reliable, advanced IT systems and software.

## 2.5.5. Main entry and exit barriers

**2.5.5.1.** The principal entry barriers for this operating segment are: the relevant legislation, including restrictions and conditions for obtaining the permits and licenses required to engage in the activity; the need to meet equity requirements or provide other collateral based on the provisions of the relevant laws, such as insurance coverage; finding professional and skilled employees; relationships with financial institutions and investment funds overseas; obtaining approvals from the authorities to issue products to the public (TASE and the Israel Securities Authority).

**2.5.5.2.** The main exit barriers from this area of activity are the sale of activities that in some case require obtaining licenses, control permits and other approvals. Furthermore, in some of the activities, the relevant company has long-term agreements for the provision of services in that operating segment (including commitments under various tenders), and exiting the area of activity requires termination of such agreements. The main exit barrier from the field of alternative investments is the funds that raised and operate significant investment amounts; such funds should be operated; they are required to report to investors and/or their management should continue over years.

### 2.5.5.3. Alternatives for products in the segment and changes therein

Alternatives to investment management (portfolio and mutual funds) are savings channels which do not require ongoing investment management (for example, bank deposits), self-management of investments in securities, direct management through bank advisory services or any other type of investment advisory services, and purchase of ETFs. Furthermore, long-term savings products offered by insurance companies and provident funds' management companies (for example, investment provident funds, savings policies, etc.) also serve as an alternative. Alternatives for ETFs and tracker funds are managed mutual funds that strive to outperform the indices, and foreign index funds traded on foreign exchanges, whose activity is similar to that of ETFs traded on the TASE. For details regarding the "Team for Reducing the Gaps between Investment Instruments in Short and Medium-Term Savings", see Section 4.1.2.7 above.

### 2.5.5.4. Competitive structure in the segment and changes therein

The subsegments in which Phoenix Investment House operates in the capital market are characterized by numerous competitors and fierce competition from investment houses, banks and other entities operating in the capital market. For details regarding competition in this area of activity, see Section 2.5.11 below.
The Investment House offers its customers a digital platform for onboarding new customers and management of portfolio management customers, with customers given the option to manage their investments by opening accounts with the TASE Member or through their accounts with banking corporations. Competition in the field of alternative investments intensified in recent year, with the introduction of investment houses and institutional entities into the field in addition to private entities that have already been active players.

## 2.5.6. Products and services

The following are the key subsegments comprising the Company's asset management activity - Investment House and Wealth:

### 2.5.6.1. Investment marketing for customers

This subsegment includes the following activities of the Investment House through the Group Companies, including: TASE Member, Phoenix W, and Epsilon Portfolios: Provision of investment marketing services in Israel and abroad and other activities, including the marketing of financial assets.

### 2.5.6.2. Management of investment portfolios

Phoenix Investment House, through the TASE Member and Epsilon Portfolios, provides investment marketing services and manages investment portfolios for private customers, corporations and institutional entities from various economic sectors through a range of investment channels. The TASE Member and Epsilon Portfolios hold an investment portfolio management and investment marketing license under the Advice Law. The management of the investment portfolios is carried out by a professional team comprised of qualified investment managers, licensed to manage investment portfolios through most of Israeli banks and TASE Members, which are not banks, and a number of foreign entities.

Transactions in customer accounts managed with banks and/or with TASE members are carried out by a TASE Member and Epsilon Portfolios, under powers of appointment authorizing the execution of transactions in the customers' accounts. The investment policy is determined in coordination with the customers according to their definitions and needs and is set forth in a written agreement. In addition, the TASE Member and Epsilon Portfolios have agreements with the banks with whom customers' accounts are managed; according to these agreements, the TASE Member and Epsilon Portfolios undertake, among other things, to act solely on behalf of their customers based on the power of appointment granted by them.

Revenue from portfolio management operations with the TASE Member and Epsilon Portfolios stems from management fees collected from customers that receive investment marketing and management services.

### 2.5.6.3. Management of mutual funds

Mutual fund management operations are regulated by the Joint Investments in Trust Law and the regulations promulgated thereunder, and in the case of ETFs - the operations are also regulated by the TASE Rules and Regulations. Mutual funds are established under an agreement between the fund manager and a trustee, which specifies the fund's investment policy, the maximum fees which the fund manager and trustee may charge, etc. The sale of mutual fund units is made in accordance with a prospectus in which fund units are offered to the public. Publication of such a prospectus requires a permit from the Israel Securities Authority, and the subscription period for the units offered under the prospectus is limited to one year from the date of issuing the prospectus; this period is renewed for one further year by the fund manager's publication of a prospectus once a year. Furthermore, ETFs are traded on the TASE and can be purchased and sold during trading on the TAXE. Most revenue stem from management fees charged by each fund. In tracker funds (including ETFs), the fund manager is also entitled to set variable management fees that may be positive or negative depending on the performance of the fund versus the asset which the fund tracks in accordance with the provisions of the Joint Investments in Trust Law and the regulations promulgated thereunder.

For details regarding the number of funds managed by KSM and total assets under management, see Section 2.5.3 above.

### 2.5.6.4. The fund manager's engagement with external consultants and investment managers in investment management agreements for the mutual funds

In 2017, an agreement was signed between KSM Mutual Funds and Alliance Bernstein (Luxembourg) S.a.r.l., a New York-based foreign mutual funds management company (hereinafter - "**AB**"), whereunder KSM Mutual Funds will serve as the representative and marketer of AB's funds in Israel in the retail segment, and will also offer units of Class A foreign funds managed by AB to the Israeli public. AB shall also serve as an investment advisor to funds under the foreign shares category of KSM Mutual Funds.

In October 2020, KSM Mutual Funds and Phoenix Investments[14] entered into an advisory services agreement, whereunder Phoenix Investments shall provide external advisory services to funds managed by KSM Mutual Funds. As of December 31, 2024, Phoenix Investments serves as an advisor of 3 funds.

[14] It is noted that under the Group's restructuring described in this report, Phoenix Investments' investment management activity was transferred to a new company - Phoenix Capital Partners Ltd.

In addition, as of the report date, KSM Mutual Funds receives consulting services from other consultants in the field of external fund management consulting.
Until the end of the first quarter of the reporting year, KSM Mutual Funds provided "hosting" services in mutual funds to external fund managers.

### 2.5.6.5. Index tracking services provided by KSM

KSM provides index tracking services to managers of others' funds including for the index-tracking pension savings plans launched by Phoenix Insurance and by Phoenix Pension and Provident. As of the end of 2024, 11 investment baskets are being managed, with total assets under management of approx. NIS 49.5 billion.

### 2.5.6.6. REIT fund management

REIT1 Ltd. (hereinafter - "**REIT**") is an investment fund investing in real estate; REIT is traded on the TASE. In April 2006, REIT entered into an agreement with REIT 1 Management Services Ltd. (hereinafter - "**REIT Management**"), approx. 47.5% of the issued share capital of which is held by the Investment House; under the agreement, REIT Management will provide REIT with advisory services in respect of the REIT's management. This agreement was extended a number of times over the years. The current agreement is valid until September 2029; an option is in place whereby the agreement may be extended by up to 3 additional years. The other shareholders in REIT Management have the option to acquire the Investment House's stake in REIT Management's shares. The option may be exercised until the end of June 2025.

### 2.5.6.7. Investment underwriting

The Group holds (through Phoenix Capital Partners Ltd.) a 19.9% stake in Phoenix Underwriting Ltd., a company which provides underwriting services (through Phoenix Investments).

### 2.5.6.8. Stock exchange and trading services

Phoenix Investment House provides its customers, through the TASE Member, brokerage services in all trading channels including foreign and Israeli shares, bonds in Israel, bonds abroad (through Excellence Nessuah Financial Products Ltd.), derivatives, foreign securities, coordination of issues, coordination of tender offers, and distribution of securities for interested parties in companies.
Securities trading activities are carried out through accounts with the TASE Member in the name of its customers. It is noted that trading of foreign bonds is not carried out through the TASE but rather on the OTC market. Furthermore, the TASE Member renders analysis services in markets in Israel and abroad.
The TASE Member also provides market-making services involving securities traded on the TASE, in cooperation with Bina Investments Ltd. As of the report date, the TASE Member is the market maker of 97 securities.
In addition, the TASE Member extends its customers credit for securities activities. During the past year, the amount of credit extended to customers increased from approx. NIS 705 million in 2023 to approx. NIS 914 million in the reporting year.

During the past year, there was an increase in the TASE Member's number of retail customers. Accordingly, the TASE Member, and the TASE Member invested significant marketing and sales resources, by expanding the marketing channels and increasing its manpower in order to support its increased activity in this area.
The TASE Member provides its customers with deposit services (both deposits denominated in shekels and in foreign currency). All customers' funds are deposited by the TASE Member in trust

with banking corporations according to the policy set by the TASE Member at its sole discretion, for variable periods, which are not necessarily identical to the depositing periods for which customers deposited their funds with the TASE Member. The TASE Member's profitability in this area stem from the difference between the interest rate the TASE Member receives from banking corporations for various periods, and the interest rate it credits its customers with.

As part of executing the activities described above, the TASE Member provides acquiring and operating services in respect of securities and funds, in accordance with and subject to the provisions of the TASE Rules and Regulations applicable to non-bank TASE members.

As of the report date, trading in stocks and bonds through non-bank TASE members represents a small portion of the trading turnover of this activity in the TASE.

#### 2.5.6.9. ESOP Trust Services

ESOP is engaged in the provision of trust services to its customers, mainly in the following fields:

A. Trustee services to employee compensation plans governed by the provisions of Section 102 to the Income Tax Ordinance [New Version], 1961 (hereinafter - the "**Income Tax Ordinance"**).

B. Trustee services (including tax withholding agent services) as part of M&A transactions.

C. Source code escrow - as part of which the source code of various software is deposited with ESOP.

D. In addition, ESOP provides an envelope of additional solutions and services for the management of its customers' capital, such as valuations under section 409A, cap table management, etc.

In consideration for the trust services, ESOP is entitled to trustee's fees and other various payments as set out in the trust agreement to which ESOP is a party. It is noted that for the purpose of providing the trust services, ESOP uses accounts with the TASE Member, and most of its customers' accounts are managed with the TASE Member.

#### 2.5.6.10. Phoenix W Ltd.

In March 2023, the Investment House founded Phoenix W Ltd. (hereinafter - "**W**"), a company that provides its customers with a range of family office services. W provides capital management, investment and financial planning services to a range of customer types. As of April 2024, W holds an investment marketing license from the Israel Securities Authority.

#### 2.5.6.11. Delta Credit Ltd.

Delta Credit is a wholly owned company of Phoenix Investment House. In February 2024, the Company received an extended credit license from the Capital Market Authority, for the purpose of expanding the Group's credit capabilities. The Company commenced its operations in August 2024.

### 2.5.7. Alternative Investments in the Phoenix group - Phoenix Advanced Investments

As part of implementing the Group's strategy of enhancing the area of alternative assets offered to qualified investors, in recent years the Group began to develop and distribute alternative investment products. As of the report date, total assets under management in respect of alternative investment products was approx. NIS 6.1 billion.

**2.5.7.1.** The Wealth Subsegment's activity is carried out under Phoenix Advanced Investments Ltd. (hereinafter - "**Phoenix Advanced Investments**"), which is wholly-owned - as of the report publication date - by Phoenix Capital Partners, a wholly-owned subsidiary of the Company. Phoenix Advanced Investments directs the activity in this field and its development through subsidiaries and/or affiliates, as detailed below.

**Phoenix Capital Ltd.** The Company holds - directly and indirectly - 70.07% of Phoenix Capital Ltd. (hereinafter - "**Phoenix Capital**"). Phoenix Capital serves as the general partner in alternative investment funds.

**Phoenix RealTech Ltd.** - Phoenix RealTech is a subsidiary in which Phoenix Capital has a 50% stake. Phoenix RealTech serves as a General Partner of alternative investment funds focusing mainly on underlying assets in the field of real estate. On December 31, 2024, Phoenix Advanced Investments signed an agreement for the acquisition of additional 30% of Phoenix RealTech and as of the report publication date, subsequent to the completion of the transaction, the Company holds, directly and indirectly, approx. 65.03% of Phoenix RealTech Ltd.

**Smart Capital** - The Company holds - directly and indirectly - approx. 72.4% of the share capital of Smart Capital Alternative Solutions S.V. Ltd. (hereinafter - "Smart Capital"). Notwithstanding the above, in accordance with the arrangements signed with the partner, the Company does not view itself as the controlling shareholder in Smart Capital on the report publication date. Smart Capital offers qualified investors access to international alternative funds under the management of leading global investment entities.

**Phoenix Alternative Ltd.** - Phoenix Alternative Investment House Ltd. and its subsidiary, Excellence General Partner for Management Ltd. serve as a management company and a general partner company (respectively) of alternative funds. Those companies are mainly engaged in the establishment and management of dedicated limited partnerships, which serve as feeders investing in leading Israeli funds for qualified investors.

**Phoenix Investment Funds Ltd.** - Phoenix Investment Funds Ltd. - a wholly owned company of Phoenix Advanced Investments - is the general partner in the Alternative Fund.

**2.5.7.2.** As of the report date, Phoenix Advanced Investments group companies offer qualified investors investment options in the field of PE, Secondary (debt and PE), infrastructure, private debt and real estate-backed private debt.

### 2.5.7.3. Investment marketing company

In February 2024, Phoenix Advanced Investments established Phoenix Marketing Advanced Investments Ltd. (hereinafter - the "**Investment Marketing Company**"), a company which intends to provide alternative investment marketing services to end customers. In February 2025, the Investment Marketing Company obtained an investment marketing license from the Israel Securities Authority.

## 2.5.8. Breakdown of revenue and profitability of products and services

Following are details regarding the Investment House's income by subsegments included in the Company's Investment House and Wealth Segment, costs attributable to these subsegments, and their operating income, as of December 31, 2022, 2023, and 2024 (in NIS millions).

**General**

During 2024, the Investment House's management changed the way the Investment House analyzes its segments from the viewpoint of the Chief Operating Decision Maker (CODM). Due to the above, the comparative figures were presented accordingly. The distribution is as follows:

| | | |
|---|---|---|
| Asset Management Segment | - | This segment's activity includes marketing and investment management in Israel and abroad and management of mutual funds and ETFs, alternative investment activities and structured products. |
| Financial Services Segment | - | This segment's activity includes the execution of transactions on the Stock Exchange for private customers, private and public corporations for institutional customers, management and trust services, employee options, market making activity for ETFs, insurance agency activity, business brokerage, securities brokerage, underwriting and distribution |
| Other Segment | - | The activity of this segment includes other activities. |

| | Assets under management | | | Investment House and Wealth | | | Other (**) | | |
|---|---|---|---|---|---|---|---|---|---|
| | December 31, 2024 | December 31, 2023 | December 31, 2022 | December 31, 2024 | December 31, 2023 | December 31, 2022 | December 31, 2024 | December 31, 2023 | December 31, 2022 |
| **Total revenue** | 443 | 290 | 211 | 422 | 362 | 261 | 6 | 4 | 8 |
| **Variable costs which do not constitute revenue in the Other Subsegment** | 149 | 86 | 78 | - | - | - | - | - | - |
| **Fixed costs that do not constitute revenue in the Other Subsegment** | 177 | 152 | 94 | 234 | 180 | 164 | 10 | 7 | 6 |
| **Total costs** | 326 | 238 | 172 | 234 | 180 | 164 | 10 | 7 | 6 |
| **Operating income** | 117 | 52 | 39 | 188 | 182 | 97 | (4) | (3) | 2 |
| **Total assets** | 1,069 | 1,026 | 619 | 2,074 | 1,551 | 2,367 | 245 | 136 | 132 |
| **The minority share in the subsegment of external** | - | - | 7 | - | - | - | * | * | - |

* An amount lower than NIS 1 million;

** Due to continued decline in the activity and the failure to meet the criteria for reporting as a segment, the Investment Banking and Underwriting Subsegment was restated under other activities, including in the comparative figures.

## 2.5.9. Customers

- Mutual funds are marketed to the general public.
- Customers in the investment portfolio management subsegment include institutional customers, various types of corporations (companies, non-profit organizations, local authorities, kibbutzim, etc.), as well as private customers. The relationships between the Investment House and its customers in the Investment Management Segment are mostly long term relationships. However, there is no minimum engagement period, and the parties may terminate the engagement at any time, subject to the provisions of the agreement and the law.
- Customers in the trading and stock exchange services subsegment are institutional entities in Israel and abroad, qualified customers, various types of corporations, and private individuals.
- Customers in the area of alternative products are sophisticated customers as per the First Addendum to the Securities Law, which are corporations and private customers in Israel.
- The customers in the trust services subsegment are Israeli or foreign private customers and corporations (both private companies and publicly-traded companies), which wish to benefit from ESOP's basket of services, including trust services in M&A transactions, trust services for equity-based employee benefit plans, source code escrow services, ESOP as an agent and more.
- Customers in the family office area of activity are private customers, with minimum capital available for investment.

## 2.5.10. Marketing and distribution

- The investment portfolio management and investment marketing activity functions through a network of independent agents, private providers of potential customers and a number of telemarketing representatives engaged in recruiting customers through proactive telephone calls.
- Marketing of mutual funds mainly carried out through investment advisors at the branches of the various banks, institutional entities and portfolio managers, as well as through advertising on various media channels.
- Marketing of the trading activity is mainly carried out through advertising in digital media, including on the Investment House's website and other websites, apps, etc.
- The TASE Member operates under a Phoenix Investment House app in which TASE Member's customers are given access to information regarding their securities account with the TASE Member, viewing their portfolio composition, accessing their personal digital mailbox, and filing various applications to the TASE Member, including an application to convert foreign currency, submitting a notice of deposit of funds in order to allocate those funds to their account with the TASE Member, updating personal details, filing an application to close an account, signing documents, receiving notifications regarding corporate events and contacting customer service.
- ESOP's marketing activity is mainly carried out by advertising on digital media channels, including through the Investment House's website and ESOP's website, conferences, events, etc.
- The marketing and distributing of the alternative products, which are marketed to qualified investors by Phoenix Advanced Investments, is mostly carried out by agents and/or Family Office, with whom the Group works, in addition to direct marketing.
- The marketing and distribution of the family office services is carried out through different marketing channels and is based on the Investment House's existing customers.

## 2.5.11. Competition

In Israel, there are numerous organizations specializing in portfolio management for others and in the provision of investment marketing services.

The main competitors of the TASE Member and Epsilon Portfolios are the large entities. The Investment House believes that it is one of the leaders in the field of portfolio management in Israel. It seems that most of the competition in this area in future years will take place in the sphere of digital portfolio management and investment marketing, with market players investing substantial resources in such platforms.

The mutual funds sector is also characterized by a large number of competitors and by fierce competition. Competition is primarily against other mutual fund managers and alternative products. In recent years, competition has become fiercer and is manifested, inter alia, in competition on management fees, good performance measured according to returns, and risk indicators which will lead, inter alia, to higher ratings.

Regarding the active funds - The banks' rating systems are extremely important to the competition in this industry, as investment advisors and customers base their investment decision process on such ratings. To the best of Phoenix Investment House's knowledge, the banks have several rating systems based on various models, which include different parameters with respect to the mutual funds, which are determined exclusively by each bank.

Competitors in the TASE Member's market are bank and non-bank TASE members. As of the report date, there are 11 TASE members which are Israeli banks, 8 non-bank TASE members, 3 foreign banks, and 3 remote members. Competition between TASE members focuses on fees and commissions rates, quality of service and analytics, and a range of services offered to customers.

The Investment House's market share varies by type of activity. Recent years saw an evident trend of reduction of the rates of fees and commissions which are collected, and addition of strict regulatory requirements.

## 2.5.12. Property, plant and equipment

In April 2013, the Investment House signed a lease agreement with Amot Investments Ltd. (hereinafter - "**Amot**"), whereby the Investment House leased from Amot six floors of office space in the building known as Amot Platinum in Kiryat Arieh, Petah Tikvah. The Investment House terminated its offices' lease agreement on December 31, 2024; however, it continues to lease a small area at immaterial amounts.

In the reporting year, Excellence Nessuah Services Ltd. (hereinafter - "**Excellence Nessuah**") entered into a lease agreement (hereinafter - the "**Masada 3 Agreement**") with Masada 3 Limited Partnership of the Phoenix group, to lease new offices at an area of approx. 8,100 sq.m in "Phoenix-Art" building, at 3 Masada St., Bnei Brak (hereinafter - the "**Phoenix Art Building**", respectively).

In accordance with the lease agreement, the Investment House transferred its offices to Phoenix Art Building. The first lease term started on January 1, 2025 for 7-year period with an option to extend the lease.

## 2.5.13. Human capital

### 2.5.13.1. Material changes in the workforce:

| | 2024 | 2023 |
|---|---|---|
| No. of employees at end of year | 542 | 480 |

### 2.5.13.2. Benefits and the nature of employment agreements

The majority of the Investment House's employees have written personal employment contracts in place. The majority of the Investment House's employees employed in professional positions receive, in addition to their base salary, annual bonuses at varying rates. The Investment House's executives are eligible for bonuses calculated as a variable rate of the annual financial performance of specific consolidated companies. Certain employees of the Investment House are eligible for bonuses calculated according to transaction volumes, or according to other preset criteria.

The Investment House gives its employees bonuses according to their bonus agreements. Bonuses to the Investment House employees are determined by the its profits, the profits of its subsidiaries, and additional components according to each employee's position and purview, subject to applicable statutory restrictions, if any.

The Investment House's employment termination liabilities are determined in accordance with the law and employment agreements. The Investment House's liabilities for base salaries in respect of employment termination are covered by current ongoing contributions and accrued amounts in pension funds, severance pay funds, and executive insurance policies. The Investment House also complies with the provisions of the extension order for comprehensive pension insurance for some of its employees who, as of the order's effective date, were not eligible to pension arrangements to their benefit.

In 2023, the Investment House adopted an option plan, by virtue of which options may be allocated - exercisable into shares of the Investment House - to officers and employees of the Investment House and the Phoenix group. Accordingly, such options were allocated in accordance with Section 102 under the capital gains track to employees and officers of the Investment House, and to employees and officers of the Phoenix group, who serve as officers in the Investment House or are involved in its activity.

In March 2024, the CEO of the TASE Member announced his wish to terminate his employment by the TASE Member. In April 2024, two joint CEOs were appointed in his place.

## 2.5.14. Suppliers

**2.5.14.1.** The TASE member has an agreement with service organization FMR Computers and Software Ltd. (hereinafter - "**FMR**"), according to which the TASE Member receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. The said agreement is material to the TASE Member, as well as to other non-bank TASE members, due to significant dependence on this IT service provider since, as of the reporting date, there is no other available supplier for the services that the Investment House receives from FMR, and without the FMR system, the TASE Member will be unable to provide TASE member services. In 2021, the services agreement with FMR was extended through June 2025. As of the report date, negotiations are conducted with FMR's representatives regarding the extension of the agreement for an additional period.

**2.5.14.2.** The TASE Member and Epsilon Portfolios has an agreement with Danel Financial Solutions Ltd. (hereinafter - "**Danel System**"), which provides IT systems used for day-to-day operations. The TASE Member uses the Danel System to review compliance with its customers' investment policy and with the Company's policy, to calculate the portfolios' exposures, manage various control reports, to produce periodic statements for its customers, and more. Danel System is the main system used by the employees of the TASE Member in the portfolio management activity. This constitutes a material agreement for the TASE Member regarding portfolio management activity.

**2.5.14.3.** For details regarding the lease agreement between the Investment House and Amot Investments Ltd., and the move to new offices owned by Masada 3 as from January 2025, see Section 2.5.12 above.

**2.5.14.4.** In March 2022, the TASE Member entered into an agreement with E&A Financial Software Ltd. (hereinafter - the "**Trade One**" system"), a new trading system available to the TASE Member's customers. The Trade One system has been offered to all customers of the TASE Member. The Trade One system is expected to be the main system that will be used by customers of the TASE Member as part of their day-to-day trading activity.

**2.5.14.5.** KSM Mutual Funds entered into agreements with index developers for the purpose of issuing tracker funds, Kav Manche, and in agreements for operating mutual funds with First International Bank and other banks. For details, see Section 2.5.17 below.

## 2.5.15. Investments

**2.5.15.1.** In January 2024, the Investment House sold its remaining holdings in Tel Aviv Stock Exchange Ltd.'s shares.

**2.5.15.2.** In 2021, the Investment House invested in a company operating as an investment house in the field of cryptocurrency, against the allocation of approx. 49% of that Company's issued capital (approx. 47%, fully diluted). The investment agreement sets a mechanism for updating the Investment House's holding rate in the said company (out of the remaining existing shareholders), such that upon the occurrence of transactions of investments in the said company's capital at a company value exceeding an amount set in the agreement, the Investment House's holding rate in the company may decrease to up to approx. 40% (fully diluted).

## 2.5.16. Financing

Phoenix Investment House finances its operations using its own sources, banking sources, and non-banking sources. The Investment House's main operations in the securities subsegment usually require liquid cash assets, which are mainly financed by its own capital, bank credit and loans. The Investment House does not have restrictions on obtaining credit facilities. In order to acquire Psagot's activity, the Company took long-term loans from banks and the parent company.

**Following is the balance of Phoenix Investment House's outstanding liabilities (in NIS millions):**

| | As of December 31, 2024 | As of December 31, 2023 | As of December 31, 2022 |
|---|---|---|---|
| Short-term credit and loans | 388 | 179 | 577 |
| Short-term credit and loans from banking corporations | 344 | 169 | 577 |
| Short-term credit and loans from affiliates | 44 | 10 | - |
| Long-term loans from banking corporations | 152 | 94 | - |
| Long-term loans from affiliates | 223 | 261 | 60 |

Short-term credit - credit is used for transactions in financial instruments, the TASE Member's credit operations, and for Excellence's operating activities, and bears variable interest ranging from Prime minus 0.1% to Prime minus 0.7%. For USD-denominated credit at an interest of SOFR plus 1%.
Long-term credit - the credit is taken for the acquisition of Psagot's mutual fund and portfolio management activity; it bears variable interest in the range of Prime minus 0.5% to Prime; part of the credit bears fixed effective interest rate ranging between 4.6% to 6.25%.
In the reporting year, the Investment House utilized, from time to time, available credit facilities according to its current needs and liquidity (the Investment House did not fully utilize its available credit facilities). The available credit facilities do not limit the Investment House in its current activity.

## 2.5.17. Material agreements

### 2.5.17.1. Operation of funds

As of the report publication date, some of the Mutual Funds of KSM Mutual Funds are operated by KSM Mutual Funds (for ETFs and some tracker funds), and some are operated by First International Bank of Israel Ltd. (for managed funds and some tracker funds). In addition, various banks provide brokerage services and custodian services. Furthermore, Bank Hapoalim Ltd. provides TASE member services to the mutual funds operated by KSM Mutual Funds.
KSM Mutual Funds' management believes that, although it is not dependent on either of these suppliers (as services are rendered by a number of suppliers under competitive terms), switching to a new service provider may involve significant costs and a relatively long implementation period. The Investment House is potentially exposed to operational risks due to the need to routinely adapt operations to ever-evolving regulatory requirements; the Investment House is also exposed to operational risks from malfunctions in its computer and/or communications systems with the operating bank, which may cause interruptions in transfer and withdrawal orders in the segment products, and indirectly undermine the Investment House's reputation.

### 2.5.17.2. Agreements between index developers and KSM Mutual Funds

Issuance of tracker funds on a securities index requires a license from the index developer, who is also responsible for the index being calculated and published, and the fund manager undertook to indemnify the index developer for expenses and damages caused to them due to claims and proceedings related to the tracker funds.

It is noted that, in recent years, there has been an increase in payments for licenses to index developers. The growth stems from the expansion of products and the increase in the license fee amount, which are calculated according to total assets under management.

**2.5.17.2.1.** In October 2018, an agreement between KSM Mutual Funds and a sister company thereof (hereinafter - the "**Market Maker**") - for the provision of money making services in respect of ETF units managed by the Money Maker - entered into force. Pursuant to the agreement, the Market Maker provides money making services to ETF units. The Market Maker is required to comply with the rules set in Chapter I of the Part Three of the TASE Rules and Regulations, and the guidance provided therein with respect to market making, as revised from time to time. At the end of each trading day, the Market Maker works with the ETF's manager to redeem and create the fund's units in consideration for the assets comprising the tracker asset of the ETF, including other assets creating an exposure for these assets, as well as cash (hereinafter, jointly - the "**asset mix**"). The asset mix and the manner of its transfer between the Money Maker and the ETF manager are detailed in the prospectus of each ETF and/or in KSM Mutual Funds' reports to the public.

**2.5.17.2.2.** Liquidity agreement between Phoenix Insurance and the TASE member - In 2017, Phoenix Insurance signed a master credit facility agreement extending no more than NIS 400 million in credit to the TASE Member; the funds will be used to bridge liquidity timing differences that may arise if customers of the TASE Member withdraw their deposits and the TASE Member does not have sufficient funds to cover such withdrawals.

**2.5.17.2.3.** In October 2023, the Israel Securities Authority published a directive entitled Investment Management in a Tracker Fund (hereinafter - the "**Directive**"). Under the Directive, rules were set regarding the assets serving as tracked assets in tracker funds, and provisions were set for the publication of various data regarding ETFs, including indicative value, quote spreads of the market maker in ETFs, as well as a tracking error and a tracking difference. In view of the above, and for the purpose of posting on its website information on passive funds in accordance with the Directive, in July 2024 KSM Mutual Funds entered into an agreement with Kav Manche - Bursa Graph Ltd. (hereinafter - "**Kav Manche**"), a company operating in the field of development and operation of a website and system for searching publicly-available information pertaining to the capital market and financial instruments. The services which Kav Manche will provide include, among other things, posting on KSM Mutual Funds' website the information published in accordance with the abovementioned Directive and calculating the posted information.

**2.5.17.2.4.** For details regarding the Investment House's lease agreement with Amot Investments Ltd., and regarding Excellence Nessuah's lease agreement with the Masada 3 Partnership, see Section 2.5.12 to this report.

**2.5.17.2.5.** For details regarding the agreement between the TASE Member, a subsidiary of the Investment House, and FMR Computers and Software Ltd., see Section 2.5.14.1 above.

**2.5.17.2.6.** For details regarding the agreement between the portfolio management company and Danel Financial Solutions Ltd., see Section 2.5.14.2 above.

## 2.5.18. Legal proceedings

For details, see Note 42 to the Financial Statements.

## 2.5.19. Business targets and strategy

As part of Phoenix's strategic plan, in the reporting year The Investment House focused its activity in the area of activity of KSM Mutual Funds, the TASE Member, portfolio management and ESOP. In order to establish a growth strategy, the Investment House works to utilize economies of scale and expand the provision of financial services in all of its areas of activity.

During the reporting year, The Investment House placed an emphasis on improving its performance in the field of mutual funds management. The Investment House works to increase its market share in passive and active funds, both through organic growth (by utilizing the combined sales function of the passive and active funds) and through mergers and acquisitions, among other things through the acquisition of mutual funds from Psagot; it also works to establish its position as a leading investment house in the field of short-term to mid- asset management.

Furthermore, the Investment House works to expand its activity in the field of brokerage services to individuals and corporations through the TASE member by way of recruiting new customers, while providing them a digital services offering which integrates all Group's areas of activity into the Investment House; the Investment House also works to increase total assets under management in portfolio management and Wealth Management, both through organic growth (through improving the quality of its investment management) and through mergers and acquisitions (acquisition of Psagot's portfolio management activity).

The Investment House takes steps for and invests in purchasing and/or development of new digital platforms and operational systems in order to improve the service provided to its customers, expand the service and product mix available to customers and mitigate operational risks.

## 2.5.20. Risk management and compliance, control and supervision mechanisms

Phoenix Investment House has corporate governance activities for risk management, which includes three defense lines:

The first line of defense - the Investment House's business and operating units which undertake risks as part of their activities and participate in the processes of identifying and assessing risk, taking preventative measures, mitigating risks, and monitoring and reporting them. The second line of defense - the risk management department of each of the subsidiaries. The third line of defense - the board of directors, the committees of the board of directors and the internal auditing function.

Following is the structure of The Investment House's risk management, control and monitoring function:

The risk management function is comprised of risk managers in the subsidiaries who report to the CEO of the relevant subsidiary and receive professional support from the head of financial models in The Investment House. The Risk Management Department of each subsidiary manages operational risks and financial risks (market, liquidity and credit risks) and the business continuity of the relevant company, in collaboration with the IT Systems Department. The department operates alongside the Legal Department, which is charged with managing legal and regulatory risk in the Investment House.

During the reporting year, Phoenix Investment House group has set up a group Compliance and Risks Department. The department is an independent headquarters unit that serves as an additional line of defense in the areas of risk and compliance; it will work to strengthen the compliance and controls function in order to pursue an integrated perspective, and to tighten the Investment House's command and control capability. The department will act in line with and as a complementary tier to the existing functions in the field of risk management and compliance in group companies.

In the framework of its risk-management function, the Investment House has a control function that examines, among other things, credit activities, risks and investments, including through credit and investment controllers.

In addition, the TASE Member has a compliance officer, who is in charge of compliance and Prohibition on money laundering. His role includes, among other things, monitoring the compliance of the relevant organs with the provisions of the laws applicable thereto, including the TASE Rules and Regulations and its guidelines.

IT risks, including cyber protection and information security are managed by the IT Department and the head of information security.

The Investment House appointed an officer in charge of privacy protection, whose role is to mitigate the privacy protection risks and report to subsidiaries' managements and boards of directors.

The Investment House conducts periodic risk and compliance surveys in accordance with the provisions of the relevant regulations and/or proactive surveys in order to increase the efficiency of its activities and maintain monitoring and control thereon. The risk surveys include mapping and identifying risks in the Investment House's different areas of activity and the scope of exposure arising therefrom, as well as recommending steps to mitigate the risks. The risk and compliance surveys are presented to the Audit Committee and boards of directors of the companies whose activities were surveyed; based on the surveys, multiannual work plans are prepared to close the gaps and minimize risks in the audit, control, compliance and risk management areas.

The Investment House has an internal audit division that includes an internal auditor who is responsible, inter alia, for implementing annual and multi-year work plans for the internal audit function, and monitors implementation of findings and reporting.

In Phoenix Advanced Investments, the management of the various risks is coordinated under the Chief Risk Officer, the internal audit function, and the Group's Compliance Department. In addition, a dedicated control manager was appointed for this activity.

Some of the Investment House's subsidiaries have internal compliance programs for securities, as a direct result of the Improvement of the Israel Securities Authority's Compliance Procedures (Legislation Amendments) Law, 2011, and the Increasing Compliance in the Capital Market (Legislative Amendments) Law, 2011. Changes in these plans are approved by the Board of Directors of the relevant subsidiary from time to time. In addition, the Investment House adopted a Compliance Program in the field of competition laws.

## 2.5.21. Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of the Investment House's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks which are specific to the Investment House. The risks are ranked according to the assessment as to their effect on The Investment House's business as a whole made by The Investment House's management. For details, see Note 41 to the Financial Statements.

| Type of risk | Summary description | The extent of effect on Phoenix Investment House's business |
|---|---|---|
| **Macroeconomic risks** | The economic conditions, including employment levels | Moderate |
| | Market risks | Moderate |
| **Industry-specific risks** | Market failure and illiquidity | High |
| | Decline in scope of activity and in the value of assets under Phoenix Investment House's management | Moderate |
| | Customer credit | Moderate |
| | Dependency on third parties and dependency on a supplier | Moderate |
| | Operational risks and trading errors | High |
| | Business continuity | High |
| | Regulatory risks and regulatory changes | High |
| | Legal risks and class actions | High |
| | Industry-specific risk in ETFs | Moderate |
| | Cyber risks | High |
| **Phoenix Investment House's specific risks** | Human capital | Moderate |
| | Reputational risk | High |
| | Independent operation of ETFs | High |

It should be emphasized that there are other risk factors which are specific to each of the Investment House 's areas of activity which are not detailed below but which could affect them.

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

# 2.6. Credit

## 2.6.1. General information about the segment

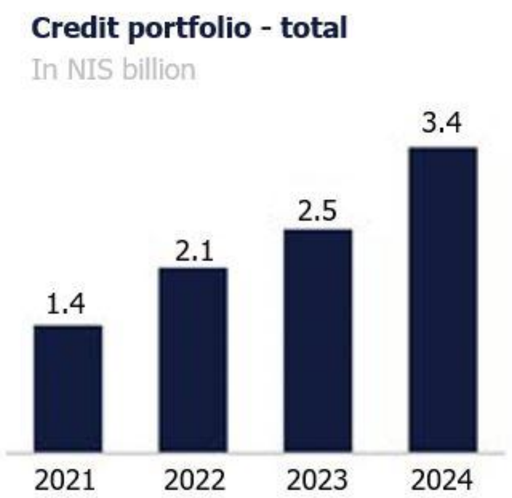
**The Company's Credit Activity**

The Company operates in the Credit Segment through a number of Group companies, the main one of which is Phoenix Gama Management and Clearing Ltd. (hereinafter - "**Phoenix Gama**"), which is wholly-owned by the Company.

Furthermore, the Group has a number of other credit entities that use the Group's nostro funds, and which are not included in the Credit Segment as of the report date, including mortgages for senior citizens[15] and other entities.[16]

As part of the execution of the strategic plan in the Credit Segment, and the wish to concentrate the Group's credit activity under a single arm in order to establish a significant credit activity arm within the Group, in the reporting year, the activity was restructured, with Phoenix Financing and Construction becoming wholly owned by Phoenix Gama as of January 1, 2024; in addition, during the reporting year, it was decided that Phoenix Retail Credit would be transferred under Phoenix Gama in 2025, as from January 1, 2025; for further details, see Section 1.2.10 above.

As of the report date, the total amount of the Group's credit activities managed by Phoenix Gama and its subsidiaries is approx. NIS 3.43 billion, as described in the following chart:




**Phoenix Gama - General**

Phoenix Gama is a privately-held company wholly-owned by the Company, which provides payment services as an acquiring aggregator and credit services to companies and businesses. Phoenix Gama's bonds are listed on the Tel Aviv Stock Exchange and accordingly it is classified as a reporting corporation. The following are the main activities of Phoenix Gama.[17]

As of the report date, Phoenix Gama has listed Bonds (Series B and C) and Commercial Papers (Series 3) held by the public.

Under the Company's growth strategy, and bearing in mind Phoenix Gama's capabilities and strengths, the latter serves as the Group's credit arm; this leads to a gradual expansion of Gama's activity from financial payment and credit services to SMEs in Israel, also to new areas of credit and

[15] For details regarding Phoenix Mortgages (Gold), see Section 4.4.5.4 below.
[16] For details regarding the TASE Member in Phoenix Investment House, see Section 2.5.6.8 below.
[17] For detailed information regarding all aspects of Phoenix Gama's activity, see Gama's 2024 report: (report dated March 2, 2025, Ref. No.: 2025-01-013699).

customer types. Since the beginning of the reporting year, Phoenix Gama's service offerings also includes credit for construction financing, following the transfer of Phoenix Construction Financing; as from 2025, its service offerings are also expected to expand to credit to private customers following the transfer of Phoenix Retail Credit as a subsidiary of Phoenix Gama. In this way, Phoenix Gama expands its credit services offerings and its range of customer types, while leveraging the synergy between the various areas of activity and products, in order to provide optimal response to the needs of its customers.

Since 2006, Phoenix Gama has been rated by Midroog (Moody's). The last rating action was carried out on February 25, 2025, in which Midroog raised Gama's issuer rating and the rating of Gama's bonds from Aa3 with a positive outlook to Aa2 with a stable outlook. Furthermore, in January 2025 Phoenix Gama was also rated for the first time by S&P Maalot at ilAA with a stable outlook.

Phoenix Gama and its subsidiaries have approx. 18 thousand customers (companies, businesses and a few private customers) which conducted transactions with Phoenix Gama in the 12 months prior to the report date, to which Gama provides financing solutions to address their credit needs and offers payment services and financial solutions. Phoenix Gama's customers come from a range of fields, including commerce, services, retail and industry in Israel.

Additionally, Phoenix Gama has a customer base comprising thousands of business customers in the Credit Card Segment, which includes leading trading and retail companies, including leading chain stores and Israeli commerce and services companies.

Phoenix Gama has independently-developed IT systems it uses to manage its activity during its years of activity and to provide services and information to customers, including systems for payment cards reconciliations. Alongside its credit card acquiring activity (as an aggregator), Phoenix Gama also offers credit to be used for its customers' business activity. Phoenix Gama works to leverage the synergy between its range of credit and finance products to generate added value to its customers, such as in the form of various types of credit offerings adapted to various dedicated objectives in accordance with the customers' various needs.

In June 2024, Phoenix Gama issued marketable Commercial Papers as stated above and detailed in Section 2.6.11 below. Accordingly, as from the date of issuance of the Commercial Papers, and as long as Phoenix Gama's securities include Commercial Papers, its activity is subject to capital adequacy and liquidity requirements, as set by the Commissioner under directives regarding "Additional Shareholders' Equity and Liquidity Requirements Applicable to a Credit Provider with a Substantial Public Debt" of August 28, 2023. Accordingly, as from June 16, 2024, Phoenix Gama is a corporation under prudential regulation as defined in Section 21(b)(8) to the Banking Law (Licensing), 1981.

**Phoenix Gama subsidiaries**

As of the report date, Phoenix Gama has three wholly-owned subsidiaries (100%) named: Phoenix Gama Personal Direct Financing Ltd. (hereinafter - "**Gama Financing**") and Control Credit Adjustments Ltd. (hereinafter - "**Control**"), and Phoenix Construction Financing, which were incorporated in Israel. Furthermore, Phoenix Gama has a 50% stake in Caspogama Advanced Payment Solutions (2014) Ltd., which was incorporated in Israel.

In addition, and as stated above, under structural changes in the Group, subject to the fulfillment of conditions precedent, insofar as they are fulfilled, as from January 1, 2025, Phoenix Gama will wholly-own Phoenix Retail Credit and will have a 19.9% stake in El Al Frequent Flyer Ltd.

### Gama's areas of activity

Both Phoenix Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets from the Capital Market, Insurance and Savings Authority (hereinafter - the "**Capital Markets Authority**") in accordance with the Financial Services Supervision Law (Regulated Financial Services), 2016 (hereinafter - the "**Financial Services Law**"). Furthermore, in January 2025, the Bank of Israel confirmed that Phoenix Gama meets the criteria for assignment of an identification code for participation in regulated payment systems, and accordingly Gama was assigned an identification code (previously known as "bank code").

Phoenix Gama operates - on its own and through its subsidiaries in the following operating segments:

1. **Credit cards**

   As part of this activity, Phoenix Gama (itself and through Gama Finance) operates as an acquiring aggregator; i.e., it aggregates payment card debit and credit transactions for thousands of merchants, with the acquirer fee paid by the merchant being agreed upon between the merchant and Phoenix Gama.

   Furthermore, as part of its payment cards activity, Gama provides merchants with the service of factoring payment card vouchers.

2. **Credit for businesses**

   Under this activity, Phoenix Gama (itself and through Gama Finance) provides financing to business customers (including customers from the Credit Card Segment), most of which is provided against collateral, in respect of all or part of the loan amount, including a lien, usually a first-degree lien on assets, land and real estate; assignment or delivery of post-dated checks issued by third parties (an activity also known as checks discounting), and supplier financing (invoice financing); in addition, Gama also provides guarantees.

3. **Construction Financing**

   This activity is carried out by Phoenix Construction Financing, a wholly-owned company of Phoenix Gama. Under this activity, Phoenix Construction Financing operates in the field of financing real estate development projects and land financing (mainly housing projects), as well as combination transactions, urban renewal, NOP 38/2 and raze and rebuild projects.

   As of the report date, Phoenix Construction Financing also provides credit portfolio management services in the area of activity owned by Phoenix Insurance, and management and operation services regarding Sale Law policies and various guarantees provided by Phoenix Insurance, in consideration for annual management fees, all in accordance with a management services agreement signed between Phoenix Construction Financing and Phoenix Insurance, as detailed in Section 2.6.12 below (the material agreements section).

4. **Consumer credit**

   During the third quarter of the reporting year, Phoenix Retail Credit started marketing consumer credit through a fully digital process. As described above, Phoenix Retail Credit will be transferred to Phoenix Gama during 2025, in effect as from January 1, 2025. For further details, see Section 1.2.10 above.

**The following table provides data as to Phoenix Gama's overall annual transaction turnover in 2022-2024, in NIS million:**

| 2024 | 2023 | 2022 |
|---|---|---|
| 43,558 | 38,718 | 38,950 |

**Financial information about Gama's areas of activity:**

**Breakdown of financial data as of December 31, 2024 or 2024 (as the case may be) (in NIS thousand)**

| | Acquiring and factoring credit vouchers subsegment | Credit for businesses | Construction Financing | Unattributed and adjustment | Total |
|---|---|---|---|---|---|
| Finance income | 565,152 | 197,855 | 106,062 | (413,974) | 455,095 |
| Finance expenses | 413,974 | 103,160 | 26,564 | (413,974) | 129,724 |
| Net finance income | 151,178 | 94,695 | 79,498 | - | 325,371 |
| Expenses for doubtful and bad debts | 364 | 11,380 | 7,311 | - | 19,055 |
| Selling and marketing expenses | - | - | - | 6,096 | 6,096 |
| General and administrative expenses | - | - | - | 135,577 | 135,577 |
| Pre-tax income in the period | | | | - | 164,643 |
| Income taxes | - | - | - | 47,653 | 47,653 |
| **Net income** | | | | | **116,990** |
| **Comprehensive income** | | | | | **116,990** |
| **Total assets** | **1,933,207** | **1,988,914** | **1,168,180** | **-** | **43,557,807** |

**Breakdown of financial data as of December 31, 2023 or 2023 (as the case may be) (in NIS thousand)**

| | Acquiring and factoring credit vouchers subsegment | Credit for businesses | Unattributed and adjustment | Total |
|---|---|---|---|---|
| Finance income | 555,447 | 210,107 | (413,651) | 351,903 |
| Finance expenses | 413,651 | 108,037 | (413,651) | 108,037 |
| Net finance income | 141,796 | 102,070 | - | 243,866 |
| Expenses for doubtful and bad debts | (40) | 12,757 | - | 12,717 |
| Selling and marketing expenses | - | - | 5,776 | 5,776 |
| General and administrative expenses | - | - | 116,998 | 116,998 |
| Pre-tax income in the period | | | | 108,375 |
| Income taxes | - | - | 29,189 | 29,189 |
| **Net income** | | | | **79,186** |
| **Comprehensive income** | | | | **79,435** |
| **Total assets** | **1,911,371** | **1,870,569** | **-** | **3,781,940** |

The nature of adjustments made to the financial data as of December 31, 2024, December 31, 2023 and December 31, 2021 is as follows:

In credit vouchers acquiring and factoring - the breakdown of finance income against finance expenses presented in the table reflect Gama's turnover with the merchants and financing entities;

Selling and marketing, general and administrative expenses are presented in the adjustments column since Gama does not allocate those expenses to the different operating segments.

## 2.6.2. Key Developments in Phoenix Gama's Activity

**Investments in the Gama's Equity and Transactions Involving its Shares**

On September 28, 2023 Phoenix Gama allocated 980,709 shares to the Company against a capital injection of approx. NIS 13.7 million.

On January 1, 2024, Phoenix Gama allotted 24,446,142 shares to the Company against capital injection amounting to approx. NIS 320 million.

For investments in Gama's capital subsequent to the reporting year, see Sections 1.2.10 and 2.6.1 above.

**Dividend distribution policy**

On November 12, 2023, Phoenix Gama's board of directors approved that the dividend distribution shall be carried out every half a year instead on a quarterly basis. Also according to the policy, the dividend rate will not be lower than 30% of the annual net income as per Gama's latest reviewed or audited consolidated financial statements, provided that the dividend distribution shall meet the requirements of the law, including dividend distribution tests prescribed by the Companies Law. On

February 27, 2025, Phoenix Gama's Board confirmed that a dividend distribution will be executed once a quarter instead of every six months, as described above, with no changes to all other policy items.

### 2.6.3. General environment and effect of external factors on Phoenix Gama's activity

The Israeli corporate credit market - covering the provision of credit to wholesale and retail companies and businesses from all operating segments of the Israeli economy - is mainly controlled by banking corporations and institutional entities. Other market players include the payment card companies, credit funds and non-bank credit companies.

In recent years, regulators introduced many regulatory measures aimed at regulating the field of financial services in Israel in general and the field of non-financial credit in particular, while increasing competition in these fields and providing consumers with a regulated alternative alongside or in collaboration with the services currently provided by banking corporations and institutional entities, while creating a licensing regime for market players in order, inter alia, to enable the connection of non-banking entities to the existing payments systems while keeping out entities that lack a reliable, stable infrastructure in order to protect the payments system and the interests of customers and/or against entities with illicit activity.

In recent years regulators have also introduced regulatory measures aimed at increasing competition among entities providing the most common financial and banking services (following the recommendations of the "Strum Committee"); those new regulatory measures included, among other things, legislation whose aim was to increase competition and reduce concentration in the Israeli banking market, as well as to increase the competition in the acquiring market by regulating the activity of acquiring aggregators - a field in which Phoenix Gama operates under agreements with CAL and Isracard, alongside the legislation already in place, regulating the factoring market.

Furthermore, in recent years we witnessed a trend of expansion in technological financial services and solutions; those included local and international payment apps, the entry of multinationals such as Apple Pay and Google Pay to the payments market, and the provision of credit through online platforms. This trend expanded the services offering and the potential of creating other regulated market players that will operate as an alternative to, alongside or in collaboration with banking corporations and institutional entities. This potential expansion of the means of payment offered to merchants is in line with Phoenix Gama's activity to date; Phoenix Gama's objective is to provide merchants solutions that will maximize value for them by providing them a one stop shot providing as many financial services and financing solutions as possible.

Under said regulation, on June 14, 2022, the Open Banking Reform began to come into force gradually, in accordance with **the Financial Information Service Law, 2021** (hereinafter - the "**Financial Information Service Law**"), that allows entities holding the required license to obtain, at the consent of the customer, online access to financial information about the customer from sources of financial information for the purpose of providing various services to the customer, including offering products or financial services to the customer. At the same time, the Financial Information Service Law requires sources of information that hold financial information pertaining to the customer to give financial information service providers online access to the customer's financial information (provided that the customer has given his/her consent).

In accordance with the Financial Information Service Law, an entity holding a license to provide credit, such as Phoenix Gama, may act as a provider of financial information services after obtaining the Capital Markets Authority's approval. After the law came into force, the Capital Markets Authority published circulars regarding "Directives to Financial Information Service Providers", that prescribe provisions regarding the manner by which such a license may be obtained, as well as provisions regarding the activity of a credit provider license holder as a financial information service provider.

Furthermore, in accordance with the Financial Information Service Law, a credit provider license holder, such as Phoenix Gama, is considered a source of information, that will be obliged to provide access to financial "information about credit", in accordance with the dates set out in the law; as of the report publication date, the law is expected to take effect in May 2025.

In addition, in June 6, 2023 The Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 (hereinafter - the "**Regulation of Engagement in Payment Services Law**") was published, which prescribes a new supervision and licensing regime, which will apply to non-bank providers of payment services, which are not supervised by The Bank of Israel. The purpose of the law is to enable the entry of new market players into the payments market, including international entities, and thereby increase the competition in this field and allow the development of innovative financial products and services, that will contribute to the promotion of the Israeli payments markets, increase its efficiency and lead to economy-wide cost savings as part of the execution of payment transactions, including of payment initiation services. The new law supplements the Payment Services Law, 2019, which enshrined the protections available to those who make payments and to beneficiaries with respect to payment services.

Concurrently with the regulation of the payment services as described above, the Bank of Israel also promotes processes and actions designed to increase the number of market players using the payment systems under its supervision and also allows the creation of channels for development of payment transfers in addition to the traditional means currently available through the banking corporations or credit card companies, including faster payments through MASAV payment accounts. In order to increase the number of market players and payment means as detailed above, the Bank of Israel also assigns identification codes to non-bank entities, which comply with the criteria for participating in the Bank of Israel's regulated payment systems. In January 2025, the Bank of Israel confirmed that Phoenix Gama meets the criteria for assignment of an identification code for participation in regulated payment systems, and accordingly Phoenix Gama was assigned an identification code.

In addition, on February 14, 2024, the Bank of Israel published a call for proposals asking for the public's comments on a gradual outline of licensing and proportional regulation for non-bank entities in order to increase competition in the Banking System; subsequent to the above, on October 9, 2024, the Bank of Israel published an interim report, which includes the recommendations of the taskforce for assessing the outline for granting a bank license to non-banking entities. The report includes a series of recommendations for legislative changes, which will allow non-banking entities to obtain a license to hold deposits against the provision of credit in order to increase competition in the field. Currently, an inter-ministerial taskforce, which was set up by the Ministry of Finance is also assessing the recommendations included in the Bank of Israel's interim report, which have not yet been published. If regulatory changes allow non-banking entities to obtain a license to hold deposits against the provision of credit, this will be a very substantial development with regard to non-banking entities' ability to compete in the field of credit provision.

In the opinion of Phoenix Gama, in the next few years these trends will lead to increased growth in the non-banking credit market, payments market, and financial services market, as an alternative to, alongside or in collaboration with banking corporations and institutional entities. Accordingly, on the one hand these developments may allow further growth in Phoenix Gama's activity, both in terms of the range of products it will be able to offer its customers, and in terms of the synergy between those products. On the other hand, the said regulation may also intensify the threat by competitors, both in terms of the number and range of market players, including the entry of international market players, and in terms of the number and range of the payment products available in the market, which may decrease the use of traditional means of payment, such as payment cards, which is Phoenix Gama's main focus of activity.

## 2.6.4. General information about Phoenix Gama's areas of activity

**Credit cards**

The two key services in this subsegment are acquiring aggregator of payment cards and factoring of payment card vouchers. The services are provided to merchants, through Phoenix Gama and subsidiary Gama Finance. As of the date of this report, Phoenix Gama has a material acquiring aggregation agreement in place with CAL, and an immaterial acquiring aggregation agreement with Isracard.

The Law for the Promotion of Competition and Reduction of Concentration in the Israeli Banking Market (Legislative Amendments), 2017 was published in 2017 as part of the "Strum Reform" (hereinafter - the "**Competition Promotion Law**"), whereby an acquirer shall only be allowed to refuse entering into engagement with acquiring aggregators for reasonable reasons and as provided by law. Acquiring aggregators have been operating in Israel for several years, but their activity was low in scope and the acquirer fees they charged were relatively high. After the legislation of the Strum Reform and the Competition Promotion Law, Phoenix Gama entered into an acquiring aggregation agreement with CAL, as a consequence of which Phoenix Gama became a substantial acquiring aggregator in the market.

Under Phoenix Gama's acquiring aggregation agreement with CAL, it was decided that Phoenix Gama will work to provide merchants acquiring services as an aggregator through CAL. In view of Section 7B to the Banking Law (Service to Customers), 1981 (hereinafter - the "**Banking Law (Service to Customer)**") an acquirer is prohibited from terminating its agreement with the aggregator on unreasonable grounds. On February 27, 2025, Phoenix Gama and CAL signed a renewal of the acquiring aggregation agreement for further five years through December 31, 2029.

In order to provide the vouchers factoring services outside its activity as a acquiring aggregator, Phoenix Gama has in place agreements with the leading acquirers in Israel: CAL (including Diners), Isracard (including Premium Express Ltd. - American Express brand name) and Max; those agreements allow Phoenix Gama to provide payment card vouchers factoring services to merchants that have in place agreements with any of the said acquirers, with the latter undertaking - as part of the agreements - to pay Phoenix Gama the acquiring proceeds assigned to Phoenix Gama by the merchant. This activity falls under the category of factoring services under Section 7A to the Banking Law (Service to Customer), which imposes requirements on acquirers regarding engagements with providers of factoring services; under these requirements, the acquirers are not allowed to discriminate against a provider of voucher factoring services, including the acquirer's own factoring activity; acquirers are also not allowed to refuse an engagement between a provider of voucher factoring services and a merchant or to refuse an application to engage in execution of voucher factoring services, for unreasonable reasons.

In this area of activity, Phoenix Gama also offers its customers, and sometimes also merchants, which do not receive acquiring aggregator and factoring services from Phoenix Gama, a credit vouchers correlation service through the subsidiary Control, which allows the customer to achieve correlation between the payment cards transactions it executed and its receipts as per its books of accounts, including journal entries for its bookkeeping software.

### Changes in the scope of operations and profitability of the subsegment

Phoenix Gama's acquiring aggregation agreement with CAL triggered competition in terms of the acquirer fees paid by merchants to acquirers and aggregators and to entities providing the acquiring services; the said agreement caused a decrease in acquirer fees and reduced many merchants' costs relating to transactions conducted with payment cards, especially small and medium merchants.

On the other hand, the significant increase in interest rates in Israel since mid-2022 also led to an increase in the costs incurred by merchants in respect of factoring of debit vouchers, such that in order to reduce the finance costs, some of the merchants limit the use of factoring of debit vouchers, whether by limiting the number of payments in transactions with their customers, or by partially or fully relinquishing those services.

Notwithstanding the above, in the reporting year Phoenix Gama increased the scope of activity in this subsegment.

### Development in the subsegment's market, or changes in its customers' characteristics

The payment card vouchers acquiring and factoring market benefited from organic growth over the years as a result of population growth and improved living standards. Furthermore, in view of regulatory measures encouraging reduced use of cash and technological advancements, we are witnessing a transition from payment in cash to payment using other means of payments, such as payment cards, including digital means.

In addition, the Strum Reform and changes therein triggered in the market resulted with a less concentrated acquiring market and an increase in the market share of new players in the field of payment acquiring - acquiring aggregators, led by Phoenix Gama.

### Technological changes that may have a material effect on the subsegment

The adoption of the EMV standard has made the use of payment cards by merchants even more secure. This process allowed the introduction of other innovative technologies and payment methods, such as contactless payments. In addition, the development of other innovative technologies in the field of payment cards accelerated the transition to e-commerce, including using technologies that secure the payment, such as 3d Secure. The payment cards market adopts new clearing technologies, both in physical terminals and through the Internet and e-commerce, alongside the development of advanced digital payment options such as local and international payment apps (such as Apple Pay and Google Pay) and local and international digital wallets that offer various payment apps, through which transactions may be conducted both in physical terminals and online.

Currently, payment apps and digital wallets - including Apple Pay and Google Pay - operate through payment cards; accordingly, Phoenix Gama's acquiring and factoring services are also required for payments made using such methods. The introduction of technological and regulatory changes which allow direct payment from one account to another mature into a viable product, rather than through a payment card, specifically in terms of payments for goods and services bought physically from merchants and online payments for retail goods and services, may adversely affect payment card activity in Israel and consequently - Phoenix Gama's revenue and profit in this field.

Phoenix Gama continues to take steps to integrate its capabilities with the new means of payment and payment apps, in order to become a one stop shop offering a comprehensive solution for merchants encompassing all means of payment.

The development of authentication technologies allowed the regulator, which supervises Phoenix Gama's activity - the Capital Markets Authority - to adopt a policy that allows the recruitment of new customers using remote authentication, even in cases where customer authentication is required as part of the know your customer process for anti-money laundering purposes; this allows a more efficient and faster customer recruitment process in terms of resources invested by companies.

### Credit for businesses

As described above, under Phoenix Gama's growth strategy, and in view of its strengths and capabilities, Phoenix Gama serves as the Group's credit arm. As part of the above, Phoenix Gama is in the process of transitioning from product-based management customer-based management, bearing in mind all of the customer's needs and focusing on unique value propositions comprising a range of credit solutions, which are tailored to each customer. To this end, in the second half of 2024 Phoenix Gama adapted its organizational structure and as a consequence also started reporting its activity under the credit for businesses segment, which includes all credit products provided to business customers. Under the activity in this segment, Phoenix Gama (itself and through Gama Finance) provides financing solutions for the business sector in Israel. Financing is provided to meet all credit needs of the business customer, and includes working capital financing, investment financing, bridge loans to achieve development and growth, including provision of guarantees for business needs (hereinafter - "**Credit for Businesses**")

### Segment structure and changes therein

The main players in the segment are banking corporations, institutional entities, credit card companies and non-banking financing entities.

### Changes in the scope of operations and profitability of the subsegment

In view of the market's opening to competition, the regulation of the non-bank market, and the marketing activities of the various actors, Phoenix Gama estimates that the competition in these fields will continue to develop alongside a continued growth in non-bank activities.

Without derogating from the above, the effects of the substantial increase in interest rate in Israel since the second half of 2022 and the high interest levels during the reporting year - which led to an increase in the cost of financing for businesses - increased the risk associated with the segment, and also led to subsidence in demand for financing for investment in business development – also due to the effects of the Iron Swords War and the ensuing uncertainty, which caused businesses to cut costs and suspend development or investments, which require finance costs and are not necessary for conducting their operating activities. Due to the above, Phoenix Gama and the market as a whole experienced a reduction in the potential for providing credit at a given risk appetite, and consequently competition increased.

### Development in the subsegment's market, or changes in its customers' characteristics

In connection with this matter, see the description of the effect of interest rate hikes in Israel on the area of activity and the outbreak of the Iron Swords War, as detailed in Section 1.5 to the Report of the Board of Directors, and the effect of the introduction of the open banking reform, as detailed above. In addition, supporting provisions were published by the Capital Market Authority regarding prudential regulation for credit providers with a substantial public debt, which enables entities regulated by the Capital Market Authority, which meet the relevant regulatory requirements, to also issue bonds and commercial papers of up to NIS 15 billion – which allows non-banking entities to raise funding sources through a variety of means in order to expand their activity and reduce the price of funding sources in order to enhance their ability to compete.

### Technological changes that may have a material effect on the subsegment

Phoenix Gama is of the opinion that the implementation of the open banking reform and the underwriting capabilities arising therefrom, which rely on technological capabilities of receiving information and analyzing it in real time, are expected to have a material effect on the area of activity, both in terms of customers' switching between financing entities, and in terms of a more accurate underwriting capability, based on reliable real time information regarding the customer's position, that will enable resources savings during the underwriting process. Phoenix Gama's assessments in this section regarding the effects of the open banking reform constitute "forward-looking information", as defined by the Securities Law, since, among other things, they are based on current data in its possession, and since their materialization depends, in part, on third parties, including the relevant regulators, and actual results may differ (even substantively) from the results assessed or expected by Phoenix Gama.

### Construction Financing

Activity in the construction financing segment is carried out by a wholly-owned subsidiary of Phoenix Gama - Phoenix Construction Financing. The activity in this field is an integral part of the diverse set of financing solutions offered by Phoenix Gama and allows Gama to expand the basket of credit services its can provide its customers and its circle of real estate customers as well as the synergy between all the financing services and financial solutions, which Phoenix Gama can provide to Group's customers.

Phoenix Construction Financing's advantage in this segment arises from the fact that it is part of the Group and thus serves as a one-stop-shop for its customers, which includes the provision of a comprehensive solution for the project's financing needs and giving developers a range of advantages, including: creating a tailored transaction structure and drawing up a financing agreement suitable to the customer's needs, while providing a comprehensive response to both the credit required in the transaction and the guarantees and Sale Law policies provided by Phoenix Insurance, under the management of Phoenix Construction Financing.

### Segment structure and changes therein

A number of entities operate in the Construction Financing Subsegment, which provide construction financing services, including banks and insurance companies, non-banking credit companies, private financing funds, etc. The scope of activity in this subsegment has been on the rise in recent years for various reasons, such as an increase in the volume of transactions in the industry (and hence, an increase in the financing needs of the developers), an increase in financing rates, and accessibility of sources of financing to developers in the industry.

### Changes in the scope of operations and profitability of the subsegment

The demographic growth rate in Israel is high relative to the rate of construction and therefore the real estate market is characterized by excess demand. 2024 was characterized by a sharp increase in sales volume in this subsegment, with a return to levels similar to those of 2022, prior to the interest rate rise, after a relative stagnation in 2023. The positive trend of renewed growth was led by apartment sales volumes: According to the latest housing prices index, in November-December 2024 there was a monthly increase of 0.4%; in annual terms, housing prices increased by approx. 7.3%.

One may observe that the above data regarding housing prices and the increase in construction are reflected in the volume of credit that construction companies apply for. Thus, for example, private sector credit has increased by approx. NIS 51 billion since the outbreak of the Iron Swords War and through July 2024, driven by business credit for the construction and real estate sector and mortgages for households. In addition, during the second half of 2024, bank credit to the construction industry increased, mainly to finance construction processes. This, against the backdrop of a decline in activity in the industry, longer construction processes and the attempt of construction contractors to attract customers through financial promotions. In a way, this trend continues the process of adapting the mode of activity and financing to the higher interest rate environment and the increase in production costs;[18] this figure can be seen as indicating an existing and expected increase in the scope of real estate projects to which Phoenix Construction Financing may provide financing.

The reporting year was characterized by difficulties in recruiting construction workers (due to substantial restrictions on the employment of Palestinian workers from Gaza and the West Bank, as well as foreign workers' leaving Israel due to the Iron Swords War), and the increase in raw materials prices and labor costs as a whole.

However, in the reporting year, Phoenix Construction Financing increased the scope of its activity in the subsegment, and approved new transactions, some of which are expected to come to fruition in 2025; the scope of activity also increased through the utilization of existing credit facilities of projects which received financing.

**Development in the subsegment's market, or changes in its customers' characteristics**

Over the years, awareness of financing channels such as the ones offered by Phoenix Gama through Phoenix Construction Financing has increased against the alternative of bank financing.

## 2.6.5. Critical success factors in the area of activity and Changes therein

The following success factors may be listed in connection with Phoenix Gama's activity:

- **Goodwill**

  The reputation of Phoenix Gama and its managers is of crucial importance due to the nature of Phoenix Gama's activity. Phoenix Gama is a long-standing market player; over the years, it created a reputation as a reliable and professional company, which is financially stable and robust, and as a generator of competition in the small and medium businesses sector in Israel.

- **Liquidity and service availability**

  As a rule, services of the type provided by Phoenix Gama require liquidity levels that will allow the conducting of a large number of transactions, the recruitment of new customers and the provision of services to customers with large-scope activities. Liquidity is also a crucial factor when it comes to the availability of the service and to Gama's ability to provide quick, simple and efficient solutions that meet its customers' needs.

- **High-quality underwriting mechanisms in the field of compliance**

  Supported by a professional, long-serving and highly qualified team - which also includes the Analysis Unit, Phoenix Gama implements its underwriting and risk assessment policies. Phoenix Gama conducts ongoing controls over and monitoring credit and money laundering risks, relying for that purpose on its knowhow and capabilities in this area.

[18] According to the Financial Stability Reports for the first and second half published by the Bank of Israel on November 11, 2024 and February 11, 2025.

- **Nationwide deployment of personnel on the ground**

  As of the report date, Phoenix Gama has a broad network of experienced and professional account managers with good knowledge of Phoenix Gama's customers, the market and competitors, most of whom also have many years of experience in Phoenix Gama, which are deployed nationwide and enable the provision of personal, professional and readily available services and a quick response time. A fast response time is a key consideration for customers.

- **Familiarity with the market and customized solutions**

  Gama's extensive and in-depth familiarity with the market allows it to understand the unique needs of its sub-markets, thereby giving it the insight required to customize solutions that meet the unique needs of its different customers.

- **Supportive technological system**

  Over the years, Phoenix Gama has developed a dedicated technological system, which combines its vast experience and knowledge of its customers' needs. The system enables Phoenix Gama to provide customers with professional services, which are customized to their needs; it also enables Phoenix Gama to develop, where needed, new and additional products, which allow it to increase the value proposition to its customers and to serve as a one-stop-shop for all financial services they require in the Credit Segment, and in the credit card acquiring subsegment.

## 2.6.6. Major entry and exit barriers in areas of activity

The following success factors may be listed in connection with Phoenix Gama's activity:

- **Requirement to comply with regulatory threshold**

  Generally, the engagement in Phoenix Gama's various areas of activity requires companies to comply with the provisions of the Financial Services Law and regulations promulgated thereunder, including when Phoenix Gama's volumes of activity are concerned, which require an extended financial service provider license for financial assets and an extended credit provision license, a permit to hold means of control in a financial service provider, and compliance with the relevant requirements of the Financial Services Law, as well as directives of the Capital Markets Authority published by it from time to time under its power to oversee Regulated Financial Services, which are regulated under this law.

- **Funding sources**

  Phoenix Gama's various areas of activity require financial resources, including equity and the ability to raise funds from external sources under terms and conditions which will enable Phoenix Gama to offer competitive propositions relative to its competitors.

## 2.6.7. Customers

**Credit cards**

During the 12 months prior to December 31, 2024, approx. 18,200 customers conducted transactions with Phoenix Gama.

Phoenix Gama has a large, diverse customer base. Accordingly, in the opinion of Phoenix Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity.

Phoenix Gama's customers in this subsegment are Israeli retailers, chain stores and service providers operating in various sectors, such as household electrical and electronics, food, fashion and clothing, tourism, auto-repair shops, air-conditioning, jewelry, medicine, homeware and gifts, coffee shops and restaurants and service providers. Phoenix Gama's customers in this subsegment are mainly limited liability companies and licensed dealers.

**Credit for businesses**

During the 12 months prior to December 31, 2024, approx. 3,300 customers conducted transactions with Phoenix Gama.

Phoenix Gama has a large, diverse customer base. Accordingly, in the opinion of Phoenix Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity.

Phoenix Gama's customers in this subsegment are Israeli companies and businesses from various industries, including customers, which operate in the field of credit cards.

**Construction Financing**

As of the report date, Phoenix Gama's credit portfolio in this subsegment consists of dozens of projects; Gama also manages the credit provided by Phoenix Insurance to dozens of other projects.

Phoenix Gama's customers in this area of activity are real estate developers active in project construction (mainly residential) in Israel, including some of the leading, most substantial companies in Israel's real estate market. Due to the said customer diversification, in the opinion of Phoenix Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity. In addition, Phoenix Gama has no single customer which accounts for 10% or more of Phoenix Gama's revenue as per its consolidated financial statements.

## 2.6.8. Competition

**Credit cards**

Phoenix Gama's key competitors are the acquiring companies that bring forward payments to merchants or conduct factoring of payment card vouchers, both directly and through subsidiaries (Isracard and its subsidiary "Tzameret Mimunim", Max and its subsidiary "Max It Discounting Ltd.", CAL and its subsidiary "Iatzil Finance").

The acquiring market in Israel has been active for decades. Through 2017, there were three main players in the market - Isracard, CAL and Max. Since 2017, following the Strum reform and subsequent legislative amendments, Phoenix Gama entered into an acquiring aggregation agreement with CAL and started substantial activities as an acquiring-aggregator. Phoenix Gama has generated competition in this market. Phoenix Gama believes that despite the fact that acquiring aggregators do not publish the scope of their activities, and despite the fact that Phoenix Gama does not know their exact number, it has the largest market share in the Israeli acquiring aggregators market. However, as of the report date, Phoenix Gama's market share in the acquiring aggregator market, which has been growing at a very fast rate since the commencement of the activity, is still substantially lower than the scope of the acquiring activity of any of the established acquiring companies.

Do deal with competition, Phoenix Gama operates in a number of arenas – price, reputation, level of service and the range of credit services it can offer while maximizing the value proposition to its customers and leveraging Phoenix Gama's in-depth familiarity with the business and retail market and it professional knowledge in this field. Phoenix Gama's long-serving and highly experienced human capital enables it to operate while utilizing in-depth knowledge of the merchants and the market, to provide high-quality service and even to mitigate risks and reduce credit losses. In addition, Phoenix Gama has an advantage in terms of its advanced technology systems it puts at the disposal of its customers in its capacity as an entity factoring payment cards vouchers for thousands of Israeli merchants - in favor of promoting its acquiring aggregator activity. However, the significant increase in the interest rate in Israel and the resulting increase in finance costs, and - on the other hand - the aggressive competition even during these periods, may affect the continuation and scope of growth of Phoenix Gama in this subsegment.

The turnover of transactions cleared through Gama as an acquiring aggregator in 2024 amounted to approx. NIS 19.6 billion (compared with approx. NIS 16.2 billion in 2023 and approx. NIS 14.6 billion in 2022). The total turnover reflects a continued and consistent increase in the number of merchants conducting their acquiring activities via Phoenix Gama, as well as the increase in business activity in Israel. Phoenix Gama is mainly active in the retail market and does not serve as an acquiring aggregator in the market of payments to the government, municipalities, institutional accounts (such as electricity, municipal taxes), fees, etc. Phoenix Gama does not have the data required to assess its market share in the relevant market.

**Credit for businesses**

Competition in this field in which Phoenix Gama is active has been intensifying following the entry of new players. The banks are the main players, as are institutional entities, credit funds and various non-banking financing companies.

Phoenix Gama is unable to quantify its market share in this field, since it does not have access to its competitors' data or to the data of other players in this field; however, it believes that its market share is very small.

According to Phoenix Gama, its advantages in this subsegment arise from its reputation as a stable and robust company, which is fully controlled by the Company - one of the largest and leading financial groups in Israel - and serves as its credit arm. Phoenix Gama has been serving thousands of Israeli businesses for many years and has a large-scope credit portfolio. This reputation is also reflected in its high rating, as detailed above. This financial robustness enables Phoenix to raise funding sources at low interest rates and leverage them to offer competitive credit offering. All this alongside a personal, fast and professional service, customized to meet the customers' needs.

**Construction Financing**

As of December 31, 2024, Phoenix Gama's credit portfolio in this subsegment consists of dozens of projects; Phoenix Gama also manages the credit provided by Phoenix Insurance to dozens of other projects.

Phoenix Gama's customers in this area of activity are real estate developers active in project construction (mainly residential) in Israel, including some of the leading, most substantial companies in Israel's real estate market. Due to the said customer diversification, in the opinion of Phoenix Gama and its managers, it is not dependent on a single customer or on a small number of customers, the loss of whom will have a material impact on this area of activity. In addition, Phoenix Gama has no single customer which accounts for 10% or more of Phoenix Gama's revenue as per its consolidated financial statements.

## 2.6.9. Seasonality

**Credit cards**

This subsegment is mostly related to the activity of the Israeli retail market, and as such it is impacted by changes in trade volumes; thus, for example, sales increase before the Jewish holidays (the High Holidays and Passover) and, as a result, the volume of Gama's activities in this subsegment increases accordingly or declines during crisis periods, such as war, security events or exceptional economic events.

**Credit for businesses**

This subsegment is not affected by seasonality, and the latter is not expected to substantially affect the volume of Phoenix Gama's activity.

**Construction Financing**

This subsegment is not affected by seasonality, and the latter is not expected to substantially affect the volume of Phoenix Construction Financing's activity.

## 2.6.10. Specific regulation

Phoenix Gama is subject to regulatory requirements and restrictions by virtue of the regulations relevant to all its areas of activity, as detailed below:

**1. Financial Services Law**

The Financial Services Law stipulates, among other things, that entities engaged in the provision of financial services are required to have the relevant license; the said law also imposes restrictions and sets provisions applicable to those entities in connection with the management of their business activity in the field of provision of financial services.

The process of obtaining a license for the provision of financial services may take time, and companies wishing to obtain such a license are required to adopt procedures (as stated in the licensing procedure for service providers in financial assets or the provision of credit published by the Capital Market Authority) and provide minimum equity in accordance with the provisions of the Financial Services Law.

The Commissioner of the Capital Market, Insurance, and Savings is charged with the application of the provisions of the Financial Services Law. In its capacity as the official charged with the application of the provisions of the said law, the Commissioner has extensive regulatory, compliance, and administrative review powers, including the power to impose monetary sanctions. Providers of financial services are required to comply with the Commissioner's directives and guidance as published from time to time.

In order to comply with and implement the provisions of the law, Phoenix Gama has adopted procedures and work processes and is also required to comply with the requirements of the Commissioner, as published from time to time. Failure to comply with the provisions of the law and/or the Commissioner's Directives may expose Phoenix Gama to financial sanctions, and in some cases even to revoke Phoenix Gama's license.

As of the report date both Phoenix Gama and Gama Financing hold an expanded license for the provision of credit and an extended license for the provision of services in financial assets. This is expected to be relevant to an immaterial activity out of the total volume of Phoenix Gama activity and its revenues.

### 2. Prohibition on Money Laundering Law

The purpose of the Prohibition on Money Laundering Law, 2000 (hereinafter - "**Prohibition on Money Laundering Law**") is to prevent money laundering in Israel through, inter alia, institutional entities and financial services providers. The regulation in this subsegment imposes two types of requirements on Phoenix Gama:

1) Requirements whereby risk management is not subject to discretion ("**Requirements of the First Type**"), such as: Quantitative monthly report to the Israel Money Laundering and Terror Financing Prohibition Authority (hereinafter - the "**Money Laundering Authority**"), management of a computerized database that includes, among other things, the details of customers, guarantors, beneficiaries, etc., know your customer procedure (KYC) and customer authentication in the manner stipulated in the Prohibition on Money Laundering Ordinance (Identification, Reporting and Record-Keeping Obligations of Credit Providers to Prevent Money Laundering and Financing of Terrorism), 2018;

2) Requirements subject to the exercise of discretion in risk management ("**Requirements of the Second Type**"), for example, a special report to the Money Laundering Authority regarding any "unusual transaction" of a customer (according to a long and open list of criteria), ongoing control over the customer's activity, adaptation of controls to the existing familiarity with the customer, monitoring and assessing ongoing transactions / actions which are predicted to be unusual or have an increased potential risk.

### 3. Banknote Ordinance

A deferred receivable is a bill that has the characteristics set in the Retirement (Pension and Provident). The Banknote Ordinance regulates the endorsement of a receivable ( check) by one person to another, such that the rights attached to the receivable are transferred to the endorsee as well as the rights of a "holder in due course" of a banknote.

### 4. Law for Reducing the Use of Cash

In accordance with the recommendations of the Locker Committee, the Law for Reducing the Use of Cash, 2018 outlines a policy for reducing and limiting the use of cash as a means of payment in the Israeli economy, with the main objectives being taking action against "black capital", economic crimes and money laundering, and expanding the tools available to the government in its efforts to achieve those objectives.

Furthermore, the law sets restrictions on endorsement of checks whose amount is higher than NIS 10,000; however, the said restrictions do not apply to endorsement in favor of a regulated financial entity; nevertheless, restrictions have been placed as to the number of endorsements and the identity of the endorsers. The Minister of Finance may stipulate that such endorsement shall be carried out only with respect to services they prescribed; however, as of the report date, no such restrictive provisions were prescribed.

### 5. Credit Data Law

The Credit Data Law, 2016 aims to reduce any asymmetry in connection with financial information, increase the competition in the retail credit market as well as the accessibility of credit, reduce the discrimination in the process of granting credit as well as the economic gaps, and create a database of non-identifying information to be used by the Bank of Israel in carrying out its functions.

Phoenix Gama is registered both as a source of information and as an authorized user in connection with the Bank of Israel's credit database under the said law, and in light of this it transfers to the database information that the Bank of Israel manages, and on the other hand is entitled to receive information from the database, all in accordance with the provisions of the said law and the obligations imposed on Phoenix Gama due to that law.

### 6. Payment Services Law, 2019

The law, which came into force in October 2020, cancels the Payment Cards Law, 1986, and regulates, among other things, various aspects of the relationships between the provider of payment services and a payer, and between the provider of payment services and a beneficiary (the merchant), when means of payment are used; this law includes provisions whereby the provider of payment services shall transfer funds to the merchant immediately or within a reasonable period of time agreed upon with the merchant; the law also prescribes general provisions regarding the execution of payment orders and liability arrangements pertaining thereto. Phoenix Gama's work processes and set of agreements comply with the provisions of the law.

### 7. Regulation of Engagement in Payment Services and Payment Initiation Law, 2023

In June 2024, the Regulation of Engagement in Payment Services and Payment Initiation Law, 2023 (hereinafter - the "**Regulation of Engagement in Payment Services Law**") went into force. The Regulation of Engagement in Payment Services and Payment Initiation Law provides for a new supervision and licensing regime by the Israel Securities Authority, which will apply to providers of payment services, which are not supervised by The Bank of Israel; it prescribes a range of provisions regarding the activity of license holders. The law is designed to encourage competition in the field and allow Israeli and foreign non-banking entities to be market players alongside traditional banking institutions. In accordance with the Transitional Provisions of the Regulation of Engagement in Payment Services and Payment Initiation Law, Phoenix Gama, which currently holds a license for the provision of services in financial assets by virtue of the Financial Services Law, will be permitted to continue its engagement in the field of payment services without having to hold a license under the new law until June 2026. During 2024, the Israel Securities Authority published the licensing rules for providers of payment services and processors of basic payments, which require each license applicant to provide details regarding the applicant's reliability, description of the IT systems available to them, explanations regarding compliance with the capital requirements, which will be backed by evidence, etc. At present, Phoenix Gama believes that it will not be materially affected by the law; this without ruling out the possibility that the law will allow Phoenix Gama to expand the range of payment services it can provide to its customers, not only as a acquiring aggregator, and to the extent that Phoenix Gama sees fit, it will file a license application under the law even before the end of the transitional period.

The provisions of the Regulation of Engagement in Payment Services and Payment Initiation Law came into force gradually as from June 6, 2024 (hereinafter - the "**Effective Date**"). The new law will regulate a new supervision and licensing regime by the Israel Securities Authority, which will apply to providers of payment services, which are not supervised by The Bank of Israel; it prescribes a range of provisions regarding the activity of license holders. Phoenix Gama, which currently holds a license for the provision of services in financial assets by virtue of the Financial Services Law, will be allowed to continue its engagement in the field of payment services without having to hold a license under the new law for up to 24 months from the Effective Date (provided that it notifies this to the Israel Securities Authority and files a license application within 18 months from the Effective Date - a notice which was already filed by Phoenix Gama). The Israel Securities Authority started publishing the first procedures regarding the supervision regime as per the law, and regarding the licensing process that will include an assessment of the applicant's business plan, a requirement to meet capital requirements, assessment of the technological means of the license holder and more.

At this time, Phoenix Gama believes that the law will not have a material effect thereon once it comes into force in more than two years' time.

## 8. Privacy Protection Law

The Privacy Protection Law and the regulations promulgated thereunder require each company with respect to the databases it owns and possesses, among other things, to assess its databases and determine the level of security required therein. Phoenix Gama has lawfully registered databases. Phoenix Gama operates in accordance with the regulations in order to ensure that the appropriate security level is maintained and that the information it holds is protected in accordance with the provisions of the law.

## 9. Insolvency Law

The provisions of the Insolvency and Economic Rehabilitation Law, 2018 focus or rehabilitation of corporations and debtors. The provisions of said law work for the benefit of debtors, but do not allow them to evade paying debts; therefore, Phoenix Gama believes that the law's impact on its activities shall not be material or different than its impact on other financial entities.

## 10. Banking Law (Licensing)

Section 21 of the Banking Law (Licensing) prohibits corporations, which are not banking corporations to engage in: (1) Receipt of financial deposits and the provision of credit at the same time; and (2) issuance of securities that require a prospectus under section 15 to the Securities Law, and provision of credit at the same time. Under the section, various restrictions have been set affecting Phoenix Gama in connection with the securities it issued and may issue in the future, mainly binding provisions regarding capital adequacy and liquidity.

## 11. Restrictions under the acquiring aggregator agreement

In accordance with the provisions of the acquiring aggregator agreement, Phoenix Gama undertook not to conduct cross-border acquiring activities, i.e. - not to conduct acquiring transactions for foreign merchants, as this term is defined in the acquiring aggregator agreement.

## 12. DSS V3.2.1 PCI Standard

Phoenix Gama is PCI compliant. The purpose of the PCI standard is to secure the sensitive data handled by organizations operating in the payment card industry (data that allow the execution of transactions). The standard defines the security level required from entities handling payment cards numbers, with the level of security being in line with the amount of data. Phoenix Gama is classified to the highest security level.

The standard defines how data are to be saved and the requirements an entity needs to comply with in order to expose them. The standard requires entities to pass a strict annual assessment by a Qualified Security Assessor, at the end of which organizations receive an annual certificate saying that they are PCI compliant.

## 2.6.11. Financing

As of the report date, Phoenix Gama funds its activity using own sources, funds received from banks and institutional entities (mainly through direct loans, capital raising and by way of issuing bonds to institutional entities and commercial papers).

**Details regarding the effective interest rate and average interest on loans received from banks and non-bank entities, divided into short-term and long-term loans:**

**For 2024**

| Item | Effective interest rate<br>(In the range) | Average interest rate<br>(In the range) |
|---|---|---|
| Bank credit sources - Short-term loans | 6%-5.5% | 6%-5.5% |
| Bank credit sources - Long-term loans | 6%-5.5% | 6%-5.5% |
| Institutional entities - Short-term loans | 7%-6% | 7%-6% |
| Institutional entities - Long-term loans | 7%-6% | 7%-6% |
| Bonds (Series C) | 5.91% | 5.85% |
| Bonds (Series B) | 3.22% | 3.00% |
| Commercial Paper (Series 2) | 5.5%-5% | 5.5%-5% |
| Commercial Paper (Series 3) | 5%-4.5% | 5%-4.5% |

**For 2023**

| Item | Effective interest rate<br>(In the range) | Average interest rate<br>(In the range) |
|---|---|---|
| Bank credit sources - Short-term loans | 6%-5.5% | 6%-5.5% |
| Bank credit sources - Long-term loans | 6.5%-6% | 6.5%-6% |
| Institutional entities - Short-term loans | 7%-5.4% | 7%-5.4% |
| Institutional entities - Long-term loans | 7%-6% | 7%-6% |
| Bonds (Series C) | 5.99% | 5.85% |
| Bonds (Series B) | 3.22% | 3.00% |
| Commercial Paper (Series 2) | 5.5%-5% | 5.5%-5% |

**Loans taken by Phoenix Gama from institutional and banking entities (in NIS thousand), interest rates payable thereon and their term:**

| Lender | Date of loan provision | Purpose of the loan | The loan amount - in NIS million | Balance as of December 31, 2024 (estimated value) | Balance as of December 31, 2023 (estimated value) | Loan period in years | Annual interest (within a range) | Collateral (*) |
|---|---|---|---|---|---|---|---|---|
| **Institutional entity A** | 7/2023 | Financing a real estate portfolio | 100 | 89 | - | 3.0 | Between Prime and Prime + 1% | Pledging of receivables |
| **Institutional entity B** | 09/2021 and extension in 12/2024 | Financing a real estate portfolio | 200 | 200 | 200 | 3.0 | Between Prime and Prime - 1% | Pledging of receivables + financing agreements |
| **Banking corporation A** | 09/24 | Operating activity | 350 | 350 | - | 2.5 | Between Prime and Prime - 0.5% | - |
| **Banking corporation B** | 09/24 | Operating activity | 350 | 350 | - | 2.5 | Between Prime and Prime - 0.5% | - |
| **Banking corporation C** | 10/24 | Operating activity | 50 | 50 | - | 1.0 | Between Prime and Prime - 0.5% | - |

The amount of pledged receivables provided as collateral to the credit providers exceeds the balance of Phoenix Gama's outstanding debt to those credit providers. In the event that the collateral are realized, the institutional entities that provided the loan can use them to repay the debt owed to them, and the remaining balance of pledged receivables shall be used to repay Phoenix Gama's debts to its unsecured creditors.

**Credit facilities**

By virtue of a credit facility's instrument of approval of January 3, 2023, Phoenix Gama has in place a credit facility of approx. NIS 200 million from a bank; the facility will expire on December 31, 2025. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Phoenix Gama's accounts with that bank, with those receivables being pledged in favor of the said bank.

As of the report date, this facility has not been utilized.

On January 3, 2023, Phoenix Gama's Board of Directors approved the receipt of a fixed credit facility from another bank; the amount of the credit facility is NIS 100 million, and it is due to expire on April 30, 2025. The credit facility's instrument of approval sets out a number of preliminary conditions for the utilization of the credit facility, including, inter alia, a requirement whereby the credit will be extended against receivables deposited with Phoenix Gama's accounts with that bank, with those receivables being pledged in favor of the said bank.

As of the report date, this facility has not been utilized.

**Loan from Phoenix Insurance**

On January 1, 2024 as part of the restructuring by the Group and the transfer of Phoenix Construction Financing to a subsidiary of Phoenix Gama, Phoenix Insurance advanced to Phoenix Construction Financing a loan of approx. NIS 306 million (in this subsection - the "**Loan**"). The loan - with average duration of up to 3 years - bears interest at market rates, which was set, among other things, taking into consideration the yield of Phoenix Gama's traded Bond (Series C) bearing variable interest, as of the loan advancement date. In June 2024, Phoenix Gama repaid the full outstanding balance of the loan provided by Phoenix Insurance in favor of Phoenix Construction Financing totaling approx. NIS 313 million (including accrued interest).

**Shareholder loans**

On April 29, 2008, the Company and Phoenix Gama signed a shareholder loan agreement, which was amended on May 27, 2021, by virtue of which the Company advanced to Phoenix Gama a shareholder loan at a principal amount of NIS 50 million. In September 2024, Phoenix Gama repaid the full outstanding balance of the loan totaling NIS 33,333 thousand.

## 2.6.12. Material agreements

**Acquiring aggregator agreement**

On July 6, 2017, an agreement was signed for the first time between Phoenix Gama and CAL, according to which Phoenix Gama will act as an acquiring aggregator. Over the agreement term, several addenda and revisions were also signed. In view of the provisions of Section 7B to the Banking Law (Service to Customers), an acquirer is prohibited from terminating its agreement with the aggregator on unreasonable grounds.

By virtue of the agreement, Phoenix Gama shall provide acquiring aggregator services to merchants through CAL, which delivers to Phoenix Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Phoenix Gama's acquiring aggregator services during that month. Phoenix Gama credits the merchants in accordance with the agreements between the merchants and Phoenix Gama.

The agreement sets out instances in which CAL will be allowed to terminate the agreement with immediate effect, including if the regulations or tariffs of the international payment cards organizations will be modified in a way that will impact the execution of the agreement; if the agreement between CAL and the other payment cards companies shall be changed in a manner which makes it impossible or difficult to execute the agreement; if an instruction or a decision to do so is issued by the Israel Competition Authority; if an issuer refuses to pay CAL the vouchers' consideration.

CAL is required to approve each of Phoenix Gama's engagements with merchants, provided that its decision is reasonable and lawful. The acquiring aggregation agreement with CAL expired on January 5, 2025, in accordance with the terms of the agreement, and on February 27, 2025, Phoenix Gama signed a renewal of the acquiring aggregation agreement for further 5 years, retroactively, from January 1, 2025 through December 31, 2029. Under the renewal of the agreement, the parties reached new commercial agreements, in order to expand the cooperation between the companies, and strengthened the ability to recruit new merchants to the aggregator services. The terms of renewal of the agreement are expected to lead to an increase in the volume of the acquiring activity in CAL by customers of merchants, which entered into an acquiring aggregator agreement with Phoenix Gama, and to an increase in Phoenix Gama's revenues from the aggregator activity.

Furthermore, on November 29, 2022, Phoenix Gama entered into an acquiring aggregator agreement with Premium Express Ltd., as subsidiary of Isracard in connection with the American Express brand.

**Agreement with Matrix IT ERP Solutions Ltd.**

For details regarding the agreement, see Section 2.6.14 below.

**Engagements with payment card companies for the provision of payment card vouchers factoring services**

On November 21, 1999, Phoenix Gama and Isracard entered into an agreement whereby Phoenix Gama shall provide payment card vouchers factoring services to merchants who use Isracard's acquiring services; under the said agreement, Isracard has undertaken to pay Phoenix Gama the vouchers' proceeds that will be assigned to Phoenix Gama by the merchants. Each of the parties may terminate the agreement by giving a 30-day advance notice.

On November 2, 2004, Phoenix Gama and Isracard entered into an agreement whereby Phoenix Gama shall provide payment card vouchers factoring services to merchants who use Max's acquiring services; under the said agreement, Max has undertaken to pay Phoenix Gama the vouchers' proceeds that will be assigned to Phoenix Gama by the merchants. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

On March 1, 2011, Phoenix Gama and CAL entered into an agreement whereby Phoenix Gama shall provide payment card voucher factoring services to merchants who use CAL 's acquiring services; under the said agreement, CAL has undertaken to pay Phoenix Gama the vouchers' proceeds that will be assigned to Phoenix Gama by the merchants. The agreement was signed following a previous agreement signed between the parties. Subject to the terms of the agreement, it shall be renewed automatically every two years, unless one of the parties has informed the other (by giving it a 60-day advance notice) that it does not wish to extend the term of the agreement.

It is noted that in August 2011, subsequent to the signing of the said agreements, Section 7A to the Banking Law (Service to Customers) was enacted, whereby an acquirer shall only be allowed to refuse entering into engagement with entity providing payment card vouchers factoring services for reasonable reasons and as provided by law; therefore, the expiry of Phoenix Gama's said agreements is subject to the provisions of said law.

**Agreements for assignment by way of sale of payment card transaction vouchers to banks**

In 2015-2016 Phoenix Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Mizrahi Tefahot Bank Ltd., for the execution of assignment transactions by way of sale of Phoenix Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Phoenix Gama by merchants.

As part of the agreements with the banks, it was agreed that Phoenix Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain acquirer, in connection with management and factoring agreements signed between Phoenix Gama and the merchants, whereby the merchants assigned to Phoenix Gama their rights to receive funds from the acquiring services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Phoenix Gama gave the acquirers an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Phoenix Gama makes a representation to each bank regarding the nature of the vouchers, and insofar as the representations are found to be incorrect in respect of any of the vouchers, Phoenix Gama will refund the voucher's proceeds to the bank that purchased it. Based on past experience, Phoenix Gama believes that its exposure in respect of those representations is very negligible. In practice, the volume of vouchers that banks return to Phoenix Gama is negligible.

Each such bank has the right not to approve the factoring request submitted to it by Phoenix Gama and not to buy the consideration, provided that they notify Phoenix Gama on the same day on which the factoring request was submitted.

Each of the agreements with the banks may be terminated by each of the parties, at any given time and for any reason, by giving a 30-day advance notice.

In consideration for the sale of the rights, each such bank shall pay Phoenix Gama, upon the execution of the factoring, 100% of the net consideration amount, less any refunds from the previous considerations, and less the discount fees, which will be calculated on the basis of the annual interest set in the agreement. The discount fees will be calculated as from the date of factoring until the expected repayment of the considerations by the acquirers.

In accordance with each of the agreements, the relevant bank has the option to limit the scope of voucher purchases from Phoenix Gama.

Each of the acquirers has agreed to the assignment of the vouchers from Phoenix Gama to the relevant bank and the payment of the funds due to it in respect of the vouchers to account of the relevant bank. The agreement by Isracard's acquirer is limited in time and extended by Isracard from time to time, usually for a period of one year.

Subject to the agreements for the sale of the payment card transaction vouchers, Phoenix Gama entered into agreements with each of the said banks for the purpose of regulating Phoenix Gama's activities with the relevant bank.

**Agreement for the provision of credit management services and Sale Law guarantees between Phoenix Insurance and Phoenix Construction Financing**

On February 8, 2024, a management services agreement was signed between Phoenix Construction Financing and Phoenix Insurance (hereinafter - the "**Management Services Agreement**") by virtue of which Phoenix Construction Financing provides management services to the credit portfolio under the construction financing activity of Phoenix Insurance, and manages and operates - for Phoenix Insurance - the provision of Sale Law policies and various guarantees, in consideration for annual management fees.

As part of the abovementioned management services, Phoenix Construction Financing manages the transaction analysis, whether Phoenix Insurance's participation is expressed in the provision of credit alongside Phoenix Construction Financing or in the issuance of the policies alone, approval of each transaction in accordance with the authorizations hierarchies in Phoenix Insurance, conducting legal negotiations to formulate an agreement at terms generally accepted in the subsegment, transaction financing, current management of financing services in a financed project and collateral management.

In addition, on February 8, 2024, a master collaboration agreement was signed between Phoenix Construction Financing and Phoenix Insurance (hereinafter - the "**Collaboration Agreement**"), which sets the principles of collaboration between the companies with respect to existing projects and future projects. In accordance with the provisions of the agreement, it was determined that in future projects which will be assessed by Phoenix Construction Financing for the purpose of providing credit, insofar as the credit for those projects meets certain criteria set in the Collaboration Agreement, Phoenix Insurance will receive a proposal to collaborate in the provision of financing for the project together with Phoenix Construction Financing. It was also stipulated that in all projects financed by Phoenix Construction Financing, Phoenix Insurance will be asked to provide a Sale Law policy. The Company's participation in the provision of credit to future projects will be assessed in accordance with the parameters set in the Collaboration Agreement and Phoenix Insurance's policies and at its discretion. The Collaboration Agreement also set decision-making mechanisms regarding various events over the life of a financed project.

The Collaboration Agreement is valid until the end of 2026, but its provisions will remain in force even after its termination with regard to projects signed or approved through the end of the agreement term.

## 2.6.13. Marketing, distribution and support

Phoenix Gama's marketing, distribution and support activities are carried out through several channels: Phoenix Gama has a team of experienced customer portfolio managers, many of whom have been working for Phoenix Gama for many years; members of this team are deployed nationwide and engage in provision of services to customers and in customer retention through personal connections and in-depth understanding of the financing needs of the business, both in providing additional value propositions to customers and in recruiting new customers. Furthermore, Phoenix Gama has a marketing call center, which deals with incoming leads from Phoenix Gama's advertisements on various media channels, recruits new customers and expands the value proposition of Phoenix Gama to existing customers.

The branding as "Phoenix Gama" reflects the fact that Phoenix Gama is a wholly-owned subsidiary of the Company, and consequently the financial strength and robustness arising from this status. The branding change carried out in 2023 serves the implementation of Phoenix Gama's business strategy as a leading credit entity and as the Group's credit arm.

The new companies, which were transferred to Phoenix Gama - Phoenix Construction Financing and Phoenix Retail Credit (subject to completion of conditions precedent for the transfer of consumer credit activity, which has not yet been completed as of the report date), are used to conduct dedicated marketing activity for the credit subsegments, which is suitable for the relevant target audience, through professional conferences, collaborations, campaigns, exposure in the various media, etc.

## 2.6.14. Intangible assets

Phoenix Gama has set out an in-house computing function charged with the running of Phoenix Gama's IT systems which are based on Matrix's systems. Every year, Phoenix Gama invests great efforts in upgrading, developing and maintaining the IT systems and technological infrastructures and adapting them to its needs.

Phoenix Gama maintains a remote disaster recovery site and practices the use of that site that will be used as its main site in case of an emergency (the shutdown of the main site).

Phoenix Gama has 6 verbal registered trademarks.

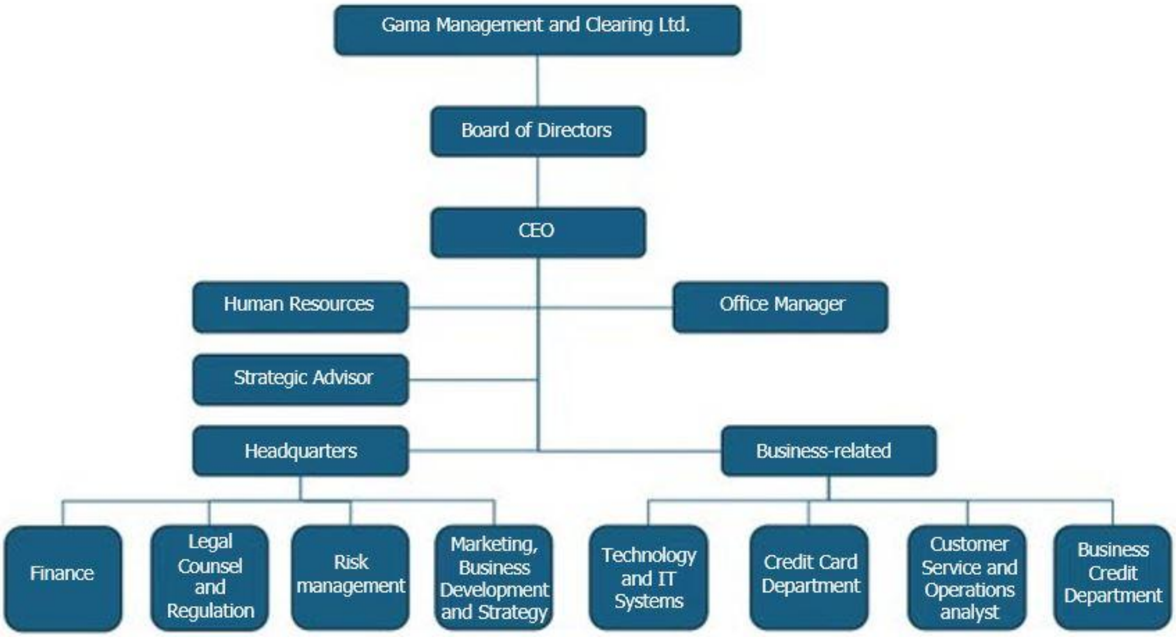
## 2.6.15. Human capital

As of the report date, Phoenix Gama's workforce comprises 200 employees and managers (including service providers and IT employees under a service agreement with Matrix) working full- or part-time. Labor relations in Phoenix Gama are good.

During the reporting year, Phoenix Gama faced the replacing of its CEO, after the announcement submitted to Phoenix Gama's Board of Directors - on January 31, 2024 - by its former CEO, Mr. Ariel Genut, who was one of the founders of Phoenix Gama and its CEO since it was founded 25 years ago, to the effect that he wishes to terminate his tenure in Phoenix Gama. Mr. Genut ended his tenure as CEO of Phoenix Gama and as director in Phoenix Gama and its subsidiaries on April 16, 2024. On April 10, 2024, Phoenix Gama announced the appointment of Mr. Ben Zion Adiri as CEO of Phoenix Gama, who started his tenure on July 1, 2024.

In order to implement Phoenix Gama's strategy as the Company's credit arm, Phoenix Gama's Board has decided to make several operational changes on a gradual basis, both on November 30, 2022 and on August 20, 2024, which are designed to support its transition from product-based management to customer-based management. Under the change made in the reporting year, Phoenix Gama's Board decided that all business credit products will be managed under a business credit department, alongside a department focusing on credit card activity, which includes the payment and credit services associated with this activity, and the construction financing activity, in order to strengthen Phoenix Gama's capabilities to achieve growth in the Credit Segment and increase the synergy between all financial products it offers its customers, while maximizing the potential of its robust and extensive customer base which comprises approx. 18 thousand customers, with an emphasis on a one-stop-shop customer experience.

### Description of Phoenix Gama's organizational structure




### Benefits and the nature of Phoenix Gama employees' employment agreements

Phoenix Gama's employees are employed through personal agreements. As stated at the top of this section, Phoenix Gama's workforce also includes service providers with whom there are no employee-employer relations. The employees' terms of employment include, among other things, salary (Phoenix Gama employees are paid overtime or a "global compensation" component), contributions towards pension and advanced education fund. The employees are also entitled to paid sick leave, paid annual leave and recreation pay as is generally accepted in Phoenix Gama and based on the number of years they have been employed by Phoenix Gama.

Phoenix Gama periodically awards an annual discretionary bonus to its employees subject to meeting business targets and taking into account its actual business results.

In November 2023, Phoenix Gama's Compensation Committee and Board of Directors approved a new equity compensation plan (as a privately-held company) for officers, managers and employees of Phoenix Gama and the Phoenix group, by virtue of which the Company's Board of Directors approved the award of options to Phoenix Gama's shares, to employees and officers of Phoenix Gama and the Company, on January 31, 2024 and March 4, 2024.

Regarding employees' post-employment rights in Phoenix Gama, Phoenix Gama's entire current liabilities for employee rights upon retirement is covered by contributions to executive insurance policies and pension funds. The remaining balance of Gama's liabilities for employee rights upon retirement beyond the amounts contributed to executive insurance policies and pension funds are provided as a liability in the financial statements.

On June 13, 2024, Phoenix Gama granted the request of the National Labor Federation in Eretz-Israel and recognized it as the representative workers union of Phoenix Gama employees. As of the repot publication date, the parties are negotiating a first collective agreement.

## 2.6.16. Suppliers and Service Providers

As of the report date, Phoenix Gama has an engagement with a material supplier - Matrix IT ERP Solutions Ltd. (hereinafter - "**Matrix**").

In 1998, Matrix granted Phoenix Gama a non-exclusive license to use a software it developed. Over the years software were developed which are used exclusively by Phoenix Gama as part of its payment card factoring activities. The development is conducted, inter alia, through Matrix's software developers who work at Phoenix Gama's offices.

In July 2005 Matrix signed a document titled "Continued Joint Work Relations" in which it clarified that the systems and code which were developed for Phoenix Gama are exclusive to Phoenix Gama and Phoenix Gama has exclusive rights of use therein, such that those systems and code shall not constitute part of Matrix's systems, without first obtaining Phoenix Gama's written consent.

## 2.6.17. Legal proceedings

As of the report date, Phoenix Gama or its subsidiaries are not parties to material legal proceedings.

## 2.6.18. Objectives and strategy

It is the Company's business strategy to turn Phoenix Gama into the Group's credit arm, and into a leading credit firm with a broad credit product offering to a wide range of customers. Phoenix Gama works consistently to develop from a leading credit entity operating mainly in the fields of credit cards and business financing, to the Group's credit arm serving other customer segments, both through organic growth and through the inclusion of additional substantial credit activities.

Under this activity, at the beginning of 2024 Phoenix Gama entered into the construction financing activity by accepting Phoenix Construction Financing, and as from 2025 – into the consumer credit activity by accepting Phoenix Retail Credit. Concurrently, Phoenix Gama works to strengthen and enhance its direct relationship with its extensive customer base of business customers and recruit new customers while providing additional value propositions in a range of credit products as a one-stop-shop, thereby increasing the added value it generates to its customers; all this alongside further expansion of its traditional credit card activity, both in the field of credit voucher factoring and as an acquiring aggregator.

Phoenix Gama strives to achieve a relative advantage based on concentration and leveraging of its knowledge, customer base, experience, technological infrastructures and through realization of synergies, the Group's robustness and its access to funding sources.

Alongside the expansion of it activity, Phoenix Gama also places an emphasis on its profitability strategy while consistently aiming to adjust prices to risks in all of its products, and at the same time maintaining its risk appetite.

Phoenix Gama has been consistently investing in improving its technological infrastructures, the risk management aspects of its activity, and specifically the credit risk, improving and streamlining the work processes, corporate governance, recruiting professional and experienced employees - all in order to achieve the strategic objective of sustainable and controlled growth over time.

## 2.6.19. Credit risk management

In general, as of the reporting year, Phoenix Gama is engaged in the provision of credit to licensed businesses and corporation through a range of products, with credit to private individuals accounting for a marginal portion of this activity. As part of its activity, Phoenix Gama is exposed to the risk that borrowers will fail to repay the credit or become insolvent. Phoenix Gama works to reduce the said exposures based on its experience, while implementing an underwriting, control and risk-monitoring methodology it developed over the years. The provision of credit is reviewed by a skilled and experienced team, which includes a combination of analysts and persons who are familiar with the customer and their business activities; the provision of credit is approved in accordance with a credit policy approved by the Board of Directors of Phoenix Gama, which sets an authorization hierarchy for approval of credit transactions. In this context, it is noted that following the incorporation of Phoenix Construction Financing into Phoenix Gama, the real estate activity has expanded substantially, in addition to the credit activity involving liens on real estate properties, which is detailed in this chapter, and accordingly the Company's exposure to the real estate sector has increased. However, the risk level with regard to this sector is adequately hedged and managed with appropriate mitigations both in view of the credit features in the closed-end financing activity, which is characterized by a very high level of control, and due to the fact that the credit, which is exposed to real estate, is backed by adequate collateral and the vast majority of such credit is backed by a first-degree lien.

## 2.6.20. Discussion of risk factors

The following table summarizes the key risk factors which may affect the course of Phoenix Gama's business in its various areas of activity. Risks are described according to their nature - macroeconomic risks, industry-specific risks, and risks which are specific to Phoenix Gama. The risks are ranked according to the assessment as to their effect on Phoenix Gama's business as a whole made by Phoenix Gama's management. For details, see Note 41 to the Financial Statements.

Following are the risk factors listed above, and Phoenix Gama's assessment of their potential effect on Phoenix Gama and its activity:

| Risk factor | High effect | Moderate effect | Minor effect |
|---|---|---|---|
| **Macroeconomic risks** | | | |
| Deterioration in the Israeli economy | X | | |
| Interest rate change | | X | |
| Liquidity and funding sources | X | | |
| CPI risk and foreign currency risk | | | X |
| **Industry-specific risks** | | | |
| Increased competition | | X | |
| Technological changes | | X | |
| Compliance risks | | X | |
| Regulatory changes | X | | |
| Legal risks | | X | |
| **Specific risks** | | | |
| Credit Risk | X | | |
| Fraud and embezzlement | | X | |
| IT systems, information security and cyber risks | X | | |
| Goodwill | | X | |
| Liquidity risk | | X | |
| Collection risk | | X | |
| Operational risk | | X | |

It should be emphasized that there are other risk factors which are specific to each of Phoenix Gama's areas of activity which are not detailed above but which could affect them.

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-

# 2.7. Distribution (agencies)

## 2.7.1. General information about the segment

The Company operates in the field of Insurance Agencies Segment through Phoenix Agencies 1989 Insurance Ltd. (hereinafter - "**Phoenix Agencies**"). The Insurance Agencies Segment is regulated by the Commissioner of the Capital Market, Insurance and Savings.

Phoenix Agencies operates as an independent arm, which incorporates all insurance agencies held by the Group, and as such it takes steps to maximize and develop the activities of the subsidiaries while being involved in their management and meeting their financing needs.

The insurance agencies incorporated under Phoenix Agencies provide brokerage and marketing services for pension, insurance and financial products of several insurance companies, investment houses and institutional entities, in accordance with the independent considerations of the insurance agencies and for the benefit of their policyholders and planholders.

## 2.7.2. Holding structure and shareholder agreements in Phoenix Agencies

The Company directly holds 78% of the shares of Phoenix Agencies. Hagoz (2015) Ltd. (hereinafter - "**Hagoz**"), which is owned by Mr. Yitzhak Oz, the Chairman of Phoenix Agencies, has a stake of approx. 17% in Phoenix Agencies' shares, Y.H.G. Sasson Ltd., which is owned by Mr. Moshe Sasson, has a stake of approx. 3% in Phoenix Agencies' shares, and in addition, Mr. Oren Cohen has a stake of approx. 1.75% in Phoenix Agencies' shares through a company under his ownership.

The allocation of shares to companies owned by Mr. Yitzhak Oz and Mr. Moshe Sasson was carried out under a restructuring of December 2022, under which a merger was carried out between Phoenix Agencies and Agam Leaderim Holdings (2001) Ltd., following which Agam Leaderim Holdings (2001) Ltd. (hereinafter - "**Agam Holdings**") was wound up and merged into Phoenix Agencies, in consideration for the allocation of ordinary Phoenix Agencies shares issued to the shareholders of Agam Holdings (hereinafter - the "**Restructuring**").

**Agreement in principle and option agreement with Mr. Yitzhak Oz and companies under his ownership**

Furthermore, under the restructuring, an agreement in principle was signed between the Company, Phoenix Agencies and the other shareholders in Phoenix Agencies listed above, in which the following matters were regulated, among other things:

1. Mr. Yitzhak Oz serves as the Executive Chairman of Phoenix Agencies and Agam Leaderim (Israel) Insurance Agency (2003) Ltd. (hereinafter - "**Agam Leaderim**") and Shekel Insurance Agency (2008) Ltd.
2. Options agreement: The option agreement of March 2019 (for more information, see the report dated December 31, 2019, Ref. No. 126565-01-2019) was replaced with a new Options Agreement, whereunder the parties will have put and call options with respect to Phoenix Agencies' shares that will be held by Hagoz and Y.H.G Sasson following the merger (instead of with respect to their shares in Agam Holdings). The consideration in respect of the exercise of any of the options will be calculated based on an appraisal of Phoenix Agencies, in accordance with the provisions of the agreement. The period during which the put option may be exercised is January 1, 2027 through January 3, 2028. The period during which the call option may be exercised is January 4, 2028 through January 4, 2029. The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If any of the options

is exercised by way of allotment of Company shares (instead of cash), the number of shares will change as set in the agreement. In addition, the agreement sets a minimum price for exercising the options.

It is noted that, in the event of a public offering of Phoenix Agencies, the call and put options will expire (Hagoz will be allowed to exercise the put option for all or some of its holdings, prior to the offering.

3. Under the amendment to the agreement in principle, it was determined that Hagoz will be eligible to a NIS 20 million bonus, which is conditional upon the sale of at least 50% of the outstanding balance of Phoenix Agencies shares owned by Hagoz.

**Agreement with Mr. Oren Cohen**

With regard to the holding of Phoenix Agencies shares by Mr. Oren Cohen as detailed above, it is noted that in August 2024, Phoenix Agencies signed an agreement under which it acquired further 16% of Oren Mizrach Insurance Agency Ltd.'s shares (hereinafter - "**Oren Mizrach**") from companies owned by Mr. Oren Cohen. Subsequent to this acquisition, Phoenix Agencies holds - directly and indirectly - approx. 84% of the ownership interest in Oren Mizrach instead of approx. 68% before the transaction. In accordance with the agreement, Phoenix Agencies issued to a company owned by Oren Cohen shares constituting approx. 1.75% of Phoenix Agencies' share capital.

## 2.7.3. The material agencies held by Phoenix Agencies

For a figure presenting the material agencies held by Phoenix Agencies, see Section 1.2 above.

Following are data regarding the agencies and the material activities held by Phoenix Agencies (hereinafter - the "**Material Agencies**"):

### 2.7.3.1. Agam Leaderim

Agam Leaderim is a subsidiary agency wholly owned by Phoenix Agencies.

Agam Leaderim is a pension and finance arrangement management agency, focusing on life insurance, long-term savings, financial and health insurance products. Agam Leaderim operates through dedicated departments and through agencies and ventures it owns together with other partners. Among Agam Leaderim's professional departments and areas of activity are the fields of pension and provident funds, finance, health and travel insurance, retirement services to retiring employees and a center providing advice and personal response to queries from senior managements of various employers. Agam Leaderim provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Agam Leaderim provides comprehensive operational pension services to employers, including collection and acquiring services in respect of contributions towards pension and automated reporting, as well as a controls and feedback system between the financial institution and the employer. Agam Leaderim employs approx. 500 employees and renders services to approx. 7,800 employers, has over 200,000 active customers and owns more than 20 niche ventures, partnerships, subsidiaries and initiatives. During the reporting year, Agam Leaderim executed a transaction for the partial acquisition of a new agency for approx. NIS 46.6 million.

### 2.7.3.2. Compensation

Tagmul is subsidiary agency wholly owned by Phoenix Agencies. Tagmul is a pension and finance arrangement management agency, focusing on life insurance, long-term savings, financial and health insurance products. Tagmul provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Tagmul provides comprehensive operational pension services to employers, including collection and acquiring services in respect of contributions towards pension and automated reporting, as well as a controls and feedback system between the financial institution and the employer.

### 2.7.3.3. Shekel Insurance Agency (2008) Ltd. (hereinafter - "Shekel"

A subsidiary agency wholly owned by Phoenix Agencies. Shekel is a pension and finance arrangement management agency, focusing mainly on life insurance, long-term savings, financial and health insurance products; Shekel cooperates with all insurance companies and investment houses in Israel which are engaged in its areas of activity.

Shekel operates through dedicated departments and through agencies and ventures it owns with other partners. Among Shekel's professional departments and areas of activity are the fields of pension and provident funds, finance, health insurance, retirement services for retiring employees and a center providing advice and personal response to queries from senior management of various employers. Furthermore, Shekel provides personal services in connection with all Property and Casualty Insurance subsegments, such as motor, home, marine, travel insurance and more. Shekel provides comprehensive services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and examination of all existing pension plans and setting up a pension solution tailored to meet the employee's needs. Services to employers include comprehensive operational pension services; as part of these services, Shekel provides collection and acquiring services with respect to contributions towards pension and automated statements, including a control and feedback system between the financial institution and the employer.

Shekel employs approx. 500 employees and renders services to approx. 5,200 employers, has approx. 220,000 active customers and owns more than 18 niche ventures, partnerships, subsidiaries and initiatives. During the reporting year, Shekel carried out 4 transactions aimed at increasing its holdings in insurance agencies and also acquired new agencies for a total of approx. NIS 39 million.

Shekel wholly owns the Employee Benefit Experts - Benefit Ltd. (hereinafter - "**Benefit**") - Benefit, which is wholly-owned by Shekel, specializes in the provision of advisory services to organizations (including provision of actuarial opinions), assessing and improving employees' rights, benefits and compensation, and supporting retirement schemes in various organizations. Benefit also specializes in setting up advisory systems in the said areas. In addition, Benefit holds 100% of the rights in Benefit Life Insurance Agency (1995) Ltd., which is engaged in marketing pension products.

### 2.7.3.4. Oren Mizrach Insurance Agency Ltd.:

A subsidiary agency of Phoenix Agencies, which holds approx. 84% of the equity and voting rights therein (directly and indirectly). Mr. Oren Cohen serves as the agency's CEO and holds (indirectly) approx. 15% of the voting rights and capital in the agency. The agency operates in all insurance and finance subsegments, with an emphasis on the Property and Casualty Segment. The agency also holds a number of other agencies. In the field of individual motor and home insurance - the agency operates, inter alia, through a sister agency - Webprice Insurance Agency (2017) Ltd. - which developed a computer system that generates a digital acquisition process that offers customers the most cost-efficient home and motor insurance from among quotes by various insurance companies. Oren Mizrach is growing, among other things, through mergers and acquisitions. During the reporting year, 5 further transactions were executed to increase the holding stakes in agencies or existing portfolio or to acquire new portfolios and agencies at the total amount of approx. NIS 13 million.

### 2.7.3.5. Cohen Givon Insurance Agency (1994) Ltd.

A subsidiary agency of Phoenix Agencies, which holds 52% of the equity and voting rights therein. The remaining shares are held directly and indirectly by Mr. Ran Givon, who serves as the agency's CEO. The agency specializes in providing property and casualty insurance to municipalities and local authorities.

### 2.7.3.6. T.A.I.S. Shades Life Insurance Agency (1987) Ltd.

A subsidiary agency of Phoenix Agencies, which holds 50% of the equity and voting rights (directly and indirectly) therein. The remaining shares are held indirectly by three partners, two of whom, Mr. Eli Lanir and Mr. Yoram Nitzan also serve as joint CEOs in the agency.

The agency is engaged in the fields of pension, health and individual risks insurance and cooperates with institutional entities operating in these areas. Furthermore, the agency has diverse activity in most Property and Casualty Insurance subsegments.

It is noted that in December 2024, a transaction was signed under which Oren Mizrach will acquire from other Gvanim shareholders an aggregate stake of 40% of the Gvanim's shares, and 11% of Gvanim's shares will be issued to Oren Mizrach, such that subsequent to the above actions, Phoenix Agencies will have a 40.8% stake in Gvanim's issued and paid up share capital and voting rights (such that its stake will be diluted compared to the stake detailed above) and Oren Mizrach will have a 51% stake (fully diluted). The abovementioned transaction is subject to receipt of a permit from the Capital Market, Insurance and Savings Authority, which has not yet been received as of the report publication date.

### 2.7.3.7. Quality Pension Insurance Agency (2017) Ltd. (hereinafter - "Quality"):

In December 2024, Phoenix Agencies increased its stake in Quality's issued and paid up share capital by further 22.8% as a result of the acquisition and allocation of shares to Phoenix Agencies. As of the report publication date, Phoenix Agencies holds approx. 73.3% of Quality's shares. Mr. Itay Barda serves as the agency's CEO and holds (indirectly), as of the report publication date, approx. 26.7% of the voting and equity rights. The agency operates in the Life and Health Insurance Segments and in the long-term savings and finance subsegments, mainly through sub-agents. The agency also holds a number of other agencies. In the reporting year, the agency expanded its activity, by, among other things, engaging with partners in engagements for setting up companies providing supplementary services, and for the setting up and purchase of insurance agencies.

### 2.7.3.8. Additional agencies

In addition to the above-listed agencies, Phoenix Agencies operates through other insurance agencies, held jointly with other shareholders (which, in most cases, run the agencies). These agencies operate in the various areas of insurance, pension and provident funds. The agencies are engaged in brokerage in the fields of pension, property and casualty, life and other insurance.

## 2.7.4. Volume of activity

A. **The area of activity's structure and changes therein**

Phoenix Agencies operates in the field of insurance agencies in Israel. The key regulatory provisions relevant to the agencies activity are detailed in Section 2.7.9 below.

During the reporting year, there was an increase in revenue and profits in Phoenix Agencies' areas of activity, including, among other things, as a result of its high technological capabilities, level of service and unique services provided by its key agencies.

For details regarding income, costs and income attributed to this area of activity, see Note 3 to the Financial Statements.

In addition, the agencies have a comparative advantage stemming from their utilization of synergies arising from mergers and acquisitions and collaborations in their areas of activity, which, in the opinion of the Company, worked in their favor during the reporting year.

In February 2022, as part of the economic plan for 2023-2024, it was decided to set up an inter-ministerial team for assessing institutional entities' holdings in insurance agencies. The team was appointed in April 2023 and was tasked with assessing the effect of institutional entities' holdings in corporations that constitute insurance agents on the activity of those agencies and their objectivity in the process of marketing products, the measures that should be applied to deal with those effects and the desired arrangement as to existing holdings of institutional entities in insurance agencies.

In January 2025, the report of the taskforce for assessing the holding of insurance agencies by institutional entities. The taskforce did not reach a conclusion regarding the concerns with respect to the holding of institutional entities and its effect on the quality of service received by the end consumer or on competition in the insurance and savings industry.

The taskforce concluded that these concerns, which arise from the ownership relationship between an insurance company and an insurance agency, are a specific case of a much broader problem concerning the compensation model and the incentive structure of insurance agents in general. The regulators, who were represented in the taskforce, were of the opinion that the current compensation model of insurance agents has an adverse effect on consumers, and that it should be amended such that it will lead to an insurance agent's being objective and will better suit the customer's needs. In light of the above, the team recommended two key steps: (1) changing the insurance agents' compensation model; and (2) imposing enhanced disclosure requirements on the agencies.

With regard to the issue of institutional entities' holdings in insurance agencies, the team has not recommended any restrictions other than recommending the imposition of enhanced disclosure requirements on agencies owned by an institutional entity, including the incorporation of the institutional entity in the agency's name, as well as its offices and commercial logo.

B. **Critical success factors in the area of activity and Changes therein**

The following success factors may be listed in connection with the Distribution (Agencies) Segment:

- High technological level as well as effective early adoption of new technologies.
- A range of diverse distribution channels.
- Retaining each agency's comparative advantage in its field, including the field of arrangement management.
- High-quality, fast, flexible and reliable customer service system.

- Significant financial capabilities.
- Flexibility and agreements with all Israeli insurance companies with the aim of providing optimal solutions to customers.
- Management with experience in the field of agencies.

C. **Major entry and exit barriers in area of activity**

The following entry and exit barriers apply to the Distribution (Agencies) Segment:

- Compliance with regulatory and legal requirements (see Section 2.7.9 below).
- Having in place the technological and professional platforms to support the area of activity.
- Experience, reputation and professional knowhow, as well as skilled manpower.
- Substantial financial capabilities.
- Obtaining a license from the Commissioner in accordance with the Supervision Law.
- Obtaining a control permit from the Commissioner in accordance with the Supervision Law.

## 2.7.5. Products and services

A. The agencies held by Phoenix Agencies are engaged in brokerage and distribution activities in the fields of property and casualty, pension, life and other insurance. The agencies offer their agents insurance products of a range of insurance companies, including those of the Company.

B. In the opinion of Phoenix Agencies, as of the report date no significant changes are expected to take place in the scope and range of products and services offered by the agencies held by Phoenix Agencies. However, there is a trend whereby agencies enter, in accordance with the law, to the area of distribution of other products such as: alternative products, savings policies, and more.

C. In the opinion of Phoenix Agencies, as of the report date, the Company's market share in this area of activity is not expected to decrease.

## 2.7.6. Customers

Customers of the Distribution (Agencies) Segment comprise two primary groups:

A. In the field of agencies under arrangement, Phoenix Agencies' customers are employees and employers who are customers of the agencies held by Phoenix Agencies.

B. In other agencies held by Phoenix Agencies, customers are both business and retail customers from all sectors of the economy.
As of the report date, Phoenix Agencies is not dependent on a single customer, the termination of activity with which, will have a material effect on the area of activity.

## 2.7.7. Competition

The Distribution (Agencies) Segment is intensely competitive. In this context, it is noted that the rate of fees and commissions received in respect of the various products through agencies controlled by Phoenix Agencies as of 2023, out of the total fees and commissions in the insurance agencies industry was approx. 6.5%.[19]

The main competitors of the agencies under arrangement (Shekel and Agam) are the insurance agencies engaged in the field of pension in general and the other arrangement agencies in particular, the most significant of which are Mivtach Simon, Tmura and Davidoff. Furthermore, the financial and pension agents, who work through "insurance agents hubs" also compete with the agencies under arrangement for their end customers.

[19] The information is based on the data from the Commissioner's Report for 2023.

The main methods used by Phoenix Agencies to address the competition, and key factors that affect its competitive position include, among other things, a constant improvement of service levels, ongoing streamlining and adoption of new technologies allowing the provision of fast, professional and effective services to employees and employers.

## 2.7.8. Seasonality

The activity of Phoenix Agencies is not significantly affected by seasonality. Nevertheless, as a rule, the fourth quarter generates the highest profitability in the fields of pension, provident funds and finance.

## 2.7.9. Specific regulation

The Distribution (Agencies) Segment is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

Following is a summary of the legal provisions applicable to the Distribution (Agencies) Segment, as well as material bills and drafts published during the reporting year and through the report's publication date:

### 2.7.9.1. Legislative arrangements

**2.7.9.1.1.** **The Supervision Law** regulates, among other things, the issues of insurance agencies' licensing, permits of control and holding of means of control, receipt of business and payment of brokerage fees and commissions for insurance brokerage services. Pursuant to the provisions of the Supervision Law, it is forbidden to engage in insurance brokerage services and receive fees and commissions for such services without first obtaining a license from the Commissioner as required by law. The Supervision Law regulates, among other things, the receipt of an insurance agent license, including a corporate agent license, a control permit and a permit to hold means of control in a corporate agent. The Supervision Law also sets provisions regarding the safeguarding of policyholders' interests, such as the prohibition on providing a misleading description of an insurance transaction.

**2.7.9.1.2.** **The Pension Advice Law** regulates the granting of a license to provide pension advice and market pension products; the law includes provisions on providing operating services to employers, including restrictions applicable to insurance agents who render operating services to an employer for whose employees it provides pension advice. Furthermore, the law regulates the requirements, prohibitions and restrictions applicable to the marketing of pension products, including the insurance agent's duty to ensure that the pension product suits the customer's needs; under the law, the agent also has a duty of care and a fiduciary duty to its customers. The law also sets provisions on payment to agents, including prohibition on direct collection of a fee or commission from a customer in addition to a fee or commission paid by an institutional entity.

**2.7.9.1.3.** **The Provident Funds Law** provides for, among other things, the right of an employee - for whom an employer makes contributions towards pension - to select the license holder to market the pension products or carry out transactions in his/her provident fund. Furthermore, an amendment to the law enacted in 2017 prohibits a management company from paying insurance agents any fees and commissions the calculation of which is tied to the rate of management fees collected by the management company from planholders.

**2.7.9.1.4.** **The Insurance Contract Law** and amendments thereto, regulate, among other things, the insurance agent's position in the relationship between an insurer, policyholder, and an insurance agent, and sets, among other things, presumptions as to the insurance agent's being an agent of the insurer.

## 2.7.9.2. Commissioner's circulars, positions and procedures:

**2.7.9.2.1.** **The circular titled Services Rendered to Customers by Agents and Advisors** stipulates provisions on rendering adequate customer service by a license holder and stipulates the rules and conditions for collecting fees and reimbursement of expenses paid directly by the customer. In addition, the circular prescribes provisions regarding the following matters: Separation of service and marketing of unsupervised products; purchase of an insurance or pension portfolio; collection of payment from a customer; disclosure to the customer regarding services that may be obtained independently; purchase of the contact details of a potential customer (leads); and prohibition on advertising withdrawal of funds or tracing of funds services.

**2.7.9.2.2.** **The Signing-On to Insurance Plans circular** sets provisions regulating conduct of insurance companies and insurance agents when signing on policyholders to an insurance plan. Among other things, the circular prescribes provisions regarding the following topics: A requirement whereby the insurance policies meet the insurance candidate's needs, including by checking the list of insurance products he/she has in place by submitting a query to the Har Habituach website; a special sales procedure for senior citizens (in cases where the signing on process is not carried out as part of a face to face meeting with the insurance candidate); requiring the performance of enhanced assessment of needs upon the cancellation of a policy and switching to another company also in the various P&C Insurance (property) subsegments; and requiring that any conversation aimed at signing on customers will be recorded.

**2.7.9.2.3.** **The Explanation Document Circular - Amendment** sets a uniform wording for the explanation document to be delivered to customers by an agent marketing pension products, among others, while providing pension advice or marketing pension products, as part of his/her duty under the Pension Advice Law to ensure that the pension product suits the customer's needs and to explain his/her recommendation in writing. Furthermore, the Circular sets guidance on a license holder's duty, in the process of ensuring that the pension product meets the customer's needs, and of providing fair disclosure as to the considerations guiding his/her recommendation.

**2.7.9.2.4.** **The Power of Appointment to a License Holder Circular** sets a uniform format for a power of appointment form, by which a customer may appoint a license holder to receive information about pension savings managed for him/her in an institutional entity, or take in his/her name actions as part of pension advice or marketing, including through the central pension acquiring system (as defined by the Pension Advice Law). In December 2023, an amendment to the circular was published, which prescribed a Temporary Order, whereby a lasting power of attorney, which was given to a license holder for a period of 10 years, and which is due to expire between October 1, 2023 to January 1, 2024, will be extended automatically until the earlier of the following - two months will have elapsed from the end of the declaration of a special situation on the home front or until six months will have elapsed from the expiry of the original power of attorney.

2.7.9.2.5. **The Institutional Entity's Engagement with a License Holder Circular** regulates the engagement between insurance agents and institutional entities in view of the Supervision Law and the Pension Advice Law's provisions prohibiting agents from brokering between customers and institutional entities, if the agent and the institutional entity do not have an agreement in place that includes the terms and conditions set in the said laws.

2.7.9.2.6. **The Circular titled Involvement of an Entity which is not a License Holder in the Marketing and Sale of Insurance Products other than Collective Insurance** regulates engagements between regulated entities and external entities with regard to setting rules about an external entity's involvement in the marketing or sale of an individual insurance product, such that such activities shall not be in violation of the law.

2.7.9.2.7. **The Insurance Circular titled Service Contracts and their Marketing** stipulates, among other things, provisions on the marketing of service contracts through insurance agents.

2.7.9.2.8. **The Clarification on Pension Marketing Procedure when Accepting Candidates to a Pension Plan** stipulates that a transaction carried out for a customer with respect to a pension product, including the signing on of a customer to a pension plan, shall only be carried out after a pension marketing procedure has been followed as set out in the Pension Advice Law. The clarification further stipulates that an institutional entity may only pay a distribution fee if a pension insurance agent conducted such a transaction as part of a pension marketing procedure. The clarification applies to signing on new planholders to a pension plan as from February 4, 2018.

2.7.9.2.9. **Rules for Adequate Internship** Circular - The circular set forth provisions and rules for the supervisor and the trainee; such provisions and rules shall constitute threshold requirements for appropriate traineeship as part of the legal requirements for receiving an insurance agent license, a pension advisor license or a pension marketing agent license.

2.7.9.2.10. In March 2024, a **Circular Regarding Annual Report on Fees and Commissions and Corporation Details - Amendment** was published. The Circular stipulates a regular and automated reporting format of corporate license holders (insurance agencies) to the Commissioner of the capital market and includes information regarding the details of corporate license holders and data regarding the scope of their activities by insurance subsegments. The draft Circular prior to the amendment does not apply to banking corporations with a pension advisor license, but only to insurance agencies. Under the Circular, regular and automated reporting by license holders, which are a banking corporation, was regulated. The report will include information regarding the details of the holders of a banking corporation license, and data regarding the scope of their activities by products for which pension advice was provided and the banks' distribution agreements. In addition, the files of the report to the Commissioner were revised and details were added to them regarding the following: (1) Conflicts of interest between the insurance agency and its customers - in this context, insurance agencies will be required to report on "unregulated investments", i.e., investments in products which are not insurance products or pension products under the management of the institutional entities.

This includes, among other things, investment in alternative investment funds; (2) direct payments from customers; (3) agreements between the insurance agency and suppliers to which it outsourced a material activity, which include, among other things, agreements for obtaining contact details of potential customers (leads) and agreements with customer service centers. Finally, a requirement was added to attach a statement confirming the reliability of the data reported to the Commissioner by a corporate license holder and a holder of a banking corporation license.

## 2.7.10. Material agreements

For details regarding material agreements with Phoenix Agencies' shareholders, see Section 2.7.2 above.

## 2.7.11. Marketing and distribution

The marketing and distribution of the products of agencies held by the Company is carried out in accordance with the Commissioner's Directives, as detailed in Section 2.7.9 above. The arrangement agencies provide, as aforesaid, end-to-end services to employers and employees. Services to employees are provided starting with the employee's onboarding, throughout his/her service with the employer, and until he/she retires or moves to another workplace; services include analysis and review of all existing pension plans and setting up a pension solution tailored to meet the employee's needs, including marketing of pension and financial products and health insurance. The arrangement agencies receive fees and commissions from insurance companies for the abovementioned marketing and brokerage services.

Services to employers include end-to-end operational pension services, including collection and acquiring services with respect to contributions towards pension and automated statements, including a controls and feedback system between the financial institution and employer. The arrangement agencies collect handling fees from employers for these services. Marketing and distribution of the other products is carried out in the manner generally accepted in the industry, through licensed insurance agents.

## 2.7.12. Human capital

For details regarding the number of employees engaged in this field, including any material changes in the workforce, see Section 4.6 below.

## 2.7.13. Suppliers and Service Providers

As part of its current activities, Phoenix Agencies engages with a range of service providers. To the best of Phoenix Agencies' knowledge, it is not dependent on a primary supplier.

## 2.7.14. Legal proceedings

As of the report date, Phoenix Agencies is not a party to material legal proceedings.

## 2.7.15. Investments

Phoenix Agencies grants shareholders' loans to some of its investee agencies based on predetermined milestones, for the purpose of funding the acquisition of agencies and insurance portfolios.

## 2.7.16. Objectives and strategy

The Company views the agencies arm an independent arm that operates to maximize the profit from the agencies activity.

In addition, as an independent arm, the Group's agencies work with all other insurance companies engaged in their area of activity, in accordance with independent considerations and for the benefit of the policyholders.

During the reporting year, Phoenix Agencies purchased - through its various agencies - a number of agencies and insurance portfolios in accordance with the Group's strategy to achieve growth in this segment.

Phoenix Agencies aspires to expand its activities in the insurance agencies' areas of activity and to improve its profitability either through mergers and acquisitions and collaborations with other entities or by improving its ongoing operations through, among other things, increasing the efficiency of the agencies' procedures and adopting technological solutions.

## 2.7.17. Risk factors

For details regarding the risk factors in this area, see Note 41 to the Financial Statements.

The information presented above in this chapter includes forward-looking information, as defined by the Securities Law, 1968. This information contains, inter alia, forecasts, targets, assessments and estimates relating to future events or matters, including reference to various risk factors and developments as described in the report, the materialization of which is uncertain and may be impacted by various factors which are beyond the Company's control. Forward-looking information is not a proven fact and is based, in part, on the Company's estimates, which are based on various, diverse data and entities that have not been verified or confirmed by the Company. It is hereby clarified that actual results may differ from that which is described herein. Forward-looking information refers exclusively to the date on which the report was written, and the Company is under no obligation to revise and/or change any information pertaining to forward-looking information as presented here, insofar as it becomes aware of any additional information in connection with such information.

# Part C

## Additional Information about Insurance Areas of Activity Not Included in the Areas of Activity

**N/A**

# Part D

## Additional information at Company level

# 4.1. Restrictions and regulation to which the Group's activity is subject

## 4.1.1. Regulation and supervision - general

As described in this chapter, the Group's activities in its areas of activity are subject to the general provisions of the law and the specific provisions of the law applicable to each of the Group's areas of activity. The Group companies are regulated by various regulators, including the Capital Market, Insurance and Savings Authority (hereinafter - the **Authority**" or the "**Commissioner**"), who monitors the activity of the Group's institutional entities and insurance agencies. The Authority is an independent authority which reports to the Ministry of Finance, and its roles include: 1. Protecting and safeguarding the interests of policyholders, planholders and customers of the regulated entities. 2. Ensuring the stability and proper management of the regulated entities. 3. Promoting competition in the financial system in general, and in particular - in the fields of capital market, insurance and savings. 4. Encouraging technological and business innovation for the regulated entities, in view of the Authority's purviews as per Sections 1-3 above. Furthermore, the Group's activity under the Investment House is regulated by the Israel Securities Authority (for details see Section 4.1.12 below) and the activity of the Group's credit arm under Phoenix Gama is regulated by the Capital Market Authority (for details see Section 4.1.11 below). Furthermore, in its capacity as a publicly-traded company, the Group is also subject to the provisions of the securities laws and is regulated in that context by the Israel Securities Authority; in addition, the Group is subject to the provisions of the companies laws applicable to publicly traded companies. Furthermore, the Group is subject to the provisions of privacy and information protection laws and is regulated in that respect by the Privacy Protection Authority. Group companies are subject, from time to time, to administrative enforcement proceedings and the imposition of penalties. Following is a summary of the legal provisions applicable to the Group as well as bills and drafts that have a material effect on the Group, published during the reporting year and through the report publication date. It is noted that the provisions listed in this report do not constitute an exhaustive list of all legal provisions applicable to the Company, rather - they are only the key ones. There are many other regulations and guidelines governing the way Group entities operate, and those regulations and guidelines may be viewed on the websites of the relevant regulators.

## 4.1.2. Legislative arrangements

**4.1.2.1.** **The Insurance Contract Law, 1981** mainly regulates the relationship between an insurer and policyholders, including the status of the insurance agent.

**4.1.2.2.** **Financial Services Supervision (Insurance) Law, 1981** and the regulations promulgated thereunder regulate, among other things, the Commissioner's purviews, licensing of insurers and insurance agents, holding of means of control in an insurer and in an agent which is a corporation, supervising of insurance businesses and the safeguarding policyholders' interests. The Supervision Law includes a list of provisions the breach of which constitutes a criminal offense; the law expands the scope of officers' responsibility to prevent the breaches. Furthermore, in accordance with the Supervision Law, the Commissioner has is authorized to impose monetary sanctions and civil fines of significant amounts without filing an indictment.

**4.1.2.3.** The **Law for the Promotion of Competition and Reduction of Concentration, 2013 (hereinafter - the "Market Concentration Law" or the "Law")**, which was published in December 2013, is composed of three key chapters: (1) restricting the control in "pyramid-shaped" companies to two tiers and imposing enhanced corporate governance rules on such companies; (2) separation between significant financial corporations (such as banks, insurance companies, investment funds, etc.) and significant non-financial entities as defined by the Reduction of Concentration Law, which prohibits a significant non-financial corporation from controlling and holding means of control in an insurer which is a significant financial entity; and (3) aggregate concentration considerations and sectoral competition considerations in the allocation of rights to use government resources (essential infrastructures and privatized assets) to concentrating entities.

A list of concentrated entities, a list of significant non-financial entities, and a list of the significant financial entities is published from time to time on the Ministry of Finance's website.

Phoenix Insurance and Phoenix Pension and Provident are included in the list of the significant financial entities published by the Committee for the Reduction of Concentration, due to their definition as significant financial entities.

The Law allows reporting entities to have a holding structure of no more than two tiers. The Company is a first-tier company.

The Concentration Law sets restrictions and conditions for separating significant financial entities from significant non-financial entities. Under the said restrictions, the Concentration Law limits an institutional entity's holding to no more than 10% of the means of control in any significant non-financial corporation; they also prohibit a controlling shareholder of a significant non-financial corporation, a person related to such a controlling shareholder or an officer in a significant non-financial corporation from serving as a director in a significant financial corporation.

Furthermore, in May 2024, the **Draft Regulations regarding Economic Competition and Minimizing Market Concentration (Financial Entity) (Amendment No. 1), 2024** was published. As part of the Draft Regulations, it is suggested to add additional financial entities to the list of financial entities, including: A holder of a credit provision license, as defined by the Financial Services Supervision Law (Regulated Financial Services); an insurer's issuance company, as defined by the Companies Regulations (Expedients to Certain Classes of Bond Companies), 2012. Adding these entities to the definition of 'financial entity' will result in the inclusion of these entities in the calculation of the financial entity that controls them, or of the financial entity controlled by them, and will also result in there being no restriction on significant financial entities - by virtue of the separation provisions in the Market Concentration Law - in connection with their holding of means of control therein.

**4.1.2.4.** In April 2024, a **memorandum of law of the Class Actions Law (Amendment No. 16), 2024** was published. The bill aims to enshrine in law the recommendations of the inter-ministerial taskforce, which tackle, among other things, the main problems arising from class actions, and promote proper and substantiated class actions, including the problem of frivolous lawsuits, the phenomenon whereby duplicate lawsuits are filed in respect of breach of a regulatory provision, which is easy to amend, and in respect of which the public did not incur significant damage; the phenomenon of multiple applications for withdrawal in this field, and the agent-principal problem. The highlights of the inter-ministerial taskforce's recommendations are: (1) Setting a mechanism for prior notice before the filing of a class action; (2) dealing with "coupon" arrangements and product donations; (3) setting uniform and clear rules for the court in connection with setting compensation and legal fees; (4) dealing with the issue of excessive claim amounts; (5) communicating the compensation to class members; (6) expanding the option of filing class actions by organizations; (7) and expanding the option to file a class action in respect of breach of privacy. Furthermore, the bill includes the addition of a dedicated clause for the insurance industry, whose objective is to reduce the option of filing an application for approval against an insurer or a management company, whose cause is breach of a "long-term contract" as defined by the memorandum. In accordance with this section, in an application for approval against an insurer or a management company, whose cause is breach of a long-term contract, the court will consider, among other things, the following considerations: An explicit written regulatory approval by an authorized entity is in place; the extent of the damage, which will be caused to the defendant if the application will be approved; the period that has passed since the signing of the contract; and legislation and regulatory changes since the signing of the contract.

**4.1.2.5.** In August 2024, the **Privacy Protection Law (Amendment No. 13), 2024** was published. Following are the key changes in the amendment to the law:

(1) Adaptation of the law's definitions to the technological developments and the arrangements in place in modern privacy protection legislation.

(2) Requirement to register databases - under the amendment, the requirement to register databases in the Database Register will be significantly reduced, such that it will apply to public entities and entities which manage a database, whose main purpose is the gathering of personal information for the purpose of delivering it to another. Alongside the reduction in the scope of this requirement, the amendment stipulates that entities will be required to notify the Authority of the management of databases, the registration of which is not required, but - on the other hand - include "particularly sensitive" information as defined by the amendment.

(3) Expansion of the disclosure requirement - in addition to the information that entities are required to provide to a data subject when requesting them to provide data in order to process it in a database (i.e., if that person is legally required to deliver the data or if the delivery of the data depends on their wishes and consent, the objective for which the data is requested, the parties to whom the data will be delivered and the objective of the delivery), the Amendment to the Law stipulates that the data subject should also be informed of the consequences of refusing the processing of the personal data (if the delivery thereof depends on the wishes and consent of the data subject), and of their rights to peruse the personal data and amend it in accordance with the law.

(4) Expanding the supervisory and enforcement powers of the Privacy Protection Authority - including the power to instigate an administrative inquiry; the power to order the termination of the breaching activity; the imposition of financial sanctions of substantial amounts; filing a claim for compensation without proof of damage from a controlling shareholder or database holder; revising the list of criminal offenses to include offenses of processing personal information from an unauthorized database as well as contacting a person to obtain personal

information with the intention of misleading them for the purpose of processing the information in the database.

(5) Requirement to appoint a Data Protection Officer (DPO) - the amendment stipulates a requirement to appoint a Data Protection Officer in certain entities.

The effective date of the Amendment to the Law is one year from its publication date - August 2025.

**4.1.2.6.** In December 2024, the **Adjudication of Interest and Linkage Regulations (Determining Annual Rates of NIS interest, Linked Interest and Interest Rate on Arrears, Their Calculation and Publication Methods), 2024** were published pursuant to the enactment of the Adjudication of Interest and Linkage Law (Amendment No. 9), 2023, which was passed by the Knesset on November 13, 2023 and entered into force on January 1, 2025. The main provisions set forth in the Amendment to the Law are: Determining the two alternatives for calculating the base interest, NIS interest and linked interest added to CPI linkage differences, while setting the NIS interest as a default interest; changing the mechanism of arrears interest and setting a mechanism, which is separate from the interest and which will be named "interest rate on arrears"; debiting the interest rate on arrears to the debt once a quarter, instead of on a daily basis; cancelling the mechanism of "compound interest" on interest rate on arrears; and canceling the foreign currency interest currently set by law. The Regulations, which were issued as a supplementary step to the Amendment, determine the manner by which the NIS and linked interest rates will be calculated as well as a mechanism for calculating the interest rate on arrears. The Regulations' effective date is the effective date of the Amendment to the Law, i.e., January 1, 2025.
Further to the above, in December 2024, the **Supervision of Financial Services Regulations (Insurance) (Determining Foreign Currency Interest to the Insurance Segments, Interest Rate and Method of Calculation), 2024**, were published. The Regulations prescribe provisions as to the rate and calculation method of the interest, which should be added to insurance benefits paid in foreign currency or in Israeli currency calculated according to the value of foreign currency. The Regulations' effective date is the effective date of the Amendment to the Adjudication of Interest and Linkage Law, i.e. January 1, 2025.

### Government committees

**4.1.2.7.** In February, the Ministry of Finance published a draft for public comment of the interim report prepared by a task force appointed by the Minister of Finance to narrow regulatory gaps in short- to mid-term voluntary savings instruments. The following are the main recommendations of the taskforce (majority position): (1) Cancellation of the tax arbitrage between the three instruments which were assessed and even between additional savings products serving the same purpose for the savers It is proposed to apply a uniform tax deferral system to all products regardless of the investment product the saver opted for, without adversely affecting the range of instruments available in the market, such that every saver will be required to open a dedicated investment account in which all their savings products will be managed and in which netting for the purpose of the said tax benefit will take place; (2) it is proposed to promote an adequate infrastructure for the setting up of a single platform for viewing and managing all the savers' savings and investment instruments. This platform will be called a "Savings and

Investment Platform" and it will serve as a user interface both for the savers and for the brokers and advisors who provide them with services; (3) creating an infrastructure for the provision of financial brokerage services while relying on the principle of holism and creating a compensation model that results in a correlation between the interests of the broker and those of the saver; (4) the taskforce believes that, as part of the proposed solution, the scope of tax benefits provided in this area should be reduced and the amounts of tax collected should be increased. This is to be achieved, among other things, by minimizing the existing benefit available regarding amounts under management in an investment provident fund and savings policies. The Capital Market Authority's minority position strongly disagrees with that of the majority, whereby any tax arbitrage does not lead to results that adversely affect any of the instruments, and in its opinion the implementation of the recommendations will lead to higher savings costs without any real benefit. In addition, although the taskforce's objective is to discuss regulatory arbitrage between short- and medium-term investment products, its main proposal is to grant a tax benefit to private investors in the capital market at the expense of a tax benefit for voluntary pension and Child Savings and to incentivize the public to invest through an "investment account" in complex and expensive financial instruments and assets compared to investment provident funds and savings policies, which are not suitable for the needs and characteristics of most savers, contrary to the tax policy in Israel, and without an in-depth discussion as to whether a tax benefit is required at this time for investors in the capital market.

**4.1.2.8.** In January 2025, the **report of the taskforce for assessing the holding of insurance agencies by institutional entities**. The taskforce was set up pursuant to a Government Resolution of February 2023, following an emerging trend of acquisition of insurance agencies by institutional entities. The taskforce was headed by the Director General of the Ministry of Finance. The taskforce assessed the potential effects on competition and consumers as a result of an institutional entity's holdings in insurance agencies, in view of the concern that an institutional entity's holding in an insurance agency may lead to the agency's bias in favor of the institutional entity which has an interest therein, thereby adversely affecting the policyholders. The taskforce concluded that the concerns arising from the ownership interest between an insurance company and an insurance agency are a specific case of a much broader problem concerning the compensation model of insurance agents. The regulators, who were represented in the taskforce, were unanimous that the current compensation model of the insurance agents has an adverse effect on consumers, and that it should be amended such that it will lead to an insurance agent's being objective and will better suit the customer's needs. In light of the above, the team recommended two key steps: (1) changing the insurance agents' compensation model; and (2) imposing enhanced disclosure requirements on the agencies owned by institutional entities.

## 4.1.3. Provisions regarding regulation of corporate governance

### 4.1.3.1. Drafts

In September 2024, the Privacy Protection Authority published a directive entitled **Role of the Board of Directors in the Meeting of the Corporation's Obligations in Accordance with the Privacy Protection Regulations (Information Security)**. The Privacy Protection Regulations (Information Security), 2017, establish a series of obligations and actions required of a database owner and a database holder in order to meet the responsibilities imposed on them under the Privacy Protection Law regarding the database's information security. The Privacy Protection Authority published in this position paper its position regarding the requirement for Board of Directors' involvement, and the actions it must take regarding these regulations. Thus, for example, as part of the supervisory duty, the board of directors must ensure the formulation of organizational policy by the company regarding effective supervision, control and compliance procedures, such as an internal compliance program, and regarding the use and management of personal information regarding material topics. In this context, it is noted that the Company has an internal compliance program with respect to privacy and information protection laws.

### 4.1.3.2. Provisions regarding investment management by institutional entities

**Legislative arrangements**

A. **Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012** set a uniform framework for investment rules applicable to all institutional entities, including the nostro funds.

B. The codex of regulations on management of investment assets compiles and combines regulatory provisions which were included in the various circulars by virtue of the Commissioner's power pursuant to the Regulations; this power was given to the Commissioner with the aim of adapting some of the restrictions applicable to institutional entities to changing market conditions.

C. **Supervision of Financial Services Regulations (Provident Funds) (Direct Costs Due to Execution of Transactions), 2008** regulate the types of direct expenses an institutional entity may deduct from planholders' funds under its management in respect of investments it makes in addition to the management fees it collects from planholders.

   For details regarding the publication of **The List of Investment Tracks in Provident Funds** in April 2024, under the implementation of the recommendations of the Public Committee on Direct Expenses in Investment Management ("Yafeh Committee"), see Section 4.1.6 below.

D. In September 2024, a circular was published entitled **Amendment of Consolidated Circular Provisions regarding the Management of Investment Assets - Rules for Investing Insurance Company Assets.** The circular's provisions were prescribed by the power vested in the Commissioner under Section 36(a) of the Financial Services Supervision Law (Insurance), 1981; they supersede the provisions prescribed in the Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, with regard to insurer's investments against liabilities which are not yield-dependent (Chapter E to the Investment Rules Regulations) with similar provisions, except for a number of changes, the main ones being as follows: (1) Canceling the quantitative limit set in the regulations regarding the minimum rate of liquid assets out of the equity required from an insurance company, and replacing it with a provision whereby an insurance company will set rules and quantitative restrictions, which will ensure that the cash flow arising from its assets correlates to the cash flow of its liabilities, and that it has sufficient liquid assets it can use in its operating activities and under various scenarios; (2) the investment limit on the insurance company's related parties was revised such that it will stand at 15% of the insurance company's equity, instead of 10% as prescribed in the regulations;

## 4.1.4. Provisions on accounting reports, reporting and presentation rules and reports to be submitted to the Commissioner

### 4.1.4.1. General

The Supervision Law and the regulations promulgated thereunder stipulate, among other things, provisions regarding the content, details and accounting principles to be applied in the preparation of insurance companies' financial statements, including the accounting treatment applied to insurer's assets and liabilities.

The principal accounting principles used by the Group in the drawing up of the financial statements are described in Note 2 to the Company's financial statements.

From time to time the Commissioner publishes circulars and directives pertaining to reporting rules for both insurers and management companies, and to the accounting rules that should be applied to financial statements of insurers and management companies.

A. In June 2020, the Capital Market, Insurance and Savings Authority published a paper titled "**Roadmap for the Adoption of International Accounting Standard (IFRS) 17 - Insurance Contracts"**. The roadmap lists the steps required to ensure the preparedness of Israeli insurance companies for the implementation of IFRS 17 - Insurance Contracts - and the timetables for the implementation of these steps. The steps set out in the roadmap are designed to increase the level of regulatory certainty as to the planned implementation date of the standard and as to the main steps insurance companies will need to take in order prepare for the implementation. The roadmap sets key milestones, the achievement of which will be required as part of the preparations made by insurance companies. These milestones pertain to several aspects of preparedness: (1) IT systems; (2) project management; (3) accounting policies; (4) quantitative tests; and (5) disclosure to the public.

Further to the above, several revisions were published to the Roadmap, and in June 2023, the Commissioner published the **Third Revision to the Roadmap**, which postponed the date of application of the standard in Israel to January 1, 2025, and which revised the milestones for the implementation of the standard accordingly, including the updating of the requirement to disclose in the 2024 financial statements the comprehensive income for the first half of 2024 instead of disclosing comprehensive income for the entire year in 2024.

In August 2024, **Draft Fourth Revision of the Roadmap** was published, which proposes, among other things, to revise the time frames for submitting the reports to the Authority as part of a quantitative impact survey (QIS-2), alongside the updating of the required reporting files.

In January 2025, a Fifth Revision to the Roadmap was published. Under the document, the information which entities are required to report under a QIS-3 quantitative impact survey was revised and optional expedients were set for implementing the standard in the first application year. It is proposed to stipulate that a company wishing to implement one or more of the expedients listed in the document, will be required to inform the Authority in advance.

In August 2024, a tenth draft of **Professional Issues Pertaining to the Implementation in Israel of IFRS 17** paper was published, which includes a limited number of updates to professional issues, which were carried out following the publication of new circulars by the Authority and comments received regarding the previous drafts, such as an update to the guidance on the measurement on the transition date and the illiquidity premium.

In December 2024, a **Revision to the Consolidated Circular Regarding Measurement - Professional Issues Pertaining to the Implementation in Israel of IFRS 17** was published. As part of the implementation of the milestones, the insurance companies are required to set out principles for the implementation of the standards on various professional issues, for which there is no unequivocal stipulation in the standards or that the manner of their implementation requires interpretation due to their specific application to Israel. Accordingly, the Circular prescribes these principles in order to create a method of implementing the standards in insurance companies in Israel, which will be as uniform as possible, and in order to strength the comparability of financial statements of insurance companies in Israel.

In August 2024, a fifth draft of the **Q&A File for Implementing IFRS 17 in Israel** was published, as part of which a number of changes were made, which mainly included a technical update of the standard's transition and application dates, and adding a clarification regarding the accounting treatment applied to investment contracts with a guaranteed annuity conversion factor.

In January 2025, a **Revision to the Consolidated Circular Regarding a Report to the Public - Sample Interim Financial Statements of an Insurance Company Under IFRS 17** was published. On January 1, 2025, Israeli insurance companies will begin to apply IFRS 17, Insurance Contracts. The purpose of the Circular is to revise the structure of disclosure required in the quarterly financial statements of an insurance company to comply with the provisions of the standard, with reference, among other things, to specific disclosures in the first year of standard's application. According to the explanatory notes, the proposed disclosure's structure was formulated based on the structure of the disclosure included in the sample financial statements published by international accounting firms, and information observed in quarterly financial statements for the first year of application of foreign companies, which started implementing the standard in 2023.

For further details regarding the preparations made by the Company for application of the standard, see Note 2AA to the Financial Statements.

B. In September 2024, a circular was published entitled **Revision of Consolidated Circular Provisions - Capital Requirement of a Management Company.** The Circular incorporates the provisions of the Institutional Entities Circular 2012-9-2 - "Capital Requirements of Management Companies" (February 16, 2012) within the Consolidated Circular. The Circular sets forth provisions regarding the minimum equity required of a management company for an old pension fund, a provident fund which guarantees a return and for a central annuity provident fund. The Circular also refers to the possibility of reducing the minimum own required for insurance, when a management company has taken out professional liability insurance or insurance to cover breach of trust by employees, provided that the terms and conditions set forth in the Circular are met.

## 4.1.5. Actuary and risk management, including provisions regarding Solvency II-based Economic Solvency Regime

**1. General**

As part of its insurance activities, an insurer is required to hold assets against its insurance liabilities.

From time to time, the Commissioner publishes circulars providing guidance on actuarial assessments used in life, health and property and casualty insurance.

Most of the actuarial rules, methods and assumptions used to determine the Group's insurance liabilities are listed in Section 2.1 of the Report of the Board of Directors, Notes 2 and 40 to the financial statements, and the actuary's statements in the Life, Health and Property and Casualty Segments, which are attached to the financial statements.

**2. Duty to appoint an actuary, actuaries' work methods and required qualifications**

The Supervision Law stipulates that an insurer, including an insurer which serves as a pension fund's management company, must appoint an actuary for each of its insurance segments; the actuary's roles include, among other things, making recommendations to the Board of Directors and CEO as to the amount of the insurer's insurance liabilities or the actuarial balance sheet of the pension fund it manages, as applicable.

In September 2022, an amendment to the provisions of the **Consolidated Circular - Supervising Actuary and Chief Actuary.** As part of the circular, it was decided that an insurer will appoint only one chief actuary that will head the insurer's actuarial science function; the said actuary will report directly to the insurer's CEO and will also serve as a member of management. The circular also prescribes that the chief actuary will be required to submit to the Board of Directors and CEO of the insurer and to the Commissioner a periodic actuarial report at least once a year, in which it will review the implementation of the solvency directives, and specifically the processes, the actuarial calculations and the results derived therefrom, and the key activities of the actuarial science function in the discussed period (hereinafter - the "**Chief Actuary Report**"). The circular sets out a transitional provision whereby the effective date of the circular's provision whereby an insurer will appoint only one chief actuary, in the case of an insurer which had two serving chief actuaries prior to the effective date, it shall be January 1, 2024 - the date on which IFRS 17 comes into force. It is noted that in June 2023, the date of the standard's implementation in Israel was postponed to January 1, 2025 (see Section 4.1.4.1 above). In December 2024, the Company received the approval of the Capital Market Authority according to which it may implement the Circular's directive concerning the appointment of a single Chief Actuary in the Company, as from December 31, 2025.

Additionally, in April 2024, the **Revised Consolidated Circular - Chief Actuary Report** - were published. The circular defines guidelines regarding the content of the Chief Actuary Report, in order to ensure the quality of the reporting on "Economic

Solvency Regime". The report places an emphasis on topics which require a special reference and also refers to material information required to understand the data, information and actuarial risks embodied in the actuarial calculations. The circular also provides details regarding the structure and scope of the required report, as well as the content of the statement of the chief actuary and the supervisor actuaries working alongside him/her.

**3. Duty to appoint a Chief Risk Officer, his/her roles and required qualifications**

An institutional entity is required to appoint a Chief Risk Officer and set up a risk management function. The Chief Risk Officer's roles include, among other things, identifying the Company's material risks, quantifying and estimating their effect and reporting to the management and the Board of Directors.

**4. Provisions regarding the implementation of Solvency II-based Economic Solvency Regime**

Phoenix Insurance is subject to the Solvency II-based Economic Solvency Regime in accordance with the provisions Commissioner's Circular 2020-1-15 - "**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 capital 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 required capital. In accordance with the provisions of the Economic Solvency Regime, 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.

Increasing the economic capital in accordance with the transitional provisions - the Company opted for the alternative provided by the Economic Solvency Regime regarding the transitional provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction during the Transitional Period"). 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 (net of the difference between the fair value and the carrying amount 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 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.

In February 2025, a clarification letter was published regarding the **solvency ratio target**. 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 written 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, and taking into account the following appropriate practices: (1) Assessing various sensitivity tests to changes in demographic and operational assumptions, as well as combined scenarios, including changes in the business environment according to the specific risk profile of the insurance company; (2) conducting sensitivity tests both with regard to the current solvency ratio and with regard to the future solvency ratio; (3) determining the intensity of the sensitivity tests, noting the potential change in risk factors, according to the economic environment and the historical volatility of the risk factors. In addition, it was noted that deviation from these proper practices may amount to non-compliance with the directives of the Board of Directors Circular and give rise to concerns regarding the proper management of the Company. In these cases, the Commissioner will consider the use of the powers vested in them by law, including supervisory and control actions and issuing instructions to rectify deficiencies.

For details regarding Phoenix Insurance's commitment to publish data in connection with its economic solvency ratio on a quarterly basis in respect of the quarter preceding the reporting data, see Section 3.1.3 to the Report of the Board of Directors.

## 4.1.6. The principal legal frameworks of the Retirement (Pension and Provident) Segment

**1. Legislative arrangements**

A. **The Financial Services Supervision (Provident Funds) Law,** 2005 (the "**Provident Funds Law**") regulates the establishment of management companies, the manner in which they are to be managed and ways in which they operate; the law lists the terms and conditions for obtaining a license to manage a management company, and sets provisions on obtaining permits to control and hold stakes in management companies. The law also regulates the relationship between a planholder and the management company and even determines the rights of a planholder in a provident fund.

B. **Financial Services Supervision (Consulting, Marketing and Pension Acquiring System) Law**, 2005 (the "**Pension Advice Law**") regulates the practice of engaging in advice on and marketing of pension products, including provisions on the duty to obtain a license and the terms and conditions of such a license, prohibitions and restrictions on the practice of providing advice on and marketing of pension products, supervision of license holders, and the Commissioner's right to set proper conduct provisions and provisions designed to safeguard policyholders' interests, including the imposition of sanctions, civil fines and criminal sanctions. The law also sets provisions dealing with the licensing procedure of a company operating a pension acquiring system, and the mechanisms for supervising such a company (the "**Clearing System**"). The Clearing System is used to transfer information about pension products of planholders in the various institutional entities, transfer applications to make changes in the pension products and information about direct contributions by employers; the Clearing System is also used to make actual transfers of funds.

C. **The Prohibition on Money Laundering Law, 2000, and the Prohibition on Money Laundering (Obligations of Identification, Reporting and Record Keeping by Insurers, Insurance Agents and Management Companies to Prevent Money Laundering and Financing of Terrorism) Ordinance, 2017**, require insurers, insurance agents and management companies to identify and verify customers' details. The said law and ordinance set, among other things, provisions regarding the requirement to conduct a "know your customer" procedure when issuing a life insurance contract and opening a provident fund account, the requirement to check whether the customer is included in the list of active terrorist groups and individuals as defined by the ordinance, and the requirement to submit regular and special reports to the Israel Money Laundering and Financing of Terrorism Prohibition Authority.

D. **The Income Tax Ordinance (New Version), 1961** confers upon provident funds, pension funds and insurance funds a special status with regard to income tax credits and deductions and various exemption provisions; this status is designed to encourage the public to save for retirement through provident and insurance funds.

E. **Income Tax Regulations (Rules for the Approval and Management of Provident Funds), 1964** regulate certain aspects of the management of provident funds, including contributions to be made into such funds, the use of their funds, payments to planholders and provisions with regard to reports issued to planholders. The Regulations apply to pension funds, provident funds and insurance plans approved as insurance funds (executive insurance and insurance for the self-employed).

F. The **Supervision of Financial Services Regulations (Provident Funds) (Insurance Coverages in Provident Funds), 2013** regulate the insurance coverages that a management company is allowed to purchase for planholders in an annuity provident fund under its management, the terms and conditions of such insurance coverage, and the terms and conditions for group insurance in an advanced education fund and in a non-annuity provident fund.

G. The **Supervision of Financial Services Regulations (Provident Funds) (Self-Directed Provident Funds), 2009** allow savers to manage the investment of their pension savings by themselves. This arrangement enables savers to benefit from tax benefits in respect of contributions made into provident funds and/or advanced education funds, and at the same time, to control the manner in which their funds are invested, either personally or through a portfolio manager who follows the savers' instructions.

H. In May 2024 a circular was published entitled **Uniform Structure for Transferring Information and Data in the Pension Savings Market - Amendment**. As part of the revised circular, the effective date of the provisions regarding API-based interfaces were postponed, and adjustments were made to the existing interfaces in connection with recent regulatory amendments, including the capping of contributions to an insurance fund, displaying the expected cost to planholders and revision of Form 161.

I. In April 2024, the **list of investment tracks in provident funds** was published, following the amendment of Investment Tracks in Provident Funds Circular of September 2022 under the implementation of the reform in the structure of investment tracks, in accordance with the recommendations of the public committee on direct expenses in investment management (hereinafter - the "Yafeh Committee"). The revision to the list of investment tracks includes, among other things, the expansion of the option to offer passive investment tracks (index tracking), and tracks that will only allow investment in liquid assets, in order to cut the direct expenses associated with investment management; the revision also sets uniform rules for the management of bond tracks combined with shares in investment provident funds, advanced education funds and savings policies.

J. In June 2024 a circular was published entitled **Submission of Applications for Merging Provident Funds and Merging Investment Tracks for Approval by the Commissioner - Amendment**. As part of the amendment, it is stipulated that an institutional entity will be allowed to send planholders notices regarding the merging of provident funds and investment tracks by email or text message, should the planholder opt to receive documents in a digital manner, instead of by way of registered mail.

K. In July 2024, a circular was published entitled **Amendment of the Consolidated Circular Provisions on Measuring Liabilities - Updating the Demographic Assumptions in Life Insurance and Pension Funds**. The circular details revised default assumptions, on the basis of which the insurance companies and pension funds will calculate their liabilities to policyholders and planholders. In accordance with the Authority's review, the said changes shall affect, among other things, the liabilities in respect of pensioners of and survivors, the cost of life insurance coverage, the cost of disability insurance coverage, liabilities in respect of the disabled, and the conversion factors regarding old-age pension. In November 2024, a revision was published to the abovementioned circular, which supersedes the circular of July 2024. For details regarding the effect of the said amendment on the Company's financial results, see Section 1.2.6 above.

L. In July 2024 the **National Insurance Law (Amendment No. 247), 2024** was published. In accordance with the amendment, the following changes will be made to the Savings for Each Child plan: (1) Parents will be entitled - at their own choice - to instruct the National Insurance Institute to deposit the savings amount with an investment provident fund, rather than to continue depositing it with the existing bank savings plan; (2) an investment provident fund shall be defined as the default product, such that for a child, whose parents did not decide where their child's savings will be deposited, the savings amount will be under the management of an investment provident fund as the default option, instead of the previous mechanism whereby savings were also deposited in a bank deposit.

M. A circular entitled **Provisions Regarding Selecting Provident Funds** and a document dealing with a **Procedure for Selecting Default Funds** were published in August 2024. According to these publications, the Authority conducted a procedure to select new default pension funds from November 1, 2024 to October 31, 2028; regarding this matter, in September 2024, a letter outlining the **results of the fourth procedure for selecting default pension funds** was published, with the selected proposals being from the following entities: Infinity Provident Funds Management Ltd.; Altshuler Shaham Provident Funds and Pensions Ltd.; Mor Provident Funds Ltd.; and Meitav Provident Funds and Pension Ltd. Accordingly, these four pension funds will be selected as default funds for 4 years, from November 1, 2024 through October 31, 2028.

N. In December 2024 the Law for the **Amendment of the Income Tax Ordinance (No. 275), 2024** was published. Section 9A to the Income Tax Ordinance stipulates that upon the withdrawal of an annuity, a benefit in the form of a tax exemption will be available up to an amount, which will not exceed a certain rate of the ceiling of the entitling annuity as defined by the aforesaid section. Through 2012, the said benefit stood at 35% of the entitling annuity. As from 2012, an outline for a gradual increase in the tax exemption rates has been applied, such that the exemption rate increased gradually each year, reaching 67% in 2025. Due to the government's fiscal needs in light of the Iron Swords War, it was stipulated that the increase in the tax benefit regarding the withdrawal of pension annuity will be spread gradually over several more years and will amount to 57% in the tax year 2025, 57.5% in the tax year 2026 and 62.5% in the tax year 2027.

O. In December 2024, **Supervision of Financial Services Regulations (Provident Funds) (Imputation of Return in a Comprehensive New Pension Fund) (Amendment), 2024** was published. The Supervision of Financial Services Regulations (Provident Funds) (Imputation of Return in a Comprehensive New Pension Fund), 2017 established provisions regarding the method of imputation of return to planholders and pensioners in a comprehensive new pension fund, including establishment of a different allocation of the designated bonds according to three classes: (1) Planholders who are 50 years old or less, (2) planholders who are 50 years old or more and (3) Pension recipients. Regulation 8 of the regulations sets forth a temporary order according to which the different allocation to planholders who are 50 or more and to planholders who are 50 or less will enter into effect from January 1, 2025. During the temporary order period, allocation of the designated bonds to the 50 or more planholders group and to the 50 or less planholders group will be the same. Under the Amendment, the temporary order period was extended by another year, until December 31, 2025, under Regulation 8, whereby allocation of the designated bonds to the 50 or more planholders group and to the 50 or less planholders group will be the same.

2. **Drafts**

A. In October 2024, a draft was published of the **Supervision of Financial Services Regulations (Provident Funds) (Transfer of Planholders in Default Tracks to a Track Suitable for Their Age), 2024**. Under the regulations, it is suggested to prescribe that a planholder will not be allowed to opt for an age-based investment track, which is not suitable for their age, and that the funds of a planholder, which are currently invested in an age-based investment track, which is not suitable for their age, will be transferred to an investment track, which is suitable for their age; this, in order for the guaranteed return rate to be fully compatible with the age of a planholder in an age-based investment track. Furthermore, it is suggested that a management company will transfer the funds of planholders, who invest in an investment track, which is not suitable for their age, to a default investment track, which is suitable for their age, no later than December 31, 2025; prior to such transfer, the management company will be required to inform planholders of the transfer as detailed in the draft.

B. In October 2024, a **draft circular** was published entitled **Manner of Making Contributions to Provident Funds - Amendment**. Under the draft, it is suggested to amend the provisions of the circular regarding refund of excess employer contributions, revise the information accessible by an employer in an online employer account, the manner of transferring funds to a management company, and the feedback dates regarding reports about contributions.

## 4.1.7. The principal legal frameworks of the life and savings area of activity

Many of the provisions of the law that apply to the field of asset management - pension and provident funds as listed in Section 4.1.6 above, also apply to life and savings.

## 4.1.8. The principal legal frameworks of the Property and Casualty Insurance Segment

### 4.1.8.1. Legislative arrangements

**A. Property and casualty insurance**

**Supervision of Financial Services Regulations (Insurance) (Calculation of Insurance Reserves in Property and Casualty Insurance, 2013** deal with the manner of calculating insurance reserves such that they adequately and properly reflect the insurer's insurance liabilities.

For further details on these regulations and the Commissioner's Directives, see Note 2 to the Financial Statements.

**B. Compulsory motor insurance**

1. **The Motor Insurance Ordinance (New Version), 1970** (the "**Motor Insurance Ordinance**") stipulates that every person using or allowing others to use a motor vehicle must have a valid insurance policy in accordance with the Motor Insurance Ordinance. Pursuant to the Motor Insurance

Ordinance, a compulsory motor insurance policy covers the motor vehicle's owner and the driver against any liability they may incur under the Road Accident Victims Compensation Law, 1975 (hereinafter - the "**CRAV Law**") and against any other liability they may incur due to bodily injury caused by or as a result of the use of a motor vehicle to the driver, passengers, or pedestrians hit by the motor vehicle as a result of the use thereof.

2. The **Road Accident Victims Compensation Fund** ("**Karnit**") is a corporation established under the CRAV Law; its purpose is to compensate victims who are eligible for compensation by virtue of that law, but are unable to claim compensation from an insurance company due to one of the following circumstances: the identity of the driver who caused the accident is unknown; the driver does not have compulsory motor insurance, or the insurance does not cover the liability; the vehicle's insurer is under liquidation or an administrator was appointed for the insurer.

3. In accordance with the **Economic Efficiency Law (Legislative Amendments for the Implementation of the Economic Plan for 2009 and 2010), 2009** (hereinafter - the "**Economic Efficiency Law**") as from 2010, the insurance liability in respect of the provision of medical services, which are included in the basket of services set out in the Second Addendum to the National Health Insurance Law, and in the National Health Insurance Ordinance (Medications in the Health Services Basket) was transferred from the insurance companies to the health maintenance organizations; accordingly, the premium component relating to the said insurance liability in respect of medical services is transferred to the health maintenance organizations.

4. **The Motor Insurance Regulations (Creation and Management of Databases), 2004**, determine the activity of a database operator, which is in charge of the management of the database and the generation of reports used, among other things, to assess the risks in the Compulsory Motor Insurance Subsegment, and to determine the cost of pure risk on the basis of which compulsory motor insurance tariffs are determined (hereinafter - the "**Base Tariff**").

5. **The Motor Insurance Regulations (Residual Insurance Arrangement and Mechanism for Determining the Tariff), 2001, stipulate the residual insurance arrangement (the "Pool")**, which is based on a co-insurance by all insurers. The purpose of the residual insurance is to cover the compulsory motor insurance risk of those who are rejected by commercial insurance companies due to exceptional risk levels (mainly motorbikes and all-terrain vehicles). Each insurance company's share in the residual insurance is determined every year based on its proportionate share - during the past year - in the Compulsory Motor Insurance Subsegment. The Pool operates as an insurer, and its rates are determined by the Commissioner. Phoenix's proportionate share in the Pool's losses in the reporting year was 12.66%.

6. **The National Insurance Law (Combined Version) 1995 (hereinafter - the "National Insurance Law") authorized the National Insurance Institute (**the **"NII")** as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required to pay. In 2015, following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a draft subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the subrogation demand and indemnification rates. Following the above, in July 2015, the Company signed a subrogation agreement with the National Insurance Institute.

   Further to the said agreement, in March 2018, the **Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018** was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents occurring as from January 1, 2014, will be revoked, and - as a result - the agreements signed to regulate this right will be terminated. The bill prescribes that In lieu of this right of individual right of subrogation, a netting arrangement shall apply, under which a fixed amount will be remitted to the National Insurance Institute from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. At the end of the day, the said bill was not passed as a binding law. Nonetheless, following the said bill and after negotiations between the insurance companies and the National Insurance Institute, in July 2021 a new arrangement was signed with the National Insurance Institute. In accordance with the arrangement, the insurers transferred to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022; the previous subrogation agreement of 2015 continues to apply in respect of those years. It was also agreed that in respect of road accidents occurring as from January 2023, the subrogation agreement shall not apply; on the other hand, in 2023-2024, 10% of the insurance premiums collected each year will be transferred to the to the National Insurance Institute; in respect of road accidents occurring as from 2025, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitution claim against an insurer liable to payment in respect of damage.

7. For information regarding **The National Insurance Regulations (Discounting), 1978**, which deal with the discounting of annuities, see Note 41 to the financial statements.

8. In November 2024, an amendment was published to the provisions of the **Consolidated Circular in the Compulsory Motor Insurance Industry – Appendices 6.2.2 and 6.2.3 to Section 6 Part 2 of the Consolidated Circular, Residual Insurance Rates**. The purpose of the amendment is to update the net insurance premium in the Pool, in order to adjust the net insurance premiums in the Pool to the policyholder's risk, based on the recommendations of the operator of the statistical database in the compulsory motor insurance industry. In the amendment, net insurance premiums were updated for private and commercial vehicles up to 3.5 tons, privately owned and company-owned, and for privately owned and company-owned motorcycles. In addition, net insurance premiums were updated such that a rate of 0.95% will be deducted following the update of the total netting rate between the Pool and the National Insurance Institute from 10% to 10.95% from January 1, 2025, in accordance with the amendment of Section 328A of the National Insurance Law [Combined Version] 1995, and the netting mechanism for road accident claims between the National Insurance Institute and the Pool and insurance companies. Given the Company's share in the Pool, the amendment may affect the Company, but the Company estimates that this effect is not expected to be material.

**C. <u>Motor property</u>**

1. **Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring a Private Vehicle), 1986**, stipulate the wording of a standard policy that includes the minimum terms and conditions for provision of insurance coverage for private and commercial vehicles weighing up to 3.5 tons. According to the regulations, policyholders may only be given benefits in addition to the terms and conditions of the standard policy, and the scope of their coverage, risks, property and liabilities may only be expanded - not reduced.

2. In May 2024, the **Filing of Insurance Plans in the Motor Property Subsegment Circular, and the Amendment of the Consolidated Circular, Section 6, Part 2 - Provisions in the Motor Property Subsegment** was published, as part of a comprehensive regulatory process in the Motor Property Subsegment**.**

   Following are the key provisions, which were set in the **Filing of Insurance Plans in the Motor Property Subsegment Circular**: (1) regarding the mitigation of the damage - it was decided that the insurance company will be required to revise the wording of the disclosure to the policyholder if they repair the vehicle in an auto-repair shop, which does not participate in the arrangement, in the format, which was set in the circular; the disclosure should include the rules for reducing the insurance benefits, which will be filed for the approval of the Authority; it was also decided that the insurance plan shall stipulate that where a policyholder decided to repair their vehicle in an auto-repair shop, which does not participate in the arrangement, and certain conditions, which were set in the circular were met, the insurance company will deduct a deductible from the insurance benefits as if the vehicle was repaired in an auto-repair shop, which participates in the arrangement. (2)

Constructive total loss - it was determined that an insurance plan shall not include compensation for constructive total loss, unless it is a plan that the Authority did not object to. The effective date of this circular is September 1, 2024, except for the provisions dealing with the total loss, which will come into effect only after an amendment to regulations will come into effect, which amends the definition of total Loss in the Traffic Regulations, 1961. As of the publication date of this report, such regulations have not yet been promulgated.

Following are the key changes made to the **Amendment of the Consolidated Circular, Section 6, Part 2 - Provisions in the Motor Property Subsegment**: (1) Agreed auto repair shop - the amendment sets the rules for engagement with an agreed auto repair shop, the circumstance in respect of which the insurance company will not be able to refuse to include an auto repair shop as an agreed auto repair shop, the principles, which will be included in the agreement with the agreed auto repair shop, and the rules for dealing with an agreed auto repair shop, which breached the agreement; (2) marketing of insurance plan - it was stipulated that the insurance company will be required to have in place an insurance plan, as part of which the policyholder will be allowed to use any auto repair shop, with no difference between the different auto repair shops in terms of the amount of the deductible, which they will pay; (3) a database of appraisers - it was stipulated that the insurance company is required to set up a database of appraisers in accordance with the rules stated in the circular, and provisions regarding the manner by which the database works, the way an appraiser may be removed from the database, and setting an appraiser's fees; (4) a deciding appraiser mechanism - rules were set, among other things, regarding the appraiser's identity, the topics they will cover, and time tables for their work; (5) effect on auto repair shops and a vehicle repair procedure - it was stipulated that an insurance agent will not receive compensation or a benefit related to the process of selecting an auto repair shop and the repair of the vehicle and/or the appraiser. The circular's effective date is May 1, 2025, subject to the publication - by the Ministry of Transport - and until that date, of professional provisions according to which the vehicle assessment will include the market price of the spare parts. If the Ministry of Transport's provisions will not be published until the date on which the circular comes into effect, the effective date will be postponed. As of the date of publication of this report, such professional provisions have not yet been published.

### Drafts

1. In October 2024, a draft was published of the **National Insurance Regulations (Capitalization) (Amendment - Revision of Interest and Cancellation - Revision of Mechanism, Revision of the Life Tables and Determining Disabled Life Tables), 2024**. Following are the key changes suggested in the draft: (1) Currently, the National Insurance Institute's subrogation requirements are calculated based on the high interest rate set by the Supreme Court in its judgement in Civil Appeal 3751/17 - Israel Motor Insurance Database (the Pool) vs. John Doe et al., whereas capitalized payments made by the National Insurance Institute to its policyholders

(capitalized rehabilitation allowance), are made using the low interest rate prescribed in the regulations. In order for the wording of the regulations to be in line with the ruling of the Supreme Court, which stipulated that the discount rate used will be 3%, and in order for the interest rate according to which the National Insurance Institute makes its payments to correspond to the interest rate used to calculate the payments it receives from the insurance companies, it is suggested to amend the regulations and prescribe that the interest rate will stand at 3%; (2) it is suggested to pass into law the interest rate, which is normally used, without setting a revision mechanism; (3) it is suggested to prescribe that from now on the life tables will be revised every four years, based on the assumption that the interest rate will remain constant; (4) it is suggested to revise the table pertaining to general disability and regarding the working-age disabled population - to create a new table consisting of two separate columns - one for men and one for women. In the opinion of the Company, if the Draft Regulations will be approved, their effect on the Company is not expected to be material.

2. In January 2025, a draft position of the Commissioner was published regarding the **prohibition of discrimination based on the geographical location of policyholders and insurance applicants in motor insurance**. The draft was published against the backdrop of information obtained by the Capital Market Authority, which raises concerns that some insurance companies have practices that may discriminate against motor insurance applicants based on geographic area. The following are the principles which are proposed to be prescribed in the Commissioner's position: (1) Insurance companies must act fairly and equitably in their dealings with insurance applicants, and not base their decisions on whether to issue insurance to a person in the motor insurance subsegments on considerations which are contrary to the provisions of the law, including provisions that prohibit discrimination on the basis of geographic area; (2) practices according to which insurance companies place additional requirements on insurance applicants in the motor insurance subsegments for the purpose of completing the underwriting process and purchasing insurance, only because of their address or area of residence, are prohibited, especially with regard to requirements that an insurance applicant will find difficult to comply with; (3) an insurance company may not perform "strict underwriting", in which an insurance applicant is required to present a certificate regarding a clear insurance history for a period longer than three years. According to the Commissioner's position, these practices are inconsistent with the provisions of the law, including the provisions of the Prohibition in Products, Services and Entry into Entertainment Venues and Public Spaces Law, 2000, the provisions of the Signing-On to Insurance Plans Circular, and the principle of equality and enhanced duty of good faith which applies to insurance companies.

D. **Other property and casualty insurance**

**Regulations Concerning Supervision of Insurance Business (Contract Terms and Conditions for Insuring Homes and their Contents), 1986** stipulate the wording and terms and conditions of a standard policy and a minimum binding home and contents insurance coverage.

## 4.1.9. The principal legal frameworks of the health insurance area of activity

A. In October 2023, the **reform in health insurance of the Capital Markets Authority** came into force. The key points of the reform are explained in detail in the chapter dealing with the principal changes in the Health Insurance Segment in Section 2.3.1.3 above .

B. In October 2023, the **provisions of Chapter Q "Health" in the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for Budget Years 2023 and 2024), 2023** (hereinafter - the "**Economic Arrangements Law**"), came into force. The objective of the Amendment is to reduce the incidence of overlapping insurance in the surgical procedures subsegment between Supplementary Healthcare Services (hereinafter - the "**SHABAN Plans**") of health maintenance organizations and private health insurance policies; the aim is to reach a situation where most of private surgical procedures in Israel will be conducted by the health management organizations as part of the SHABAN Plans. In effect, the Amendment implements the recommendations of the public committee for strengthening healthcare services in Israel and regulating the public and private health system (hereinafter - the "Ash Committee"), which were published in November 2022. The key points of the Economic Arrangements Law are explained in detail in the chapter dealing with the principal changes in the Health Insurance Segment - Section 2.3.1.3 above.

For the purpose of implementing the Economic Arrangements Law, supplementary circulars were published throughout 2024, for example: **The Online Interface Regarding Surgical Procedures in Israel Circular**; **Required Information on an Institutional Entity's Website Circular**; **Transfer of Policyholders to Supplementary SHABAN Policy Circular**.

C. In August 2024, a circular was published entitled **Objection to a Payment Notice with respect of First Shekel Surgical Procedures Policy**. According to the Economic Arrangements Law, if a policyholder who holds a First Shekel surgical procedures policy undergoes a surgical procedure, which was carried out by the SHABAN, the health maintenance organization will be able to demand from the insurance company a payment for the surgical procedure, and the insurance company may file an objection to the payment amount with the Capital Market Authority had imposed. Accordingly, the circular sets rules for clarifying and resolving the objections of insurance companies regarding the obligation to pay the health management organizations. The circular prescribes provisions regarding analyzing the objection, including documents and information which insurance companies are required to attach when filing an objection, provisions regarding obtaining an HMO's response to an insurance company's objection; requirement to obtain the procedure report from the HMO, as well as time frames for the various phases.

D. Regulation of long-term care - In December 2023, the Commissioner published Directives regarding **Financial Services Supervision (Insurance) (Collective Long-Term Care Insurance for Members of Health Maintenance Organizations) (Amendment), 2020**. As part of the provision, the existing insurance coverage was revised in order to stabilize the funds of policyholders insured under long-term care insurance for members of a health maintenance organization. In addition, the "Amendment to the Provisions of the Consolidated Circular - Section 6, Chapter 3 - Long-Term Care Insurance" was published, which amended the requirement that an insurance company will bear the insurance risk that will not be lower than 20% in the basic tier of the collective long-term care insurance policy for members of the health maintenance organizations. The provisions became effective on January 1, 2024.

In addition, in December 2024, the Commissioner published the **directives regarding Financial Services Supervision (Insurance) (Collective Long-Term Care Insurance for Members of Health Maintenance Organizations) (Amendment), 2024**, in which the right of continuity in an individual insurance policy was revoked, the definition of the insured event and the conditions for recognition of some of the activities of daily living (ADL) became stricter, and the eligibility criteria for receiving insurance benefits were changed. The directives will take effect on December 22, 2024. Phoenix Insurance insured the customers of Maccabi Healthcare Services under a collective long-term care insurance, which expired on December 31, 2023 and was renewed with another insurer. Therefore, the provisions detailed above do not affect the activity of Phoenix Insurance in the collective long-term care insurance subsegment. For further details, see Section 2.3 above.

## 4.1.10. The principal legal frameworks of asset management - financial services

For details on the legal frameworks of the Investment House and Wealth Segment, see Section 2.5.2 of the report.

## 4.1.11. The principal legal frameworks of the Credit Segment

For details on the Credit Segment, see Section 2.6.7 below.

## 4.1.12. The principal legal frameworks of the Distribution (Agencies) Segment

For details on the legal frameworks of the financial services segment, see Section 2.7.9 below.

# 4.2. Entry and Exit Barriers

## 4.2.1. Entry barriers

### 4.2.1.1 Insurance, pension funds and provident funds activity

In accordance with the provisions of the law, an entity wishing to engage in insurance (including the holding of pension and provident funds' management companies) is required to obtain an insurer license under the Supervision Law (hereinafter - an "**insurer license**"); the holding of more than five percent of a certain type of means of control in an insurer is conditional upon obtaining a permit from the Commissioner to hold such means of control (hereinafter - a "**holding permit**"), and control in an insurance agency is also conditional upon obtaining a control permit from the Commissioner (hereinafter - a "**control permit**").

When reviewing requests for insurer licenses, an insurer license, a holding permit and a control permit, the Commissioner takes into account, among other things, a broad range of considerations, including: the applicant's work plans; the suitability of officers' qualifications to their roles; financial means; experience and business background of the entities applying for the license or permit; the competition in the capital market, including the insurance industry and the level of service therein; the Government's economic policy; reinsurance arrangements; the workforce, etc. The Commissioner may set terms and conditions and restrictions in connection with issuing permits including the condition that the insurer has a fixed and stable control core, a prohibition on placing a charge on means of control included in the insurer's control structure, maintaining the framework of the control group, including setting provisions or restrictions on the sale or transfer of means of control to others.

Furthermore, pursuant to Section 32(c1) to the Supervision Law, a material holding in the field of long-term savings is prohibited. A material holding is defined as the holding of a market share of more than 15% of long-term savings assets, as defined by the Supervision Law.

The **Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required for Insurance License), 2018** were approved in January 2018; these regulations supersede the Supervision of Financial Services (Insurance) (Minimum Capital Required from Insurer), 1998 and determine the rate of equity required to obtain an insurer license. The purpose of the regulations is, among other things, to reduce entry barriers to the Israeli insurance market and encourage the entry of companies relying on technology and innovation.

It is noted that, pursuant to the aforesaid regulations, additional insurance companies entered the market targeting a broad range of customers wishing to purchase insurance directly; so far, those insurance companies focused on selling motor insurance and travel insurance, mostly through digital means supported, inter alia, by call centers.

In the field of pension savings, the establishment of the default pension funds and the termination of collective agreements between employers and management companies in March 2019 in accordance with the **Circular on Provisions Regarding Selection of Provident Funds**, caused the funds selected as default funds to become more dominant than others.

Furthermore, pursuant to the Reduction of Concentration Law, restrictions are placed on investment in institutional entities by entities holding significant non-financial holdings. For more information on the Market Concentration Law, see Section 4.1.2.3 above.

### 4.2.1.2 Permit to hold means of control in institutional entities

In July 2013, the Commissioner and Banking Supervision Department published a joint document dealing with **Guiding Principles for General Criteria and Conditions for Entities Applying for a Permit to Control and Hold Regulated Financial Entities.** In the document, the Commissioner drafted a list of guiding principles that shall constitute the basis for a detailed framework of criteria and conditions for issuing a control permit; the details of this framework may vary according to the types of regulated entity. The considerations taken into account when assessing a permit application relate, among other things, to four principal areas: (1) personal and business honesty and integrity; (2) financial strength; (3) planned investment strategy; (4) the applicant's business experience, area of business of the applicant and the entities in respect of which a permit is requested, and the potential for conflicts of interest in the regulated entity.

Further to said document, in February 2014, the Commissioner published a document dealing with a **Policy for Control in an Institutional Entity (hereinafter - the "Policy Paper").** The Policy Paper lists the Commissioner's Directives regarding control in an institutional entity and on the filing of an application for a control permit in an institutional entity. The directives pertain to applicants applying for a new control permit; however, they will also apply to holders of an existing control permit, with the necessary modifications to the permit they hold. It is noted that in the case of joint control, each entity in the controlling shareholders' group is required to obtain a control permit, and therefore, each such entity is required to file a control permit application.

The Policy Paper pertains, among other things, to the following issues: (1) the terms and conditions that pertain to an applicant applying for a join control permit; (2) the control structure and method of holding means of control in an institutional entity in the case of a non-financial entity, foreign banking corporation and a foreign institutional entity, an entity managing funds, partnership, trust and an institutional entity; (3) the minimum holding rate. In that context, it was determined, among other things, that the required holding rates are as follows: a stake of more than 30% in an institutional entity which is required to maintain a large amount of minimum capital, a stake of more than 40% in an institutional entity which is required to maintain a medium amount of minimum capital, and a stake of more than 50% in an institutional entity which is required to maintain a small amount of minimum capital; (4) the funding of the corporations through which the institutional entity is held; (5) placing of charges on the means of control; (6) the financial strength of the applicant. It is noted that the Company is an institutional entity which is required to maintain a large amount of minimum capital, and accordingly, the minimum holding rate required of its controlling shareholders is 30%.

Furthermore, in July 2019, the Commissioner published a paper dealing with a **Policy for Issuing - to Entities Managing Customers' Funds - Permits to Hold Means of Control in an Institutional Entity without a Controlling Shareholder**; the paper's objective is the set terms and conditions which an entity managing customers' funds is required to comply with in order to receive a holding permit for holding up to 7.5% of the means of control in an institutional entity without a controlling shareholder. It is noted that in accordance with the above, the Company holds permits to have a stake of up to 7.5% in institutional entities.

### 4.2.1.3 Licenses and permits received

As stated in Section 4.2.1.1 above, pursuant to the Supervision Law, the holding of more than 5% of an insurer's "**means of control**"[20] is subject to obtaining the Commissioner's permit.

In 2019, as part of the transaction for the acquisition of control in the Company by the Former Controlling Shareholders (as defined in Section 1.1 above) and the ultimate shareholders of the

Former Controlling Shareholders, a Holding Permit and Holding Means of Control in the Company and regulated corporations under its control, Phoenix Insurance and Phoenix Pension and Provident Funds (hereinafter - the "**Control Permit**").

**4.2.1.4** During the third quarter of 2024, the Company's Former Controlling Shareholders sold Company shares, such that as from July 17, 2024, the Company no longer has a controlling core. For further details, see Section 1.1 above.

### 4.2.1.5 Shareholders' equity

- **Insurance companies**

  A company engaged in insurance activity is required to meet regulatory capital requirements which constitute a significant entry barrier for operating in this field.
  For further details about the capital requirements, including the application of a Solvency II-based economic solvency regime, the transitional provisions in connection with full application of the provisions, the restrictions on dividend distribution and the capital adequacy target, see Section 3.1 to the Report of the Board of Directors.
- **The management company - Phoenix Pension and Provident**

  The Company has undertaken to supplement, at any given time, Phoenix Pension and Provident's equity to the amount set in the Provident Fund Regulations.
- **TASE Member - Excellence Investment Management and Securities Ltd.**

  The company is the Tel Aviv Stock Exchange Ltd. In accordance with the Articles of Association, the Company is required, among other things, to comply with the equity and liquid assets requirement, in accordance with the TASE rules and guidelines. As of the date of the financial statements, the Company meets the equity and liquid assets requirements as stipulated in the TASE Rules and Regulations.
- **Phoenix Gama**

  The Company issued to the public liquid commercial securities, and accordingly binding provisions regarding capital adequacy and liquidity apply to its activities, as stipulated by the Commissioner. For more information, see Section 2.6.1 above.

### 4.2.1.6 Expertise, knowhow and experience

The Group's insurance and financial services activities require the possession of specific knowhow, mainly in the field of actuarial sciences and risk management; these activities also require familiarity with the relevant markets, including the reinsurance market. Furthermore, gaining experience in this area of activity, accumulating actuarial information and creating an extensive database serve a very important role in the setting prices and underwriting new businesses.

### 4.2.1.7 Minimum size (economies of scale)

In order to cover the high fixed operational costs required to operate investment and insurance systems, including meeting the range of regulatory requirements in the various areas of activity, actors need to have minimum revenue.

### 4.2.2. Exit barriers

The principal exit barriers from the Group's various areas of activity are also prescribed by the relevant laws.

#### 4.2.2.1. The insurance, pension funds and provident funds activity

The liquidation or winding-up of an insurer's insurance businesses are regulated by the Commissioner, who may instruct an insurer to act in a certain manner when winding-up businesses or ask the court to issue an order whereby the liquidation will be carried out by the court or under court supervision. A merger, split, discontinuance of management or voluntary liquidation require obtaining the Commissioner's advance approval. Where an application for issuing orders appointing a receiver or a temporary liquidator was filed in respect of a management company, and such orders were not canceled within the period set in the Provident Funds Law, or if management was not transferred to another management company within the period set in the law, the Commissioner may exercise his powers in an effort to maintain the stability of the provident fund, including by appointing an authorized manager in accordance with the rules set for insurance companies. In the life insurance and pension businesses and in the Property and Casualty Insurance business, which are long-tail businesses, the discontinuance of activities involves a run-off coverage arrangement in respect of all policyholders and planholders' rights.

The transfer of control in an institutional entity requires the acquired to obtain a control permit; for further details about criteria and general terms and conditions applicable to an entity applying for a permit to control and hold regulated institutional entities, see Section 4.2.1.2 above.

#### 4.2.2.2. Investment house and wealth

Regarding entry and exit barriers in the Investment House and Wealth Segment, see Section 2.5.5 above.

#### 4.2.2.3. Credit

Regarding key entry and exit barriers in the Credit Segment, see Section 2.6.6 above.

#### 4.2.2.4. Distribution (Agencies)

Regarding key entry and exit barriers in the Distribution (Agencies) Segment, see Section 274(c) above.

## 4.3. Critical success factors

### 4.3.1 General success factors

Success factors common to all of the Group's areas of activity:

1. The economic conditions, employment and interest rates, inflation and the condition of the capital market;
2. Regulation, including supervision of prices;
3. Competition in the area of activity;
4. Customer loyalty and portfolio retention;
5. Quality of investment management;
6. Quality and manner of risk management;
7. Distribution channels, including their ability to boost demand and create new markets;
8. The product offering and ability to adapt the products to market conditions and customers' needs;

9. Quality of service to policyholders, planholders and agents;
10. Positioning the Company as a leader in the field, while creating a brand that will enhance its status among competitors;
11. Retaining and acquiring high-quality staff;
12. Technological innovation;
13. Level of IT systems, technology and cyber security;
14. Effectiveness of operations and the level of operating, marketing and selling expenses;
15. Exercising effective controls;
16. Strength and stability.

## 4.3.2 Unique success factors in insurance and savings and asset management - Retirement (Pension and Provident)

The following factors may be attributed to these areas of activity:

1. Quality of underwriting;
2. Rate of management fees entities may collect under law and the actual rate collected;
3. Management of compensation in the distribution channels;
4. Quality of actuarial assumptions applied to pricing and to determining reserves;
5. Incidence and severity of the claims, including catastrophe events;
6. Quality of all aspects of claims management;
7. Effectiveness of protections and reinsurance costs;
8. Changes in underwriting risk factors;
9. Scope of tax benefits to the customer (in the life insurance and Long-Term Savings Subsegment);
10. Transition to effective digital processes and products;
11. Developments in medical and other technologies, inculcating medical inflation;
12. Quality of management of own capital and the investments in the Company's nostro portfolio;
13. Quality of investment management and the risks in the planholders' portfolios;

## 4.3.3 Unique success factors of other areas of activity

For critical success factors in the asset management - Investment House and Wealth activity, see Section 2.5.4 above.
For critical success factors in the Credit Segment, see Section 2.6.5 above.
For critical success factors in the Distribution (Agencies) Segment, see Section 274(a) above.

# 4.4 Investments[21]

## 4.4.1 Investment management

### 4.4.1.1 Merger between Phoenix Investments and the Company and transfer of the investment management activity to Phoenix Capital Partners

As from December 31, 2024, Phoenix Investments - the company which provides investment management services to the institutional entity and which is a privately-held subsidiary wholly-owned (100%) by the Company, has been merged into the Company, under a statutory merger, which is not material in accordance with the Eighth Part of the Companies Law. Upon completion of the merger, the Company transferred all assets used for the investment management activity (including intangible assets and investment management agreements) to a new company wholly-owned by the Company - Phoenix Capital Partners Ltd. (hereinafter - "**Capital Partners**").

Phoenix Capital Partners was established for the purpose of concentrating the activity and assets associated with the management of the investment activity in the Phoenix group. Under the transfer of the activity and assets, the Company transferred and/or will transfer, as the case may be and among other things, the employees engaged in investment management, Phoenix Advanced Investments Ltd. shares, Phoenix Underwriting Ltd. shares, Tehuda Management Service (1999) Ltd. shares and Safra Consultation and Investments Ltd. shares. For further details, see the immediate report dated November 27, 2024 (Ref. No.: 2024-01-619265).

### 4.4.1.2 Structure of investment management

Capital Partners manages the Phoenix group's insurance, pension and provident funds investments, including investments against yield-dependent liabilities (funds of planholders and policyholders), non-yield-dependent liabilities (nostro funds), and the Group's share capital. Furthermore, Capital Partners has an investment management agreement regarding managing funds of planholders and policyholders invested in passive tracks with Phoenix Investment House and external investment managers who are among the largest and leading investment managers worldwide. In addition, Capital Partners manages alternative investments, either independently (through its subsidiary, Phoenix Advanced Investments) or alongside the investments of the institutional entity (in accordance with the related fund outline detailed in the Capital Market, Insurance and Savings Authority's Circular No. 2021-9-9 regarding collaboration with a related fund). Phoenix Investment House also manages investments for the Investment House and Wealth activity. For further details regarding Phoenix Investment House and Phoenix Advanced Investments, which manages the Wealth Subsegment, see Section 2.5 above.
Investment management is carried out jointly for policyholders and planholders of Phoenix Insurance and Phoenix Pension and Provident (hereinafter - "**planholders' funds**") through Capital Partners. In that context, it is noted that Capital Partners does not manage the investments of IEC Gemel, and accordingly IEC Gemel is not considered part of the "Group of Investors" (as defined by the Investment Rules Regulations) together with Phoenix Insurance and Phoenix Pension and Provident with regard to investments in liquid securities.

[21] This section relates to the investment management of an insurer, pension fund and provident fund managed by a management company, rather than to investment management within the Investment House and Wealth Segment.

Investment management by Capital Partners is carried out through a large, professional and highly-qualified team with vast experience in investment management, which is composed, as of the reporting year, of approx. 70 employees.[22]

The management of investments in liquid securities is carried out in separate teams - one charged with management of planholders' funds and the other charged with management of the nostro funds. In addition to those teams, there are a number of professional units that provide investment services with respect to illiquid assets, both to the team dealing with nostro funds and to the team dealing with planholders' funds, such as: Real estate, illiquid credit, investment funds, private transactions and infrastructures. The investments are supported by a knowledgeable and highly-experienced internal research department, and by research conducted by leading research bodies in Israel and abroad.

The management of planholders' funds is carried out through common committees, including a joint investment committee, a joint internal credit subcommittee, a joint advisory committee for technology investments, and a troubled debt forum.

Illiquid transactions are offered simultaneously to the planholders' investment manager and to the nostro's investment manager in accordance with a predetermined split ratio. Any deviation from the split ratio requires advance written approval of the investment committees.

### 4.4.1.3 The Group's investment management policy

The investment policy defines the exposure ranges in relation of each of the different investment channels for each of the tracks. The investment policies are based, among other things, on the targets of work plans, work assumptions about macroeconomic conditions in Israel and around the world, trends in various markets and investment areas, estimates as to interest rates, foreign currency exchange rates, political and security conditions, unemployment rates, etc. The investment policies are brought for approval before the investment committees (planholders and nostro) and the boards of directors of Phoenix Insurance and Phoenix Pension and Provident Funds at least once a year.

It is noted that, as part of the investment policy, the board of directors and investment committees also approve the credit policy for the management of the credit assets of the portfolios under management. The credit policy sets out work processes, authorization hierarchy and credit portfolio credit exposures, considering, among other things, maximum exposure limits to a single borrower, to a group of borrowers, to a specific subsegment, ensuring the existence of management, supervision and control mechanisms for risk management, etc.

The investment policy of the portfolios under management is reviewed continuously as part of the discussions of the investment committees. Furthermore, the control and risk management units continuously oversee the investment activity, with emphasis on the volumes of activity, exposure rates in each type of investment channel, compliance with the restrictions of the investment and credit policy and provisions of the law.

In accordance with the Commissioner's Directives, the Company publishes on its website information concerning its investment policies. For details on the Company's investment policy, see the Company's website at:
https://www.fnx.co.il/investors-relations-hebrew/investment-information-reports/the-expected-investment-policy/

[22] The figure is as of December 31, 2024. It is noted that in the previous reporting year, the number of employees stood at 90; the change is due to Phoenix Construction Financing and Guarantees Ltd. - which provides financing services to development real estate projects - becoming a company wholly-owned by Gama.

**4.4.1.4** For details regarding responsible investments, voting policies in general meetings and institutional activism, see Chapter F on sustainability below.

### 4.4.1.5 Investment control

The Investment Control Department is a separate unit operating independently of the unit charged with initiating, performing, allocating, and assessing investment assets. The unit reports to the Investment Controller Department, which is part of Phoenix Insurance's Finance Division, and operates independently of the investment activity. The unit audits the investment activity on an ongoing basis in accordance with the regulations applicable to the Company's investment management activities. Accordingly, the Investment Controller Department is in charge of a range of reports that the Company is required to issue pursuant to regulatory provisions and internal requirements of the various corporate organs.

### 4.4.1.6 Personal self-directed policies (IRAs)

The investments in respect of self-directed policies and provident funds (IRA) are managed through external investment managers funded by planholders, or directly by the planholders.

### 4.4.1.7 Investment committees

Following are details regarding the external investment committees that manage the investments of the institutional entities:

| Committee | Managing entity | Committee members | Convening dates | Committee's roles and activity |
|---|---|---|---|---|
| **Participating Investment Committee** | Policyholders and planholders of Phoenix Insurance and Phoenix Pension and Provident (hereinafter - the "**planholders' funds**"). | All committee members are external to the Phoenix group, and do not work for the Group or provide it with services. | Generally, every two weeks | The ultimate organ with respect to the management of the planholders' funds. The committee sets the investment policy as part of the overall investment policy set by the Board of Directors with respect to each provident fund, investment track or insurance liability. In addition, the committee discusses the transactions presented for its approval in accordance with the Company's existing authorization hierarchy. In each meeting, a review of the market in Israel and abroad is held, which is delivered by internal investment managers, and periodically - by external consultants. The committee discusses existing and expected changes in the different markets. In addition, monitoring and analysis are carried out of the returns achieved, from the perspective of the target returns, the structure of the current portfolio, and the investment policy. Furthermore, the committee receives reports on an ongoing basis regarding transactions which were approved by a credit subcommittee, monitors transactions which were carried out, decisions made, etc. |
| **Nostro Investments Committee** | Phoenix Insurance (nostro funds) | Five members, including two external directors | At least once a month | Management of the investments of the insurer's own capital and the investment of funds to cover insurance liabilities, which are non-yield dependent (hereinafter - the "**Nostro Funds**"). The committee's roles are, among other things, setting the Company's investment policy as part of the overall investment policy set by the Board of Directors with respect to the nostro funds, approving illiquid transactions and credit according to the authorization hierarchy, which was |

| | | | | |
|---|---|---|---|---|
| | | | | approved by the Company's Board of Directors. The committee also receives monthly reviews and monitors the return on the nostro portfolio; it also receives reports regarding existing and expected changes in the various markets. |
| **Credit Subcommittee** | Joint committee for managing planholders' funds and nostro funds | All committee members are external to the Phoenix group, and do not work for the Group or provide it with services. | As needed | Among other things, the committee oversees the implementation of the policy of the board of directors and investment committees regarding credit granting, approves granting of credit according to the authorization hierarchy, and makes decision on how to handle troubled debts, according to the authorization hierarchy. |
| **Technology Transactions Advisory Committee** | Joint committee for managing planholders' funds and nostro funds | The committee is composed of external members with significant knowledge and experience in the field of technology, and from (external) representatives from the participating and nostro investment committees | As needed | The Technology Committee has been authorized by the investment committees to advise them on technology-related transactions, through a hierarchy of powers set by the investment committees. |

## 4.4.2 Regulation of credit management

### 4.4.2.1 Credit risk management

The codex of regulations and the provisions of circulars dealing with management of investment assets include provisions on the management of credit by institutional entities, as follows:

#### 4.4.2.1.1 Credit risk management relating to investment activity

The objective of the guidelines on credit risk management relating to investment activity is to ensure that institutional entities have managerial, professional and operational support as well as adequate control and supervision mechanisms. The circular sets rules and tools for determining a policy for providing credit as part of the overall investment policy set by the Board of Directors; in addition, the circular determines the powers of the investment committees and the credit committee, as well as supervision, control and reporting mechanisms.

#### 4.4.2.1.2 Provision of illiquid debt by institutional entities

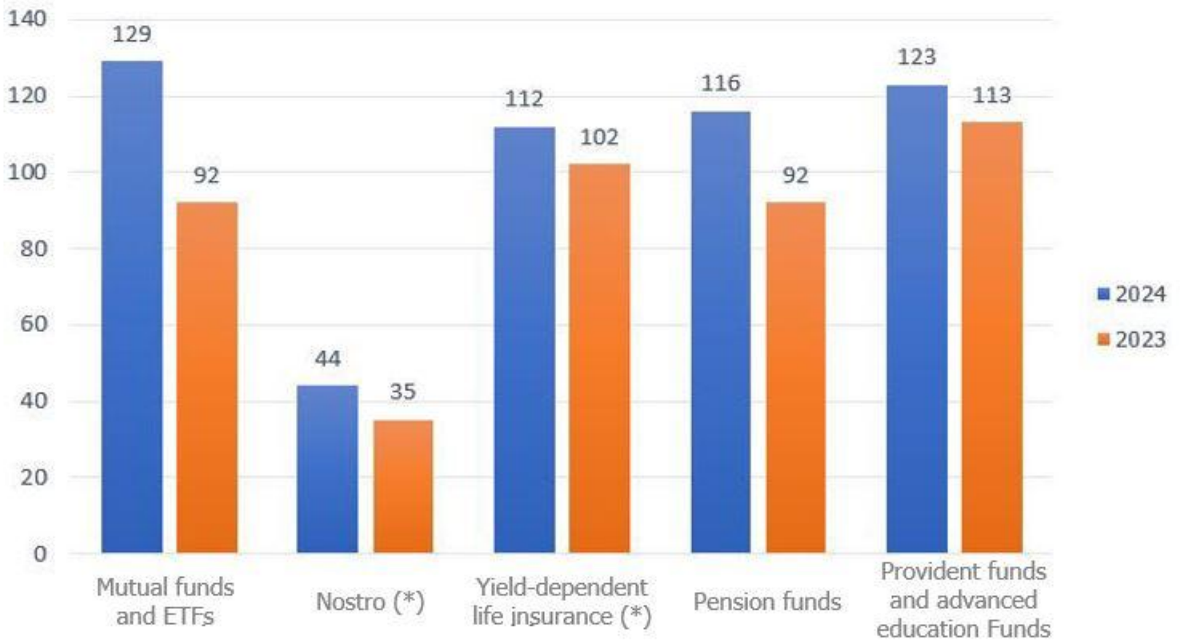
The Group is engaged in various types of financing, including various types of commercial debt (bonds and illiquid loans), with or without collateral, structured financing including asset-backed bonds, other structured products, financial derivatives and compound assets, deposits, capital notes, and guarantees under the Sale Law and for building projects (solely as part of the nostro activities). It is noted that in January 2024, part of the Sale Law guarantees activity, and the construction financing activity were transferred to Gama Management and Clearing Ltd. For further details, see Section 2.6 above.

#### 4.4.2.1.3 Handling troubled debt and debt collection actions taken by institutional entities

The Code of Regulations provides for the manner of handling troubled debts and debt collection actions taken by institutional entities aim to ensure that institutional entities will be proactive in collecting debts. Furthermore, the provisions are designed to define a framework for an institutional entity's ongoing monitoring and control of debts under its management, handling of troubled debt and reaching decisions as to the measures taken to collect the debt, its participation in a debt settlement arrangement process and the identity of the functions in charge of these actions. The Troubled Debt Forum is in charge of assessing the status of debts and their classification as troubled and/or other debt. Troubled debts shall be classified in accordance with the following categories: a) debt under special supervision; b) debt in arrears; c) doubtful account. The Troubled Debt Forum is in charge, among other things, of drawing up immediate and periodic reports and participating in all discussions held by competent organs in order to decide the handling of troubled debt, while making recommendations on provisions for debts in accordance with authorization hierarchies. The Internal Credit Committee is in charge of making recommendations as to the manner of handling troubled debts which are adjusted loans. Furthermore, troubled debts are monitored on an ongoing basis, the status of troubled debts is discussed, and a quarterly report is issued to the Board of Directors and its various committees regarding troubled debts and the developments in the debts' status and the handling status.

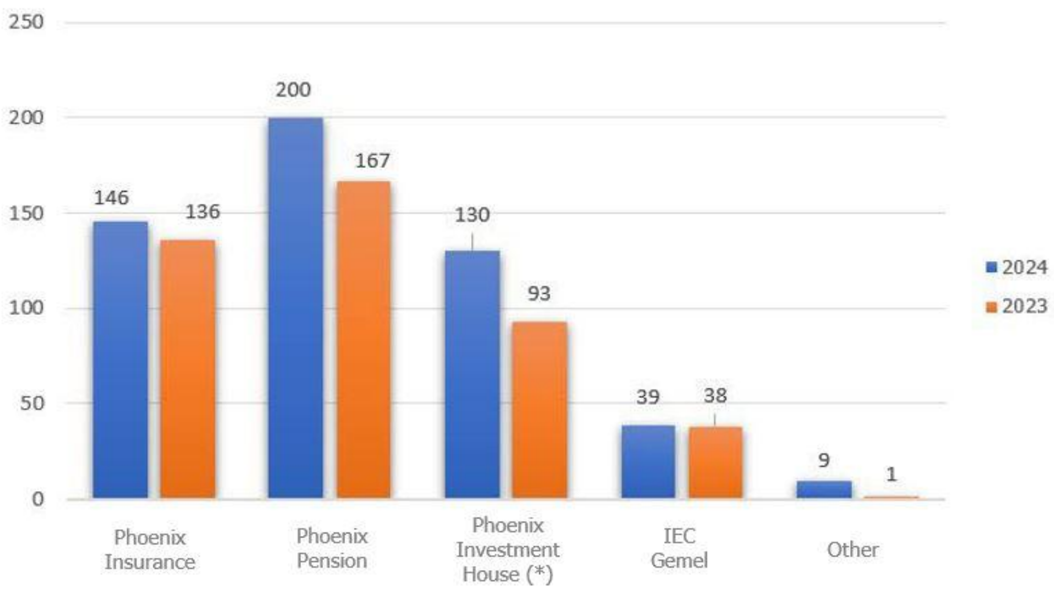
## 4.4.3 Breakdown of assets under management

Total assets under management by the Phoenix group as of the report date amount to NIS 525 billion, as detailed below:[23]




(*) For details regarding the separation between liabilities with respect to insurance contracts and investment contracts, see Notes 17 and 18 to the Financial Statements.

Following are the assets under management broken down by management entities (customer and nostro funds):




(*) The assets of Phoenix Investment House also include the nostro funds.

[23] NIS billion; the figures were rounded for convenience of presentation.

For details on the Group's investment in real estate properties or disposal of such properties during the reporting year, see Note 9 to the Group's Financial Statements.

For further details about the Group's investments, see also Notes 14, 15 and 42 to the Financial Statements.

### 4.4.4 Investment revenue and its effect on the profits of the insurance and management companies

The investment revenue that offsets insurance reserves and share capital has a material effect on the income of the insurance company and management companies. A substantial part of the Group's asset portfolio is invested in liquid securities traded in the capital market. Therefore, returns in various investment channels in the capital market have a material effect both on the returns achieved for the Group's customers and on the Group's income. The Company measures it normalized investment results using a real return rate of 3% (see Section 6.4.1 to the Report of the Board of Directors). In view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting income and investment income. It is noted that as from January 1, 2025, due to the change in the accounting standards and the implementation of IFRS 17, the Company will measure its normalized investment results using nominal risk-free interest plus a 2.25% spread; for further details regarding the implementation of IFRS 17, see Section 2 to the Report of the Board of Directors.

As of the report publication date, the variable management fees collected by the Company totals approx. NIS 105 million.
The extent of the effect on income also depends on the characteristics of the insurance liabilities (nostro, participating) and the terms and conditions of management fees for products against which the relevant reserve is held, as outlined below (in this matter, see also under Section 5 to the Report of the Board of Directors).

| Product | Crediting of the return | Effect on income of the insurer and management companies |
|---|---|---|
| **Participating policies issued through December 31, 2003** | The return on investments is credited to policyholders, while the insurer is entitled to fixed management fees and to variable management fees from the real return achieved after deducting the fixed management fees. | In these products, the financial results of the insurance company are affected by volatility in the return credited to policyholders in view of the fact that the variable management fees are collected from the real return achieved after deducting the fixed management fees. |
| **In participating policies issued since 2004** | Return on investments is credited to policyholders while the insurer is only entitled to fixed management fees | In these products, the effect of the investment results on the insurance company's income is reduced to the effect derived from total assets under management, on which the insurer's fixed management fees are based. |
| **Medium and long savings products (pension, provident and advanced education funds)** | The return on investments of planholders' funds is credited to planholders | The return indirectly affects the total management fees from accruals collected by the management company but fees as a percentage of the contributions (contributions towards benefits) are not affected by the results of the investments, but rather only by the contribution amounts. Furthermore, in connection with a guaranteed-return provident fund, the profitability of the management company may be eroded if the provident fund did not achieve the guaranteed return. |
| **Life insurance policies which are not yield-dependent (in respect of that portion of the life insurance portfolio which is not backed by designated bonds)** | The return on investment is credited to the insurer | In these property and casualty insurance policies and in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. Therefore, changes in capital markets, interest rates, the consumer price index and foreign currency exchange rates may have a material effect on the Group's financial performance, especially due to the sizable reserves managed by the Group. |

## 4.4.5 Material investments in investees

In addition to the institutional entities held by the Group, it also holds other investments, the principal of which as of the report date are: Wholly owns Phoenix Gama; holds approx. 78% of Phoenix Agencies; holds approx. 88% of Phoenix Investment House, through Phoenix Investments and a 67% stake in the issued and paid up share capital of Phoeniclass Ltd. (comprised from a 49% holdings of the Company and an 18% holding of Phoenix Investments in respect of equity rights only). For further details regarding the holding in Phoeniclass, see Section 4.4.5.2 below.
As of December 31, 2024, the Group's investment in associates totals approx. NIS 2,002 million, including shareholders' loans. For further details, see Note 8 to the Financial Statements.

Following is a general summary description of the Company's material subsidiaries and affiliates, the activities of which were not included in the description of the areas of activity and/or other sections in this chapter.

### 4.4.5.1 Transfer of Phoenix Construction Financing and Guarantees Ltd. from Phoenix Insurance to Gama

As from January 1, 2024, Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**Phoenix Financing and Construction**"), was transferred from Phoenix Insurance and became wholly owned by Phoenix Gama, which is wholly owned (indirectly) by the Company. For further details, see the immediate report dated December 12, 2023 (Ref. No.: 2023-01-134841) and Section 2.6 above.

### 4.4.5.2 Phoeniclass

Phoeniclass and the Kibbutzim College of Education (hereinafter - the "**Kibbutzim College**") entered into a combination transaction agreement in respect of a land plot in north Tel Aviv, owned by Kibbutzim College, including the land on which the Kibbutzim College's existing buildings are situated. As part of the transaction, and in exchange for the rights to build 450 residential units on the land plot, Phoeniclass will execute the residential project, transfer to the Kibbutzim College some of the sales proceeds, which will be used to fund a new complex for the College, and will bear some of the cost of building public spaces that will be handed over to the Tel Aviv municipality for commercial and public use (hereinafter - the "**Project**"). Phoeniclass is working to promote the licensing and planning procedures for the Project, while negotiating with the Kibbutzim College (and its representatives) to finalize the transaction's principles and execution. As part of the steps taken to promote the licensing procedures, in September 2022 the local planning committee approved an application for a building permit in respect of the first residential high-rise.
Phoenix Insurance, Phoenix Investments and the partner have an agreement governing their relationship as shareholders in Phoeniclass, under which the partner, having the relevant knowledge and expertise, is responsible for project management, construction, and marketing.

### 4.4.5.3 Ad 120 Residence Centers for Senior Citizens Ltd.

Phoenix Insurance holds 47% (directly and indirectly) of the issued and paid up share capital of Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**"). Ad 120 develops, builds and managers high-end senior housing facilities. It is noted that the Company continues to classify its holdings in Ad 120 against its liabilities for life and savings, health and P&C insurance.

#### 4.4.5.4 Phoenix Mortgages (Gold)

Phoenix Insurance holds 51% of the issued and paid up share capital of Phoenix Mortgages (Gold) Ltd. (hereinafter - "**Phoenix Mortgages**"), whose activity focuses on granting loans to people over 60 against a first-degree pledge on their apartment. On December 30, 2024, Phoenix Insurance's Board of Directors decided to distribute its shares in Phoenix Mortgages as a dividend in kind to the Company. The distribution described above is subject to Phoenix Mortgages' obtaining from the Commissioner an expanded credit provision license (as defined by the Financial Services Supervision Law (Regulated Financial Services), 2016 and will be carried out after receipt of the license as detailed above. For further details, see the immediate report dated December 31, 2024 (Ref. No.: 2024-01-628752).

# 4.5 Reinsurance

## 4.5.1 General

Israeli insurance companies normally cover a substantial proportion of the insurance risk they assume by entering into engagements with reinsurers. The maximum amount of risk retained by an insurer after transferring some of the risk to the reinsurer is called "retention". Reinsurance has several advantages:

1. It allows insurance companies to diversify the risks to which they are exposed;
2. It allows insurance companies to improve their ability to assume additional risks and at higher insurance amounts;
3. It allows insurance companies to enhance their ability to protect their share capital from exceptional events (catastrophe events, including multiple natural disasters: earthquake, fire, etc.), and to manage it optimally.

Despite the above, reinsurance agreements do not prejudice the contractual rights of policyholders, nor do they exempt insurance companies from their obligations towards policyholders. Therefore, the stability of reinsurers impacts insurance companies. Furthermore, the terms of engagement with reinsurers impact the profitability of insurance companies. It is noted that settling accounts with reinsurers may take many years.

**There are two types of reinsurance:**

**Contractual reinsurance** is drafted as part of a reinsurance treaty, which is signed every year between the insurance company and the reinsurer; in this type of reinsurance, the reinsurer assumes all risks or businesses to be transferred to it by the ceding insurer, under the agreed terms and conditions, without the need to approve each and every risk or business.
Reinsurance comprises proportional reinsurance and non-proportional reinsurance. The difference between the two types of reinsurance is reflected in the type of relationship between the assumption of risk (the coverage of a claim) and the premium; in proportional reinsurance, the share of the risk assumed by the reinsurer is generally identical in proportion to the reinsurer's share in the premium, whereas in non-proportional insurance - the risk assumed by the reinsurer is not directly proportional to its share in the premium. Thus, for example, in a proportional reinsurance contract where the reinsurer undertakes to pay 75% of each claim in the property subsegment, that reinsurer will also receive 75% of the premium in respect of the subsegment (excluding the fees component), whereas in a non-proportional reinsurance contract, where the reinsurer's share of each claim in the compulsory motor subsegment shall be the portion above USD 100 thousand and below USD 1 million, that reinsurer's share in the premium will be a fixed and predetermined percentage of all premiums or exposure in the subsegment, or a predetermined premium amount.

A. **Proportional reinsurance**

Quota share reinsurance contract: the reinsurer undertakes a fixed percentage of coverage of each claim in a specific subsegment against an identical fixed proportion of the premium.

Surplus reinsurance contract: the reinsurer undertakes a variable percentage of coverage of each claim up to an agreed cap against an identical proportion of the premium.

B. **Non-proportional reinsurance**

Excess of loss contract: this is insurance for an individual claim, whereby the ceding insurer agrees to absorb all aggregate losses up to a predetermined retention amount, and the reinsurer agrees to absorb the excess losses above the predetermined retention amount (mostly up to the predetermined limit) against a predetermined proportion of all premiums in that subsegment or a predetermined premium amount. One of the contracts that fall under this category of non-proportional reinsurance contracts is the contract protecting against catastrophes.

Stop loss contract: the reinsurer indemnifies the ceding insurer to the extent that the percentage or total amount of losses in a certain subsegment over a certain period (usually a year) exceeds a predetermined percentage or total amount, in return for a predetermined percentage of all premiums in this subsegment.

**Facultative reinsurance** is taken out to cover risks arising from specific policies. Facultative reinsurance shall apply in one of the following cases: (1) when the insurance amount exceeds the reinsurance capacity; or (2) the risk or area of activity is excluded from the contract with the reinsurer; or (3) when it is estimated that the business is relatively risky. In facultative reinsurance, the reinsurer decides separately and in advance for each risk or area of activity whether it wishes to share the risk and at what percentage.

Generally, the rate of reinsurance in the Life Insurance Segment is significantly lower than the rate of reinsurance in property and casualty insurance. This is due to the fact that most of the premium in life insurance is in respect of a savings component, which is not reinsured. Furthermore, in life insurance there is more reliable statistics as to the risks. The scope of reinsurance purchased also varies among Property and Casualty subsegments; in the case of subsegments with homogeneous risk, where the level of risk is highly diversified within the portfolio (such as in the motor subsegment - compulsory and property), there is a lower level of reinsurance, whereas in more heterogeneous subsegments, with lower risk diversification levels and higher risk (such as in other property insurance), a higher rate of reinsurance is undertaken.

## 4.5.2 The reinsurers market and the manner of engagement with reinsurers

The market of reinsurers, which have ratings which are relevant for Phoenix Insurance (reinsurers with a financial rating higher than A-), comprises more than 200 insurers. Phoenix Insurance works continuously with approx. 130 reinsurers. The reinsurers' capacity depends mainly on the materialization of insurance risks, which they assumed during the past few years. Thus, for example, the occurrence of catastrophes around the world causes a decrease in reinsurers' capacity.

A potential deterioration in the condition of the reinsurance market may have a number of consequences: firstly, an insurance company that entered into reinsurance contract is directly exposed to the reinsurer's ability to meet its obligations upon the occurrence of an insurance event; secondly, a decline in the strength of a reinsurer may cause the insurance company to seek replacing it with another reinsurer, which will involve further costs in connection with the original reinsurance and a risk that the original coverage terms will not be achieved; this will also require the recording of an accounting loss, since there is a concern that the reinsurer will not meet its obligations; thirdly, a deterioration in the condition of the reinsurance market may reduce the capacity of reinsurers, in a way that impairs the insurance company's ability to offer coverage in the ordinary course of its business; this may also lead to an increase in reinsurance prices and to other changes in the terms of engagement with the reinsurer, in a way that will lead to additional costs or impair the quality of the insurance coverage. In addition to the above, if an insurance company does not have access to reinsurance at the required scope, it may lead to its failing to meet the regulatory capital requirements it is subject to.

The term of reinsurance engagements in property and casualty insurance is usually one year. The term of reinsurance engagements in life, health and long-term care insurance is usually the entire life of the policies issued within a defined period. Except for coverage for the catastrophe risk which is also on an annual basis.

Reinsurance prices are affected by factors such as the quality of the insurance portfolio (past performance of the insurance portfolio); relevant events in Israel and globally, the interest rate and the condition of capital markets worldwide.

In reinsurance, the ceding insurer pays reinsurers a premium, while reinsurers reimburse the ceding insurer in respect of claims, and pays it fees, mainly in respect of proportional reinsurance contracts. The fees paid by reinsurers normally constitute a percentage of the premium transferred to reinsurers; in some cases, this rate is determined in advance (regardless of the results achieved), in other cases - the rate depends on the underwriting results of the ceded businesses. The fee amount may vary during the engagement period.

Sometimes, Phoenix Insurance receives - in addition to the basic fee - a profit fee payable as a percentage of the underwriting income in respect of the relevant risk (i.e., premium net of claims, reinsurer's expenses and fees).[24]

The reporting year was characterized by an increase in the supply of reinsurance worldwide due to strong underwriting results presented by the reinsurance market during the year.

The increase in capital in the international market has led to approx. 10% decrease in prices worldwide in the renewal of agreements in the Property Subsegments for 2025.

Notwithstanding the above, in Israel, due to the ongoing Iron Swords War, prices in the domestic market remained stable and the risk appetite of reinsurers towards the domestic market has decreased.

### 4.5.3 Description of the policy of exposure to reinsurers

The Capital Market, Insurance and Savings Authority Commissioner's Circular titled Management of Exposure to Reinsurers, published in 2003 sets out, among other things, provisions and guidelines on how to manage exposure to reinsurers, including a requirement for setting policies and exposure caps for reinsurers, as well as provisions on reporting to the Commissioner.

At least once a year, an insurer's board of directors is required to discuss its policy on exposure to reinsurers, and the insurer's assessments of the management of, and controls over, the exposure; the board is also required to set exposure limits to a single reinsurer and to a group of affiliated reinsurers. The Board of Directors will hold such a discussion after assessing the quality of the insurer's existing tools for management of, and controls over, exposure to reinsurers.

The policy of exposure to reinsurers must include, among other things, a policy for exposure to reinsurers in the Life, Property and Casualty, and Health Insurance Segments, as well as setting a

[24] In facultative reinsurance, there are normally no profit fees.

maximum exposure framework for reinsurers, according to parameters set by the Board of Directors. Such parameters may be qualitative in nature, such as the reinsurer's international rating.

There are two types of exposures to reinsurers:

A. Exposure to outstanding balances, and exposure to the risk that the reinsurer fail to meet its existing and future obligations. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market, as well as fulfillment of its financial obligations.

B. Exposure to a single sizable loss or an accumulation of losses due to a large-scale event. The accumulated losses are estimated based on the maximum probable loss ("**MPL**") per event, at a given probability.

Phoenix Insurance purchases reinsurance as part of the implementation of its risk management policy and due to business considerations. The purchase of reinsurance is carried out in policies or subsegments in which the Company believes that it will be more efficient to cede some or all of the risk.

Internal actuarial assessments, various models and past claims experience provide Phoenix Insurance with an indication as to the estimated level of reinsurance required.

In accordance with a policy set by the Board of Directors, Phoenix Insurance contracts reinsurers rated A- or higher, which are rated by one of four ratings agencies – Fitch, AM Best, Standard & Poor's and Moody's (in the short-tail subsegments, the Company may contract reinsurers rated BBB+ at a rate that shall not exceed 10% of the total exposure). Pursuant to a clarification published in 2012 by the Commissioner regarding the calculation of capital requirements of insurance companies, which addresses, among other things, the manner in which the rating of a reinsurer is determined for the purpose of calculating the capital requirements regarding reinsurers, the external rating to be taken into account for the capital requirement will be that of a rating agency that shall be selected in advance by each company (hereinafter - the "**default agency**"). If a rating of the default agency is not available, the lowest rating among the rating agencies approved by the Commissioner will be taken into account. During that year, the Company's Board of Directors approved Standard & Poor's as its "default agency".

As a rule, Phoenix Insurance aims to contract with numerous reinsurers, in order to avoid a situation where it is dependent on a specific reinsurer, and in order to diversify the risks appropriately. In many of its reinsurance contracts, Phoenix Insurance requires that a downgrade clause be included, allowing it to terminate the contract if the reinsurer's rating is downgraded below a predetermined rating.

As part of the policy regarding the management of Phoenix Insurance's exposure to reinsurers , the Board of Directors of Phoenix Insurance set exposure limits for reinsurers, both with respect to the open balances and with respect to exposure to earthquake at rates of Phoenix Insurance's capital according to the reinsurer's rating.

## 4.5.4 Life Insurance

Phoenix Insurance enters into quota share and surplus proportional reinsurance agreements with various reinsurers in order to protect itself against the risk in the life insurance portfolio (but not the savings component). Previously, modified financial reinsurance agreements (hereinafter - "**Mod-Re**") were also drawn up in respect of policies that included a savings component. Several large collective insurance policies have a proportional reinsurance agreement.

Phoenix Insurance's reinsurance agreements in respect of life insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay Phoenix Insurance a fee composed of two components: a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year.

**Following are reinsurers that account for more than 10% of total reinsurance premiums in the life insurance and Long-Term Savings Subsegment:**

| 2024 | | | |
|---|---|---|---|
| **Reinsurer** | **Reinsurance premium (in NIS million)** | **% of total reinsurance premium** | **S&P rating (as of December 31, 2024)** |
| Munich Re | 156 | 60% | AA- |
| Swiss Re | 46 | 17% | AA- |

| 2023 | | | |
|---|---|---|---|
| **Reinsurer** | **Reinsurance premium (in NIS million)** | **% of total reinsurance premium** | **S&P rating (as of December 31, 2023)** |
| Munich Re | 163 | 60% | AA- |
| Swiss Re | 46 | 17% | AA- |
| Gen Re | 28 | 10% | AA+ |

**Following are ratings of reinsurers in life insurance and long-term savings:**

| Rated by S&P* | No. of reinsurers in 2024 | No. of reinsurers in 2023 |
|---|---|---|
| Rated AA and above | 3 | 3 |
| Rated A to AA (not included) | 9 | 9 |
| Rated A- | 1 | - |
| Rated +BBB** | - | 1 |

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch. For further details about the Group's investments, see also Notes 17, 18 and 41 to the Financial Statements.

** This relates to a reinsurer whose rating was previously downgraded below (A-) but upgraded in the reporting year.

**Catastrophe contract**

In the reporting year (as in previous years), the Company purchased a non-proportional reinsurance contract, to cover the risk of bodily injury, death and disability resulting from a catastrophe event. The contract purchased is an excess-of-loss-type contract that protects the accumulation of Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. Following the Iron Swords War, war and terrorism coverages were excluded in the reinsurance contract for 2025. For further details, see Note 41 to the Company's Financial Statements.

**Reinsurance agreement - mass lapse scenario in the Life and Health Insurance Segments**

Phoenix Insurance has in place a mass lapse reinsurance agreement, the objective of which is to provide Phoenix Insurance with partial protection against a mass lapse scenario in its Life and Health Insurance Segments as part of the Economic Solvency Regime.

**Reinsurance agreement - proportional reinsurance for disability insurance products**
Phoenix Insurance has a proportional reinsurance agreement involving an existing portfolio of disability insurance businesses, with a reinsurer rated AA- by an international rating agency.

**Reinsurance Treaty for the Supplementary Pension Fund -**
As from January 2023, Phoenix Insurance has in place reinsurance for planholders of the Supplementary Pension Fund at the rate of 90%. The agreement protects planholders covered with disability and survivors insurance. The agreement is renewed every calendar year. Phoenix Insurance included this coverage under the catastrophe agreement in life insurance for 2025 and renewed it in accordance with the terms of the insurance coverage that Phoenix Insurance has with the reinsurers.

## 4.5.5 Health Insurance

Phoenix Insurance has quota share reinsurance agreements to protect some of the risk-weighted components in the health insurance portfolio. A number of large collective insurance policies have a proportional reinsurance agreement in respect of some of the coverage components.
Reinsurance agreements in respect of health insurance policies are normally drawn up for unlimited periods and may be canceled by giving advance notice for future policies only. The reinsurers pay Phoenix Insurance a fee that may be composed of two components (and varies in accordance with the terms and conditions of the various agreements): a fee calculated as a function of the premium ceded to them, and a profit fee based on the insurance results for that year. It is noted that in the reporting year no reinsurance was purchased in the Health Insurance Segment between ceding business, as a result of shortage of supply on behalf of reinsurers.

**The rating of reinsurers who account for more than 10% of total reinsurance premiums in the health insurance area of activity:**

| | 2024 | | |
|---|---|---|---|
| **Reinsurer** | **Reinsurance premium (in NIS million)** | **% of total reinsurance premium** | **S&P rating (As of December 31, 2024)** |
| Swiss Re | 92 | 59% | AA- |
| Gen Re | 32 | 20% | AA+ |
| Munich Re | 21 | 14% | AA- |

| | 2023 | | |
|---|---|---|---|
| **Reinsurer** | **Reinsurance premium (in NIS million)** | **% of total reinsurance premium** | **S&P rating (As of December 31, 2023)** |
| Swiss Re | 114 | 49% | AA- |
| Gen Re | 32 | 14% | AA+ |
| CCR | 30 | 13% | A |

**Reinsurers in the Health Insurance Segment:**

| Rated by S&P* | No. of reinsurers in 2024 | No. of reinsurers in 2023 |
|---|---|---|
| Rated AA and above | 2 | 2 |
| Rated A to AA (not included) | 5 | 8 |
| Rated A- | 2 | 1 |
| Rated BBB+** | - | 1 |

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.
For further details about payments to reinsurers and further details, see also Notes 17, 18 and 41 to the Company's Financial Statements.

** This relates to a reinsurer whose rating was previously downgraded below (A-) but upgraded in the reporting year.

## 4.5.6 P&C Insurance

**Compulsory motor insurance**

Phoenix Insurance's liabilities in the Compulsory Motor Insurance Subsegment are backed by an "excess-of-loss" reinsurance contract. As a result of the said arrangement, the exposure per claim or per event is limited. As is normally acceptable in contracts of this type, the Company does not collect fees and commissions from reinsurers.
For further details about payments to reinsurers and other data, see also Notes 19 and 41 to the Company's financial statements.

**Motor property**

Motor property insurance is characterized by a high level of risk spread, and a relatively homogeneous risk. As a result, the reinsurance rate in this subsegment is low, and only catastrophic damages such as earthquakes, fires and natural disasters are covered. For further details about payments to reinsurers and other data, see also Notes 19 and 41 to the Company's financial statements.

**Other property and casualty insurance**

Phoenix Insurance enters into reinsurance contracts in the Property and Casualty Insurance Segment on an annual basis. Phoenix Insurance purchases reinsurance for most of the subsegments in which it operates: fire, property, engineering (including contractors), personal accidents and liability, including directors' and officers' liability, cyber and marine insurance. For an overall explanation about reinsurance, and for details regarding the various types of coverages generally accepted in reinsurance, see Notes 19 and 41 to the Financial Statements.

**Property Subsegments**

- Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus. Large businesses are reinsured under facultative contracts. Proportional insurance contracts provide protection up to a maximum amount for a catastrophe event, which varies among the various reinsurers. In respect of the self-retention portion, Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. In the Home Insurance Segment, in addition to the existing contract, there is also a quota share contract.

- Industrial and commercial property insurance and home insurance: protected under a proportional combined contract - quota share and surplus treaty. In respect of the self-retention portion, Phoenix Insurance purchases insurance protection covering catastrophe events at a rate of 2% of the aggregate insurance amounts. The excess of loss amount covering catastrophe events, which applies to the self-retention portion in property, commercial or industrial, home and engineering insurance, is determined as a percentage of the cumulative self-retention amounts based on generally accepted actuarial models.

**Earthquake coverage**

In the reporting year, reinsurers' estimated exposure to earthquake under proportional reinsurance on the basis of MPL of 2% amounted to approx. NIS 11.2 billion. Phoenix Insurance's self-retention aggregate exposure, as derived from and measured according to its proportional reinsurance agreements, was approx. NIS 73.1 billion as of the end of the reporting year. It order to hedge this exposure, non-proportional protection of 2.0% of the accumulated retention exposure was purchased, which represents expected damage as a result of an earthquake with an incidence of more than once every 500 years. In the Company's opinion, following the purchase of protection, the maximum amount Phoenix Insurance would have borne upon the occurrence of a catastrophe event, under 2% MPL, is approx. NIS 105 million for property insurance.

The reinsurer, whose share of total earthquake exposure exceeds 10% is Munich Re with 10.52% of total earthquake exposure as of December 31, 2024. For further details about reinsurance, including reinsurers' balances, see Notes 11, 25 and 41 to the Financial Statements.

**Liability Subsegments**

Liabilities: includes employers' liability, third party liability, product liability and professional liability. The protective insurance contract is an excess of loss contract in respect of amounts in excess of the self-retention amount, with caps per risk and per event. Since 2021, a quota share contract was taken out in addition to the existing contract.

Directors' and officers' liability: this subsegment is protected under an excess of loss contract in respect of amounts in excess of the self-retention amount, with a cap in place per policy. In 2021, a separate quota share agreement was put in place for the finance industry.

**Various subsegments**

Personal accidents: There is protection against the risk arising from aggregate losses under the catastrophe agreement.

Marine and cargo: protected under a combined proportional insurance contract, quota share and surplus, with a cap per delivery, in combination with a non-proportional reinsurance contract for aggregate retained losses in the cargo subsegment.

Ship hull, yachts and third party: protected by a proportional quota contract with a cap per covered vessel.

Cyber: Protected under a quota contract with ceilings for single loss and annual accumulated losses.

**Property and casualty insurance**

No reinsurer accounts for more than 10% of total reinsurance premiums for 2024 and 2023.

**Rating of reinsurers in property and casualty insurance:**

| Rated by S&P* | No. of reinsurers in 2024 | No. of reinsurers in 2023 |
|---|---|---|
| Rated AA and above | 13 | 13 |
| Rated A to AA (not included) | 110 | 114 |
| Rated A- | 33 | 30 |
| Rated BBB+ | 2 | 3 |
| Not rated | 8 | 11 |
| **Total** | **166** | **171** |

* For reinsurers not rated by S&P, the lowest rating issued by the following three rating agencies was used: AM Best, Moody's and Fitch.

**Following is a summary of reinsurance premiums and results by subsegment (in NIS millions):**

**Property and casualty insurance**

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| **Reinsurance premiums -** | | | |
| Compulsory motor insurance | 27 | 51 | 139 |
| Other property and casualty insurance - | | | |
| Other property subsegments (for details, see below*) | **791** | **763** | **602** |
| Other liability subsegments | 439 | 381 | 312 |
| Other subsegments | 11 | 9 | 9 |
| **Total reinsurance premiums** | **1,268** | **1,204** | **1,062** |
| **Profit (loss) results[25] -** | | | |
| Compulsory motor insurance | 32 | 53 | 24 |
| Other property and casualty insurance - | | | |
| Other property subsegments | 283 | (246) | 218 |
| Other liability subsegments | 96 | 84 | 1 |
| Other subsegments | 6 | 6 | 4 |
| **Total reinsurance income for the year** | **417** | **(103)** | **247** |

[25] The data relate to results of agreements with reinsurers.

| Reinsurance premiums in the property subsegments* | 2024 | 2023 | 2022 |
|---|---|---|---|
| Proportional | 537 | 534 | 416 |
| Non-proportional | 1 | 2 | 2 |
| Earthquake (1) | 253 | 227 | 184 |
| **Total reinsurance premiums in the property subsegments** | **791** | **763** | **602** |

* The premium includes all types of reinsurance arrangements for catastrophe risk coverage (quota share reinsurance, facultative reinsurance and excess reinsurance to cover the aggregate retention).

The decrease in premiums in the Compulsory Motor Insurance Subsegment over the years stems from a change in the volume of quota share reinsurance contract.

The changes in **reinsurance premiums in other property subsegments** stem mainly from a change in the renewal dates of a large policy, in which the insurance coverage period exceeds one year in the property loss insurance subsegment and from growth in the portfolio.
The increase in **reinsurance premium in other Liability Subsegments** in 2024 compared with 2023 and 2022 arises from an increase in the portfolio.
The attributed income in compulsory motor insurance is due to positive revision to the actuarial model in respect of previous years and a change in the scope of a quota share reinsurance contract.
The loss in the **Property Insurance Subsegments** in 2023 arises from an exceptionally large claim in property loss insurance, which is fully covered by facultative reinsurance (totaling approx. NIS 450 million). After the deduction of this claim, the reinsurers' profitability will amount to approx. NIS 205 million. The increase in reinsurers' income in 2024 compared to 2022 stems from an improvement in most property subsegments.
In the **Liability Subsegments**, the decline in income in 2022 compared with 2024 and 2023 stems mainly from a decline in the profitability of the third party insurance and professional Liability Subsegment. It is noted that the outcome of the agreement at the end of its term may differ substantially in accordance with the development of the claims in the future.

# 4.6 Human capital

## 4.6.1 General

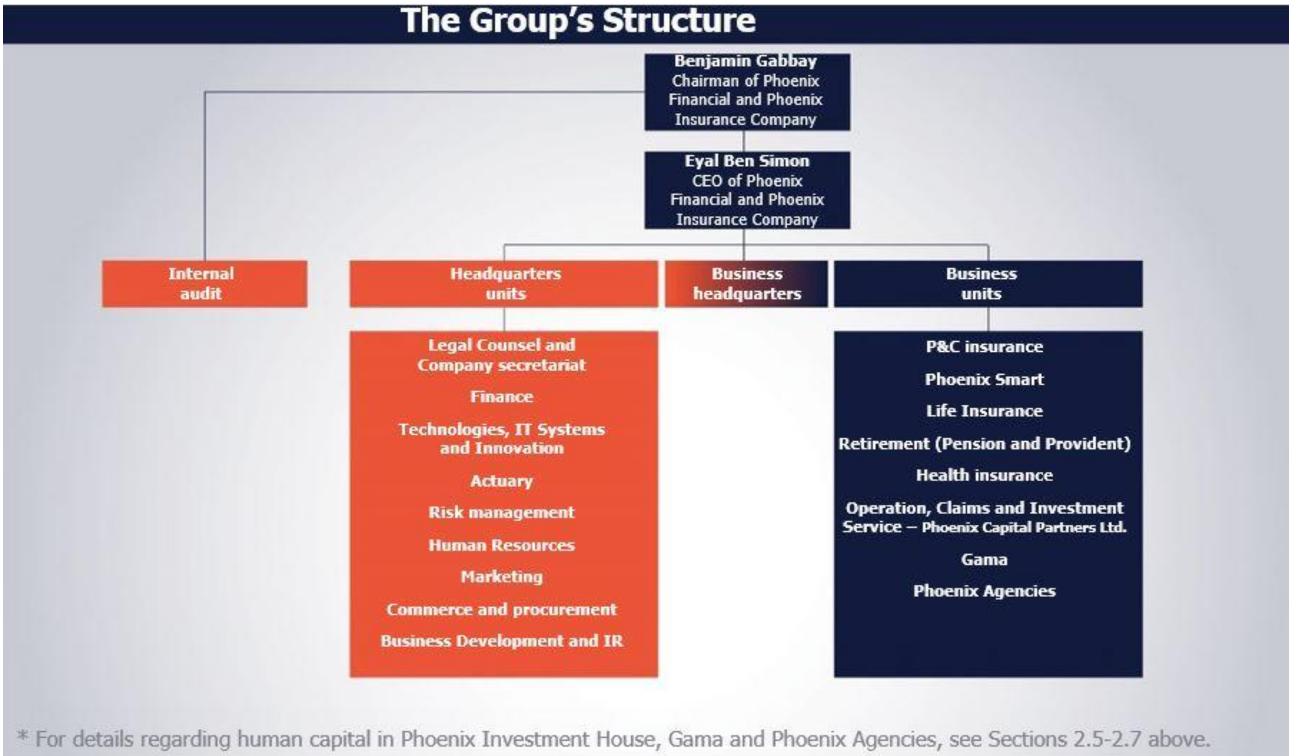
The Phoenix group employs approx. 5,200 employees and views the human capital as its main growth driver. The Company attaches great importance to its employees' development, alongside their health and well-being, both during and after working hours.

The Company complies with the provisions of the law and even beyond compliance in all matters concerning employment terms, including safeguarding human rights, non-discrimination, and prevention of inequality among Company and contract workers. The Company places great importance on the promotion of diversity and on investment in and development of employees.

Most Group employees are employed by Phoenix Insurance, and some are employed by other consolidated companies.

**The Group's Structure**

Following are details of the organizational structure of Group's head office units and key business units:




The Company's Board of Directors sets the Group's policy and supervises the performance of the CEO and management.

### 4.6.2 The Group's workforce

**Following is a breakdown of the Group's workforce by areas of activity as of December 31, 2023-2024:**

| | December 31, 2024 | December 31, 2023 |
|---|---|---|
| The Group's management | 13 | 13 |
| Headquarters units** | 27 | 0 |
| Property and Casualty | 237 | 225 |
| SMART | 291 | 251 |
| Long-term savings and life insurance* | 228 | 339 |
| Health Insurance* | 142 | 52 |
| Service, operations and claims function | 1,031 | 1,024 |
| IT systems and additional head office units in Phoenix Insurance and Phoenix Pension and Provident Funds** | 866 | 874 |
| Phoenix Capital Partners | 96 | 93 |
| **Total for Group, excluding Phoenix Investment House, Gama, and Phoenix Agencies employees** | **2,931** | **2,875** |
| Phoenix Investment House*** | 542 | 480 |
| Insurance agencies controlled by the Company**** | 1,528 | 1,417 |
| Gama | 203 | 170 |
| **Total - Group** | **5,204** | **4,942** |

* The decrease in Long-Term Savings and the increase in Health are due to the transfer of the FNX4U unit from Long-Term Savings to Health.

** During the reporting year, several head office units were transferred to Phoenix Financial

*** The increase in the number of employees is due to an increase in the activity of the Investment House

**** The increase in the number of employees is mainly due to an increase in the Distribution (Agencies) Segment, mainly in Shekel

For details about directors and officers, see Regulations 26 and 26A in Chapter Five of the Periodic Report - Additional Details about the Company.
For details about changes in the Board of Directors and senior management the Company and Phoenix Insurance, see Note 42 to the Company's financial statements.

### 4.6.3 Key events in the reporting year

Phoenix is nearing the completion of the construction of the new Phoenix campus in the 1000 Compound in Rishon LeZion, to which approx. 3,000 group employees are expected to move. For more information, see Section 4.9 above. Under the preparations for the move to the new campus, the Company places an emphasis on the retention of its human capital. Under the above, the Company performed an in-depth analysis of the employees' profile in order to map the level of sensitivity and potential risk, which the move poses for each employee. Based on these insights, and in combination with its mapping of key employees and employees holding critical positions in the Company, the Company implemented personalized retention schemes. In addition, a plan created for communicating information relevant to employees such as: the status of the project's progress, including a visit to the compound, and information regarding the underlying construction concept of the campus (green construction opposite of an ecological park).

## 4.6.4 Workers' organizations

Phoenix Insurance Company and Phoenix Pension and Provident are parties to a collective agreement. All other employees are employed under personal agreements. The Company also has employees who are employed through an outsourcing arrangement due to business considerations. For details regarding the workers union in Phoenix Gama, see Chapter 2.6 above.

In December 2021, a collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with Phoenix Pension and Provident (hereinafter jointly for the purpose of this section - the "**Agreement**"; the two companies jointly - "**Phoenix**"). During the reporting year, negotiations started regarding the signing of a new collective agreement and an agreement pertaining the move to the new campus in Rishon LeZion. For details regarding the key points of the collective agreement, which expired at the end of the reporting year, see Section 4.6.4 to the 2023 Periodic Report (immediate report of March 27, 2024, Ref. No.: 2024-01-02667).

## 4.6.5 Benefits and the nature of employment agreements

Phoenix Insurance is a member of the Association of Life Insurance Companies of Israel Ltd., which is a member of the Coordinating Bureau of Economic Organizations; therefore, all collective agreements signed by the Coordinating Bureau of Economic Organizations apply to Phoenix Insurance.

## 4.6.6 Compensation policy

**A.** Under law, the Company and Phoenix Insurance have a compensation policy in place for officers and senior employees. The compensation plan takes into account the provisions of the Law for Compensation of Officers in Financial Corporations (Special Approval and Disallowing the Deduction of Exceptional Bonus for Tax Purposes), 2016, that applies to compensation paid in a financial corporation and its approval; the said law provides, among other things, that an employee of a financial corporation may not receive a compensation which is more than 35 times higher than the lowest compensation paid to an employee of the corporation in the year prior to the engagement date (for this purpose, an "employee" shall include employees of a manpower contractor employed by the financial corporation). The law also sets out approval procedures in respect of compensation paid to an employee of a financial corporation who is paid more than NIS 2.5 million, linked as of the law's publication date. Furthermore, the compensation policy is mainly based on multi-year results, return on capital achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.
In January 2024, the Company's General Meeting approved a compensation policy for 2024-2026.

For additional details about the Company's Compensation Policy, see the immediate report of the Company dated December 20, 2023 (Ref. No. 2023-01-138576) and the following link: fnx.co.il/sites/docs/genery/for_new_site/mashkiim/2024_מדיניות_תגמול_הפניקס_ביטוח_v4.

**B. Option plan for employees and officers**

In December 2018, the Company adopted an option plan for employees and officers. Pursuant to the option plan, the Company awards, from time to time and without consideration, warrants (hereinafter, in this section - "**Options**") to employees and officers of the Company and companies under its control.

In the reporting year, the Company revised the option plan to include the option to award RSUs.

In August 2024, the Company's Board of Directors approved a first allocation of RSUs to employees and officers of the Company and some of its subsidiaries.

It is also noted that in the reporting year, the Company started awarding options also to officers and employees of Company subsidiaries, such as: Phoenix Gama, Phoenix Agencies and Phoenix Capital Partners.

For further details with respect to the allocation of options to Company employees and officers and the allocation of options in subsidiaries subsequent to the reporting year, see Section 1.2.25 above.

**C. Incentive plan for investment employees**

Pursuant to the Commissioner's circular, which ordered that a compensation policy be set for investment employees, and in accordance with the aforesaid compensation policy, the Group has a multi-year plan to compensate investment employees; this plan is designed to balance out the fixed and variable compensation components, and to reflect the level of risk involved in achieving the returns in the various investment channels. The plan is based on a series of parameters and profitability targets, which are based, as a general rule, on cumulative three-year results, the results in the various investment channels compared to competitors, taking into consideration the relative risk level of the various channels with respect to several parameters, as well as the relative risk level. For details regarding the compensation plan for investment employees, see:

https://www.fnx.co.il/fnx-insurance-ltd/reward-policy-in-the-group/compensation-policies-of-the-investment-division-staff/

**D. Insurance, indemnity and exemption for officers and senior employees**

The Company purchased a liability insurance policy covering its directors and officers and provided officers with indemnification and exemption letters. For details regarding the indemnification and exemption letters and the insurance policy covering officers, see Regulation 22 in Part 5 of the Periodic Report and Note 42 to the Financial Statements. At the beginning of 2024, after the approval of the Compensation Committee, the Company renewed - by one further year - the directors' and officers' professional liability insurance policy.

For details regarding training, safe work environment, health and well-being, the Code of Ethics, diversity and inclusion, and employee promotion, see Chapter F on sustainability below.

# 4.7 Marketing and distribution

## 4.7.1 General

In order to enhance the Phoenix group's presence and benefit from the diversity of its product offering and its capabilities through its various Group companies, Phoenix implements a policy of consolidating brands, thus creating a unified brand that will address the Group's capabilities and the customers' expectations in its various areas of activity, and combine the Group's strengths and resilience in its different areas of activity. Accordingly, the Company branded most of the Group's activity arms under the brand "Phoenix", with the understanding that the Group's many customers, in all segments, perceive "Phoenix" as a very valuable and financially robust partner, which is highly committed to its customers

In the reporting year, the Company continued to establish and consolidate its transition from an insurance group to a financial group.

## 4.7.2 Distribution channels

The Group's key distribution channels are as follows:

**A. Insurance agents**

Marketing and distribution in the insurance businesses are carried out by private insurance agents, and arrangement agencies. Most agents have agreements in place with several insurance companies in order to meet customers' diverse needs. Key considerations for agents in selecting an insurance company to contract with: rate of fees and commissions, quality of service provided by the insurance company, product and service innovation, and suitability of the insurance company's products to the needs of the agents' customers. Key considerations for insurance companies in selecting agents: the agent's areas of activity, expertise and relative advantages, potential for business collaboration with the insurance company, agent's profitability, fees and commissions charged by the agent, quality of the agent's sales, retention of the agent's portfolio, the agent's customer base and their reliability.

The Company operates an advanced online portal through which it provides marketing, business and sales-related information to agents in connection with their entire activities, as well as professional and operational information. The information is also offered to the agent through a dedicated mobile app.

The Company operates a sales call center that provides services to Phoenix' agents (Fnx4u); the call center supports the Company's sales activities, for and in collaboration with agents.

**B. Apps**

The Company operates a range of apps for customers and agents:

A. Phoenix group's app, which can be used to purchase motor insurance, travel insurance, home insurance and mortgage insurance. In addition, one can use the app to take a loan against savings, and as from the reporting year there is also an option to take consumer credit; deposit funds with savings and investment products; make changes to investment tracks; receive information regarding the customer's existing products; and perform various transactions, such as filing claims, etc.

B. A travel insurance app, under which one may purchase travel insurance and receive services where necessary such as a medical event, cash refund in respect of baggage, etc.

C. Young driver app, which allows to activate insurance for young drivers based on actual driving time.

D. Phoenix Investment House app - The TASE Member operates under a Phoenix Investment House app in which TASE Member's customers are given access to information regarding their securities account with the TASE Member, viewing their portfolio composition, accessing their personal digital mailbox, and filing various applications to the TASE Member, including an application to convert foreign currency, submitting a notice of deposit of funds in order to allocate those funds to their account with the TASE Member, updating personal details, filing an application to close an account, signing documents, receiving notifications regarding corporate events and contacting customer service.

**C. Digital marketing channel**

The Company also operates a direct digital marketing channel through which it sells property and casualty products. Digital sales of insurance products is carried out through sales interfaces on the Company's website and through a call center. This activity is marketed under Phoenix Smart brand name.

**D. Customer services call center**

The Company operates a customer call center, which aims to provide swift response to customers' inquiries, including inquiries in connection with the reports issued by the Company to its customers, questions regarding insurance policies, etc. Customers can contact the Company through all widely used digital communication channels, such as WhatsApp, text messages, email and, of course, by phone. Furthermore, the Company's website is used to send customers personal information and allows customers to perform transactions using the "personal zone". The Company operates a wide range of self-service functions that can be accessed through the Company's website. In addition, the Company provides marketing information to existing and potential customers.

**E. Social media platforms**

The Company operates in social media platforms LinkedIn, Facebook and Instagram, where it has a community of more than 100,000 followers; it also generates dedicated content on YouTube and other digital media platforms. By maintaining direct contact with its customers through social media platforms, the Company generates a dialogue on insurance issues and other aspects relating to investments, health, savings and property, answers questions, handles service-related complaints and provides answers to questions relating to Company's products and services.

## 4.7.3 The banks - pension advice

The banking corporations serve as a distribution channel in the field of long-term savings, in their capacity as pension advisors. The scope of activity in this channel is immaterial.

## 4.7.4 Regulation of the activity of pension agents, marketers and advisors

The agents' activities are also regulated by the Commissioner. Agents' activities are regulated under the Insurance Contract Law and Supervision Law, and with regard to pension products and marketers of pension products - also under the Advice and Marketing Law.

### 4.7.5 Insurance and savings and asset management - Retirement (Pension and Provident)

As of the report date, the insurance, pension and provident funds marketing function is composed of the agents function (working in accordance with distribution agreements signed with the Company, as described above.

**The agents function & fees and commissions**

Phoenix Insurance and Phoenix Pension and Provident pay agents fees and commissions at variable rates. The fees and commissions rates are determined by product type, an agent's productivity, profitability of the agent's portfolio, and is also based on specific negotiations with agents and other characteristics of each agent. The insurance agents work with sales managers who are employed by Phoenix Insurance, who provide guidance on sales-related issues and help solve issues stemming from current activities.

The fees and commissions paid over the life of these policies are usually determined as a percentage of the premium; in "track" savings policies and in provident funds, they are usually determined as a percentage of the accrual. Fees and commissions are also paid in respect of the agent's sales activity immediately prior to the policies' purchase date. It is noted that, as of April 2017, the Advice Law prohibits tying management fees paid by a policyholder to the fee paid to the agent for the sale of pension and financial products.

**Following is the average rate of fees and commissions out of gross premiums in life insurance (by percentage; insurance contracts):**

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Average rate of fees and commissions on premiums | 7.71 | 7.24 | 8.05 |

**Following is the average life insurance fees and commissions rate in the first year out of the new annualized premium (by percentage):[26]**

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Average rate of fees and commissions out of the new annualized premium | 52 | 57 | 53 |

**Pension advisors**

Phoenix Pension and Provident has in place agreements for the distribution of its products with most commercial Israeli banks. Under the agreements, distribution of provident and pension products is carried out in exchange for a distribution fee at the maximum rate allowed under the Advice Regulations.

The agreements are for an unlimited period; they may be canceled by each party by giving the other party advance notice.

[26] Annualized premium - the annual premium as if paid for a whole year in advance in one lump sum when the insurance is taken out, rather than being paid in installments.

Phoenix Insurance has not yet signed distribution agreements for the distribution of its insurance products with the banks.

### 4.7.6 Property and Casualty

Marketing in the Property and Casualty Insurance Segment is carried out by agents, and through a direct channel under the "Phoenix Smart" brand name. In 2024, there was no single agent whose sales constituted more than 10% of the sales of individual policies in this subsegment.

**Average rate of fees and commissions out of gross premiums, by percentage:**

| | 2024 | 2023 | 2022 |
|---|---|---|---|
| Compulsory motor insurance | 5.1 | 5.2 | 4.8 |
| Motor property | 13.7 | 13 | 14.2 |
| Other property and casualty insurance | 16.8 | 15.5 | 16.2 |

### 4.7.7 Health insurance

In the Health Insurance Segment, marketing is mostly carried out by agents and supported by the Fnx4u customer call center. In the field of collective health insurance, marketing is carried out by agents, with employees responding to queries of representatives of the relevant organizations (advisors and/or agents) requesting price quotes. In travel insurance, marketing is carried out by agents and Phoenix Smart, both through digital channels and sales representatives.

**Following is the average rate of fees and commissions out of gross premiums in the health insurance area of activity (by percentage):**

| | 2024* | 2023 | 2022 |
|---|---|---|---|
| Average rate of fees and commissions on premiums | 18.4 | 12.1 | 12.5 |

* The change arises from the fact that on December 31, 2023, an engagement with the Maccabi health maintenance organization expired, for which no fees and commissions were recorded, and therefore no premium proceeds in respect of this transaction were included in the reporting year.

The structure of fees and commissions paid to Agents in respect of selling an individual health insurance policy is basically similar to the structure of the fees and commissions paid in the Life Insurance Segment in respect of the risk products. For details regarding the abovementioned structure of fees and commissions, see Section 4.7.5 above. For collective insurance policies marketed by Agents, the Company normally pays the Agents fees and commissions calculated as a percentage of the paid premium.

## 4.8 Suppliers and Service Providers

### 4.8.1 General

The Company is engaged with an extensive and diverse network of service providers as well as several suppliers, the engagement with whom it is on an outsourcing basis. These suppliers provide a broad range of services, including in the Insurance Segment, Retirement (Pension and Provident) Segment, Credit Segment, IT services and technical support, financial and legal consulting services, and marketing and advertising services

The Company makes sure that it works with a large number of suppliers in the different segments, which gives it operational flexibility and mitigates the business risk. This approach ensures that in the event of a malfunction or issue with a particular supplier, the Company’s operating activities will not be adversely affected.

Yes, with regard to material suppliers with whom the engagement is on an outsourcing basis, the Company operates in accordance with the provisions of the Institutional Entities Circular 2018-9-19 "Outsourcing in Institutional Entities".

Furthermore, the Company performs ongoing controls over suppliers and service providers with whom it enters into an engagement. Under these controls, the Company's suppliers are required, depending on the relevance of the services they provide, to comply with information security procedures, including protection of sensitive customer information.

The Company works to ensure that its suppliers, depending on the relevance of the services they provide, comply with the regulatory requirements and the relevant legal provisions. The Company also ensures that there is no conflict of interest between the suppliers and the Company.

## 4.8.2 Suppliers and service providers in the insurance areas of activity

As part of their activities, Group companies engage numerous suppliers and service providers in the various insurance areas of activity, mainly for settlement of claims. Group companies select their suppliers and service providers according with the quality and nature of the services offered by them, their availability and areas of expertise. Engagements with these suppliers and service providers include, among other things, payment based on global rates, payment by transaction, by percentage of the risk, and by hourly rate or per opinion. To the extent possible, the Group avoids being dependent on a single supplier, as the term is defined in the Commissioner’s circular on revising provisions in the periodic reports of insurance companies and works to diversify its pool of suppliers.

In the Motor Property Subsegment, the Company provides its customers with services such as: towing, replacement car in case of an accident or theft, as well as replacing car windscreens and windows, headlights, mirrors, etc. Each agreement with a service provider sets annual or periodic rates to be paid by Phoenix Insurance to the service provider. The suppliers of towing and replacement car services are Drachim Road Side and Towing Services Ltd. and Shagrir Group Vehicle Services Ltd.

In home insurance, as of September 2017 (following the amendment to the provisions of the Consolidated Circular with regard to water damages), the Company entered into an agreement with Natav Claims Management Ltd. for the provision of management services. Pursuant to the agreement and, in accordance with the amendment to the Consolidated Circular, the policyholder selects the plumber from a list of suppliers included in the arrangement with Phoenix Insurance; the list is published on the website. In business insurance, Aminut Express Services Ltd. continues to provide services in connection with pipe damage.

In the field of customer services, in February 2015, the Company and Teleclal Ltd. entered into agreement for the provision of customer call center services, in addition to the Company’s own call center, with the aim of improving the quality of services provided to the Company’s customers.

During the reporting year, One Part Ltd. started operating in the field of supply of spare parts; One Part is held in equal shares by the Company and partners and entered into an agreement for the supply of spare parts with Phoenix Insurance; for further details, see Section 1.2.17 above.

### 4.8.3 Suppliers and service providers in Asset Management and Credit - Retirement (Pension and Provident)

**A.** In 2006, Phoenix Pension and Provident and Mediton entered into an agreement for the provision of fund physician and medical committees services to pension fund planholders claiming disability; this agreement was assigned to the Management Company. In 2021, Management Company entered into an agreement with another supplier in this field - Medical Premium Touch.

**B.** In 2007, Phoenix Pension and Provident and Bank Mizrahi Tefahot Ltd. signed an agreement for operating planholders' accounts in the provident funds under its management.

**C.** In 2012, the management company and Malam Payroll Ltd. entered into an agreement for receiving services in the field of systems for management of tax and pension calculation for pension funds planholders.

**D.** In June 2016, Phoenix Pension and Malam Provident Fund Operation Ltd. (which was merged into Malam Provident Fund and Pension Ltd.) entered into an agreement for the provision of operating services for planholders' accounts in provident funds and in the self-directed advanced education fund.

### 4.8.4 IT suppliers and service providers

The Group has agreements with several hardware and software suppliers; the Group also has maintenance service agreements with these suppliers. In addition, the Group enters into agreements with various suppliers for the provision of development and maintenance services. The types of agreements with these suppliers include engagement at a fixed price per project, engagement on an hourly basis and engagement based on a price per unit. The Group also has agreements in place with various suppliers which provide it with services comprising, inter alia, of: development, maintenance, operation, storage and processing of information, information systems or infrastructure, from time to time or on a regular basis at the suppliers' premises.

In view of the knowhow accumulated by suppliers during the course of the service period, the Group may naturally become dependent - in the short-term - on a specific supplier of IT services, since replacing a supplier in this field involves the investment of costs and time. Such dependency may arise, for example, due to the need to execute a project within a short period of time in order to address changes in regulation or software, or in a project involving an area where the supplier has advantage over others due to specific expertise it acquired.

## 4.9 Property, Plant & Equipment

The Group's property, plant and equipment mainly includes office buildings, computers, software (which is presented under the "other assets" line item in the financial statements) and equipment. For further details, see Note 7 to the Financial Statements.

### 4.9.1 The key properties used in the Group's activities

**The 1000 Compound in Rishon LeZion**: In 2020, Phoenix won its bid in a tender held by the Rishon LeZion municipality for the purchase of a plot of land in the 1000 Compound zoned for business and commercial use and for execution of construction work. The tender covers an area of 15 acres, with rights to approx. 355 thousand sq. m.  Under the tender, the winner undertakes to self-use up to 50 thousand sq. m within 5 years of winning the tender. The Company is currently in advanced planning and execution stages of the project, and construction work of the above-ground building skeleton of Phoenix Campus have been completed, as was finishing work on the car park and above-ground buildings and development work on the ground.

The move to the new campus is expected to take place during the summer; the plan is to move the Company's units from Givatayim, Giv'at Shmuel and the Smart call center from Rishon LeZion in several phases in accordance with the units' business activities.

**Masada 3, Bnei Brak (Phoenix Art)**: The Masada 3 Partnership has the rights to be registered as owner of 26 floors of office space, with a total gross area of 43,000 sq. m, warehouses with a total area of 700 sq. m, and 576 parking spaces in the underground parking lot. The Partnership leases to Gama offices in the 9th and 10th floor of a building at the total area of 3,240 sq.m, warehouses at the area of 140 sq.m and up to 110 parking spaces. In addition, Phoenix Investment House leases offices on floors 4-8 at a total area of approx. 7,000 sq.m, warehouses at a total area of approx. 220 sq.m, 300 parking spaces in the first year, and as from the second year - 180 parking spaces. Two large companies rent space in the building: one rents an area of 822 sq.m on the ground floor, an area of approx. 20 thousand sq.m on floors 16-26, warehouses with an area of approx. 400 sq.m and approx. 500 parking spaces; and the other rents - on floors 12-15 - an area of 4,290 sq.m and approx. 70 parking spaces.

**The Group's offices at Hashalom Road, Givatayim**: Most of the Group's activities take place in a single site. Phoenix Insurance has the right to be registered as owner of 22 floors of office space at 53 Hashalom Road, Givatayim, with a total gross area of 28,000 sq. m, warehouses with a total area of 700 sq. m, and 547 parking spaces in the underground parking lot used by the Group's employee. As from the day of the move to Rishon LeZion, the property in question will become an investment property. For further details regarding the decision of Phoenix Insurance's Board to transfer of rights in the building and parking lot from Phoenix Insurance to the Company by way of distributing a dividend in kind, see Section 1.2.23.5 above.

**Offices at 7 Palyam St., Haifa**: The Company manages its activities in the north of Israel in offices it leases in a building located at Palyam Street, with a total area of 1320 sq. m and 10 parking spaces.

**Office floor in the Dona building, Jerusalem**: Phoenix Investments owns one floor and 16 parking spaces in the Dona building at 20 Beit Hadfus St., Jerusalem. The entire floor - approx. 800 sq. m - is used as Phoenix Insurance's Jerusalem branch.

**Givat Shmuel**: The Company leases office space with an area of 3,270 sq. m and 200 parking spaces in the Amitech building at Givat Shmuel. The space is used by various units of the Group.

**Rishon LeZion**: the Company leases office space in a building located in Rishon Lezion with an area of 6,180 sq. m and 250 parking spaces; these offices are used to expand Phoenix Insurance's business.

**Holon**: An area of 3,400 sq. m in 11th and 5th floors, including 85 parking spaces. Some of the area is subleased to companies which are partially or wholly-owned by Phoenix.

"**Similarweb House", Givatayim (close to the Group's offices)**: The Company rented office space in a building close to the Group's Head Office, at the area of 700 sq.m as well as 10 parking spaces which are used by Phoenix Insurance. On December 31, 2024, the lease agreement expired and was not renewed.

For details regarding Phoenix Investment House's property, plant and equipment, see above in Section 2.5.12 to the Report.

## 4.9.2 IT

In 2024, the Group invested in software and computers NIS 429 million. The Company's total current IT expenses amounted to approx. NIS 637 million - an increase of approx. NIS 115 million stemming mainly from an increase in depreciation expenses and current automation expenses, and from the addition of expenses in respect of companies consolidated for the first time in the reporting year. For further details, see Note 5, Note 7 and Note 36 to the Financial Statements.

The Group's IT Division provides all IT services to the organization through the Company's employees and, when necessary, through various subcontractors and software suppliers as well. The Group's IT function serves all Phoenix's employees nationwide and provides the Group's pension funds with IT services and access to the Phoenix group's IT systems; the function also supports the Agents and their employees across Israel, who use various communications infrastructures.

The IT services of Phoenix Investment House and the insurance agencies held by the Group are generally managed independently.

The Phoenix group's core IT infrastructures provide services to 10,000 users, including the Company's employees and Agents. The Company's IT center is installed at its head office in Givatayim. The Company also operates a backup site in Netanya, which includes all the IT infrastructures and systems required for the Company's operations - including Phoenix Investment House - at times of emergency, allowing for business continuity in the event that the main site is out of order. The storage systems in which all of the Company's data is saved in the main site are regularly synchronized with the backup site. The backup site is also used to develop and test the Company's systems. Further to regulatory requirements and in order to enhance the Phoenix group's information survivability, an additional backup site was set up (featuring a third copy of the information).

The Phoenix group's main IT systems are as follows: the core life insurance systems were internally developed by the Phoenix group. In recent years, the Group is in the process of improving its systems to support the expansion of its services and to continue to support its business processes and regulatory requirements in future years. The life insurance system manages policyholders, policies, products, coverage, underwriting, Agents' agreements, fees and commissions, collection, redemptions and loans. Life insurance claims and most of the health claims are managed using a SAP-based central claims system. The Phoenix group operates provident and advanced education policies through an operating entity.

The core property and casualty insurance systems are also mostly based on internal-use software combined with a dedicated system for managing P&C insurance policies using the same technological infrastructure. The system operates in conjunction with systems that manage policyholders, Agents, fees and commissions, collection, payments and claims.

The core insurance systems are supported by various document and work process management systems, systems managing the activity with reinsurers, as well as risk management and actuarial systems. Most of the systems are supported by widely-known and widely-used software products, which are employed by Phoenix in order to provide the required business response. The Company operates a DWH system, which provides information on all of Company's operational systems.

The finance and procurement activities are based on SAP software package, which is linked to all of the organization's systems, thereby serving as a single source of information. The investment system is based on software by Danel, a dedicated BI system, a contracts system and Bloomberg.

As from the financial statements for the first quarter of 2025, the Company will start implementing IFRS 17. Under the preparations for the implementation of the standard, the Company uses a dedicated model available through Moody's software. In addition, the Company is expanding this application through the use of additional actuarial models. For more information about the application of IFRS 17, see Section 2 to the Report of the Board of Directors.

The Company manages its service centers using a CRM system; the system provides a central platform for management of inquiries received in the various service centers from customers, agents and employers.

In the reporting year, the Cyber Security Unit focused on further enhancement of corporate protection systems, including increasing employees' awareness of cyber risks, response to privacy protection requirements and handling gaps detected in the risk surveys. Furthermore, the Company purchased third party captive insurance in respect of cyber incidents. The insurance is a self-insurance under the management of a third party, which provides services for the management of an incident by a crisis-management expert.

### 4.9.3 Vehicles

The vehicles used by the Group are mainly operated through operating leases. For additional information regarding the Company's fleet, see Chapter F on sustainability below.

## 4.10 Seasonality

### 4.10.1 Life Insurance

Generally speaking, revenue from life insurance premiums are not significantly affected by seasonality. Nevertheless, in view of the tax benefits available on contributions towards life insurance, a significant proportion of new sales are carried out towards the end of the year.

**Following is a breakdown of gross life insurance premiums by quarter:**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **%** | **In NIS million** | **%** | **In NIS million** |
| **Q1** | 25.3 | 1,028 | 26.6 | 1,208 |
| **Q2** | 24.3 | 987 | 25.2 | 1,145 |
| **Q3** | 24.4 | 992 | 24.4 | 1,108 |
| **Q4** | 26.0 | 1,054 | 23.8 | 1,081 |
| **Total** | **100** | **4,061** | **100** | **4,542** |

### 4.10.2 P&C Insurance

The seasonality of premiums is particularly noticeable in the first quarter; this is mainly due to renewal of motor insurance policies of various groups of employees and businesses' vehicle fleets, whose renewal dates normally fall in January; seasonality is also caused by renewal of business insurance policies, which are typically renewed in January or April. The effect of premiums' seasonality on income is mainly offset by the unearned premium reserve mechanism.
It should be noted that a severe winter may trigger an increase in claims, mainly in the Property Subsegment.

**Following is a breakdown of gross property and casualty insurance premiums by quarter:**

| | 2024 | | 2023 | |
|---|---|---|---|---|
| | **%** | **In NIS million** | **%** | **In NIS million** |
| **Q1** | 27.6 | 1,337 | 27.6 | 1,232 |
| **Q2** | 24.0 | 1,161 | 25.2 | 1,127 |
| **Q3** | 25.8 | 1,249 | 24.4 | 1,091 |
| **Q4** | 22.6 | 1,090 | 22.8 | 1,019 |
| **Total** | **100** | **4,837** | **100** | **4,469** |

### 4.10.3 Health Insurance

The breakdown of premium data by quarter shows that seasonality does not materially affect the distribution of health insurance premiums during the calendar year.

## 4.11 Intangible assets

### 4.11.1 General

The Company owns trademarks pertaining to its name's logo "Phoenix", and a number of other names and brands.

Phoenix uses several brand names in the insurance, investments and finance segments, such as: Phoenix, Phoenix Smart, Phoenix Investments Insurance and Finance, Phoenix Invest, Phoenix Advanced Investments, Phoenix Investment House, Phoenix Pension and Provident, and more. The brand names benefit from the public recognition and the reputation created and accumulated by Phoenix over more than 75 years of activity, both among policyholders and among insurance professionals.

In order to enhance awareness of the Company's brand names, Phoenix uses various mass communication channels such as: commercial TV, regional and national radio stations, websites and dedicated Internet pages, apps and digital platforms, such as Google, Instagram, YouTube, Facebook, LinkedIn, and more.

### 4.11.2 Online and digital activity

The Group operates a marketing website used to provide to the public information about the Group, its product offerings, general information about various insurance coverages, information targeted to specific groups or population segments and regulatory information. Phoenix policyholders can use the website to search for service providers with whom the Company has arrangements to provide services to its customers (such as: auto repair shops, physician, appraisers, etc.).

Customers can use the website to purchase compulsory and comprehensive motor insurance, travel insurance, and home and mortgage insurance. Policyholders can use the website to digitally open claims for most insurance products and download and fill out a wide range of forms; the public can contact the Company through its range of communication channels to obtain information or carry out transactions, using online chat, email, as well as text and WhatsApp messaging.

The Group also operates a personal zone for its policyholders, through which they can easily and conveniently receive a copy of their policy, the status of processes underway, applications and claims, print out various documents, update personal information and monitor their pension contributions on an ongoing basis at a time of their choosing, without waiting. The website is accessible to people with disabilities and allows access to information using various aids. The website is also mobile-optimized.

In addition, the Group operates a dedicated Facebook page, where information is available about its products and activities; the Facebook page can be used to contact the Company's various service channels in order to receive information and support in performing various transactions. The Company is also active in other digital media platforms, such as Google, YouTube, Instagram, etc. It is noted that other Group companies have their own websites.

The Company also has a dedicated website for its agents (an agents' portal) through which they can receive information about their activity with the Company as well as information about policyholders who are insured through them; this website can also be used by agents to offer life insurance and/or pensions and/or long-term savings to policyholders.

Furthermore, the Group operates the following apps for its customers: the Phoenix group app, the travel app, the young driver app and Phoenix Investment House app. For further details regarding the Group's apps, see Section 4.7.2(b) above.

The Group also operates an intra-organizational app for Phoenix group employees, which is used to deliver content and messages to group's employees.

**Domain names**

Phoenix owns the domain names of websites of Phoenix (such as the domain name of Phoenix' home page), and other domain addresses, which are relevant for Phoenix's activity.

## 4.11.3 Databases

Various group companies have databases, which are essential for conducting their businesses in accordance with the Privacy Protection Law, 1981.

## 4.11.4 IT

The Company develops - through its employees and suppliers - copyright-protected software for internal use. For further details about IT systems, see also Section 4.9.2 above.

## 4.11.5 Goodwill and excess costs

As of December 31, 2024, the Company has goodwill and excess of cost - from acquisition of insurance agencies, from the life and savings activity, asset management - provident and pension activity, asset management - Investment House and Wealth activity and Credit - totaling approx. NIS 2,734 million (approx. NIS 2,548 million as of December 31, 2023), net of amortization. These are mainly attributed to goodwill, fees and commissions portfolios and future management fees. At the end of 2024, the Company tested the recoverability of its goodwill and did not conclude that its value was impaired. For further details, see Note 5 to the Financial Statements.

# 4.12 Financing

## 4.12.1 General

The Group finances its activity, inter alia, from external sources, including issuance of notes, bonds, as well as short-term and long-term bank and non-bank loans.

Total financial liabilities as of December 31, 2024 is approx. NIS 17,189 thousand and approx. NIS 17,189 million, compared to approx. NIS 15,576 million as of December 31, 2023. The increase stems mainly from debt raising carried out in the reporting year, increase in interest rates and linkage rates, and increase in the scope of derivatives.

**Average interest rate**

The average interest rates on loans from bank and non-bank sources in 2024, which are not earmarked for specific use by the Group, are listed in the following table:

| | Average interest rate on loans not earmarked for specific use (by percentage) | | | |
|---|---|---|---|---|
| | Average rate | Subordinated notes | Long-term loans | Short-term loans |
| Banking sources - USD-linked | 5.00 | | | 5.00 |
| Bank sources - non-linked | 5.88 | | 5.89 | 5.86 |
| Non-bank sources - CPI-linked | 1.64 | 1.64 | | |
| Non-bank sources - non-CPI-linked | 4.38 | 3.39 | 5.73 | 7 |

For further details regarding the subordinated notes and bonds issued, see Note 27 to the Company's Financial Statements.

## 4.12.2 Capital and debt raising

Subsequent to the reporting year, the Company raised debt as follows:

**Expansion of Bonds (Series 5 and 6)**

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 approx. NIS 600,000 thousand.

## 4.12.3 Credit limitations

**Bonds (Series 4)**

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 bondholders' consent in advance and placed on that date a lien of the same rank in favor of the holders of Bonds (Series 4). Furthermore, with respect to Bonds (Series 4), the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.6

and 5.10 and Appendix 1 to the deed of trust attached to the shelf offering report published on May 7, 2019 (Ref. No. 2019-01-039576).

**Bonds (Series 5)**
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 the Bonds (Series 5) are not repaid in full, unless it obtained the bondholders' consent in advance and placed on that date a charge of the same rank in favor of the holders of Bonds (Series 5). Furthermore, with respect to Bonds (Series 5), the Company assumed upon itself restrictions on distribution of dividends and the expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.7 and 5.9 and Appendix 1 to the deed of trust which was attached to the shelf offering report published on February 20, 2020 (Ref. No. 2020-01-014890).

**Bonds (Series 6)**
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 bondholders' consent in advance and placed on that date a lien of the same rank in favor of the holders of Bonds (Series 6). Furthermore, with respect to Bonds (Series 6), the Company assumed restrictions on distribution of dividends and expansion of the bonds series; the Company has also undertaken to comply with various financial covenants. For further details, see Sections 5.7, 5.9 and Appendix 1 to the deed of trust attached to the shelf offering report published on January 5, 2022 (Ref. No. 2022-01-003042).

Apart from the aforesaid undertakings, the Company is not subject to any credit restrictions.

### 4.12.4 Credit rating

| Rating agency | Rated company | Details |
|---|---|---|
| Midroog | The Company | ■ In January 2024, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook.<br>■ 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.<br>■ In February 2025, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook. |
| Ma'alot | | ■ In July 2024, S&P Maalot reiterated the Company's ilAA rating with a stable outlook.<br>■ 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. |
| Ma'alot | Phoenix Insurance | ■ In July 2024, S&P Maalot reiterated Phoenix Insurance Company's ilAAA rating with a stable outlook |
| Midroog | | ■ In August 2024, Midroog announced that it upgrades the rating of Phoenix Insurance from Aa1 to Aaa. |
| Global rating (global rating) | | ■ In May 2024, international credit rating agency Moody's reiterated the existing A2 rating of Phoenix Insurance with a negative rating outlook.<br>■ In October 2024, following the downgrade of the State of Israel's credit rating, Moody's announced that it was downgrading the international credit rating of Phoenix Insurance from A2 to Baa1 with a negative outlook, while Moody's noted that the independent financial strength of Phoenix Insurance remained at A2. |
| S&P (global rating) | | ■ In July 2024, international credit rating agency S&P Global Ratings (hereinafter - "S&P") reiterated Phoenix Insurance's 'A-' international rating with a stable outlook. |

## 4.13 Risk factors

This section deals with the key risk factors to which the Group is exposed.

For details regarding the risk factors, risk management policy, work processes, methods employed in risk management, existing controls and the roles of the Chief Risk Officer, see Note 41 to the Financial Statements.

## 4.13.1 Table of risk factors embodied in the Group's key activities

The following table lists the key risk factors to which the Company is exposed and their potential effect:

| Risk factors | The effect of risk factors on the Group's activity<br>High effect | Moderate effect | Low |
|---|---|---|---|
| **Macroeconomic risks -** | | | |
| State of the economy | ✓ | | |
| Unemployment rate | | ✓ | |
| Breakdown of market risks: | | | |
| Interest rate risk | ✓ | | |
| Credit Risk | | ✓ | |
| Equity instruments risk (shares and funds) | ✓ | | |
| Foreign exchange rate risk | | ✓ | |
| Inflationary risk | | ✓ | |
| Real estate risk | | ✓ | |
| Credit Risk | | ✓ | |
| **Industry-specific risks** | | | |
| Insurance risks (including longer life expectancy, pension uptake, and illness) | ✓ | | |
| Sustainability risks (ESG), including climate change | | | ✓ |
| Catastrophe risk (including earthquakes, epidemics, war, etc.) | | ✓ | |
| Legislative and regulatory changes (including the implementation of IFRS 17 and IFRS 9) | ✓ | | |
| Legal precedents | | ✓ | |
| Competition | ✓ | | |
| Portfolio retention rate | ✓ | | |
| Reinsurance availability and stability risk | | ✓ | |
| **Risks specific to the Company** | | | |
| Liquidity Risk | | | ✓ |
| Risk of asset-liability mismatch | | ✓ | |
| Operational risks | | ✓ | |
| IT risk | ✓ | | |
| Privacy protection and information security risks | ✓ | | |
| AI risks | | | ✓ |
| Pricing and underwriting risks | | ✓ | |
| Claims and class actions and the Commissioner's powers | ✓ | | |
| Compliance risks | | ✓ | |
| Outsourcing risks | | | ✓ |
| Business development risks, including the Alternative Investments activity | | ✓ | |
| Damage to reputation | ✓ | | |

The potential effect of the risk factors on the Group is based on the estimates of the Group's management, taking into consideration the scope and nature of its activities as of the report date. It is possible that in practice the impact will be different, due to changes in the characteristics of the Group's activity or in market conditions.

For details regarding the key risk factors with respect to the asset management - Investment House and Wealth activity, see Section 2.5.21 above. For details regarding the key risk factors with respect to the credit activities, see Section 2.6.20 above.

# 4.14 Material agreements

## 4.14.1 Reinsurance agreements

For details regarding the Company's engagements with reinsurers, see Section 4.5 above.

## 4.14.2 Agreements regarding holdings in investees

For details regarding these agreements, see Section 4.4.5 above.

## 4.14.3 Software agreements

### 4.14.3.1 Cloud services

In 2022, the Company contracted two suppliers in the field of cloud services: 1. Amazon Web Service (AWS): The supplier of the cloud services that will be used by the Group for all future technological needs of the Phoenix. The agreement is an enterprise agreement and is not limited in time; and 2. Snowflake: provider of managed cloud data warehouse services to be used by Phoenix to realize its cloud data platform. The agreement is for a defined term and can be renewed by the Company.

### 4.14.3.2 Application of IFRS 17

In February 2020, the Company signed agreements with suppliers for the purpose of applying the standard. The purpose of the agreements is to implement and integrate a system aimed at enabling the Company to meet the regulatory requirements regarding the application of the Standard. In addition, the Company engaged in a consulting agreement with KPMG Canada and EY Israel in connection applying the Standard, including the expansion of audit services.

### 4.14.3.3 Phoenix Retail Credit

For details regarding the engagement with a software supplier as part of the setting up of the activity, see Section 1.2.10 above.

### 4.14.3.4 Agreement with FMR

For details regarding the agreement between the TASE Member, a subsidiary of the Investment House, and FMR Computers and Software Ltd., see Section 2.5.14.1 above.

### 4.14.3.5 Agreement with Danel

For details regarding the agreement between the portfolio management company and Danel Financial Solutions Ltd., see Section 2.5.14.2 above.

4.14.4 **Collective agreement** - for details regarding the collective agreement of Phoenix Insurance with the workers' committee, see Section 4.6.4 above.

4.14.5 **Restructuring of Phoenix Construction Financing and Guarantees -** for details regarding the agreements as part of this restructuring, see Section 2.6.12 above.

4.14.6 **Restructuring of Phoenix Capital Partners -** for details regarding the agreements as part of this restructuring, see Section 4.4.1.2 above.

4.14.7 **Phoenix Investment House -** For details regarding Phoenix Investment House's material agreements, see Section 2.5.17 above.

4.14.8 **Gama -** For details regarding Gama's material agreements, see Section 2.6.12 above.

4.14.9 **Agencies** - For details regarding material agreements in the agencies activities, see Section 2.7.10 above.

# Part E

Corporate Governance Aspects

## 5.1 Structure of the Board and its committees


The Company adopted a Board of Directors work procedure, which lists, among other things, the roles of the Board of Directors and its committees. The main functions of the Board of Directors are to determine the Company's short- and long-term policies and its action plans and prioritize them; it is also in charge of supervising and monitoring - on an ongoing basis - the Company's activity and management.

In 2024, the Board of Directors held 20 meetings, and attendance rate stood at an average 96% (the minimum meeting attendance requirement for each director is at least 66%)..

The Board of the Company has several committees that oversee different business activities, including the Audit, Financial Statements, Compensation, Strategy, IT Committee, and Risk Management.

Each committee has defined areas of responsibility and powers with which it is entrusted, and its role is to report to the Board on its progress. In addition, the Group's institutional entities have an independent joint Planholders Investments Committee, which is charged with the management of planholders and policyholders' funds. Its members have no affiliation to the Group. The Board of Directors, Chairman of the Board of Directors and members of management do not take part in decision making in the group. For more information regarding the Planholders Investment Committee, see Section 4.4.1.2.5 above.

## 5.2 Composition of and changes in board members

As of the report date, the Company's Board of Directors has 8 serving directors, half of whom are independent directors (including EDs), and half are women. The external directors are Ms. Rachel Levine and Ms. Hanadi Said and the independent directors are Dr. Ehud Shapira and Ms. Inbal Kreiss.[27]

[27] External directors and independent directors are required to declare, among other things, that they or their relatives have no affinity to the Company or its controlling shareholder, and that their duties or occupations are not likely to give rise to a conflict of interest with their position as director.

At the Company's Board meeting on September 30, 2024, there was a discussion regarding the composition of the Board of Directors appropriate for the Company's diverse activities in view of the Company's transformation into a company without a controlling core and the resignation of the directors who were aligned with the controlling shareholders or represented them. For more information regarding the Company's becoming a company without a controlling core, see Section 1.1 to the Description of the Development of the Corporation's Business chapter above.

The Board of Directors decided on the following guidelines:

1. Board members should collectively possess a wide range of competencies, expertise, reputation and integrity, knowledge in the various areas in which the Group operates, as well as business experience which is expected to be beneficial for effective supervision of the Company's business. It was also resolved that, in accordance with the Company's strategic objectives and roadmap, the Board of Directors, in tandem with management, will further work to reinforce the Company's corporate governance as it was until now, while meeting corporate governance standards in Israel and abroad. As part of this process, the Company's Board of Directors must include Board members with an international business orientation, as was the case before the Company became a company without a controlling core.
2. At least 33% of the Board of Directors will include female representation.
3. The Company's Board of Directors will consist of a majority of independent directors (including external directors).

In order to act in accordance with the guidelines set by the Board of Directors, the Board decided to establish an appointment committee whose role will be to identify and recommend several candidates to serve as Company directors. The Appointment Committee members are as follows: Ms. Rachel Levine (External Director serving as Chairperson of the Committee), Dr. Ehud Shapira (Independent Director) and Mr. Benjamin Gabbay, Chairman of the Board. The Board of Directors also gave its approval for the Committee to employ an external placement consultant to identify and recommend candidates to serve as directors.

Concurrently with the process of identifying candidates by the committee, Mr. Richard Kaplan, who served as an ED in the Company, informed the Company of his wish to terminate his tenure as an ED at the end of his first tenure in the Company, such that his tenure expired on January 3, 2025 Furthermore, Mr. Roger Abravanel informed the Company of his wish to resign from the Company's Board, and he continues to serve as a director only in the subsidiary - Phoenix Insurance Company Ltd.

The Appointment Committee met several times where it determined the needs of the Board of Directors and assessed the candidates, conducted introductory meetings with shortlisted candidates, and has formulated its recommendation as to candidates considering the adequate and appropriate composition of the Company's Board of Directors and its committees, in accordance with the experience and expertise of the candidates. Among the Appointment Committee's considerations when recommending candidates - in addition to professional considerations - were the candidates' ability to work as part of a team and their experience in corporate governance issues.

At the end of the said process, the recommendation was brought before the Company's Board of Directors, which - on December 9, 2024 - discussed the process and recommendations of the Appointment Committee with respect to 4 candidates for the position of directors in the Company and adopted its recommendation.

On January 14, 2025, a general meeting of shareholders was held in which four new directors were elected individually (rather than as a group): 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, including the directors' statements issued as part of the meeting summons report, see immediate reports dated: December 10, 2024 and January 14, 2025 (Ref. Nos.: 2024-01-623250 and 2025-01-004151, respectively).

## 5.3 Commissioner's Directives regarding appointment of directors in Phoenix Insurance and Phoenix Pension and Provident

On February 26, 2025, the Company received a letter from the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "**Commissioner**"), which is mainly relevant to the process of appointing directors in subsidiaries, which are the institutional entities it holds - Phoenix Insurance Company Ltd. and Phoenix Pension and Provident Ltd. (hereinafter - the "**Institutional Entities**").

In accordance with the Commissioner's Directives, the appointment of directors in the Institutional Entities will be carried out by an external committee, headed by a retired Supreme Court or District Court judge; the committee will comprise two members proposed by the Chairperson of the Committee, who are also prominent figures in the Israeli economy or who serve as senior staff members in higher education institutions (or who previously served as such) in the relevant fields; two directors who serve as external directors or as independent directors in the Phoenix group's institutional entity, which is the subject matter of the committee's discussion.

The letter also stipulated additional arrangements regarding the putting forward of candidates for service in the Board of Directors, the appointment of a Chairperson of the Board of Directors and the appointment of a CEO. In addition, the letter stipulated a transitional period for the appointment of directors for Phoenix Insurance and Phoenix Pension and Provident.

The outline also prescribed, as transitional provisions, that the Company, Phoenix Insurance and Phoenix Pension and Provident shall act to appoint three directors in Phoenix Insurance and one director in Phoenix Pension and Provident, within 120 days from the date of the Commissioner's letter. This is to be achieved through a search committee of Phoenix Insurance or Phoenix Pension and Provident, as the case may be, and through a resolution of their general meeting. The outline clarifies that apart from these appointments, changes to the Boards of the Phoenix group's Institutional Entities will be carried out only after the appointment of the committee.

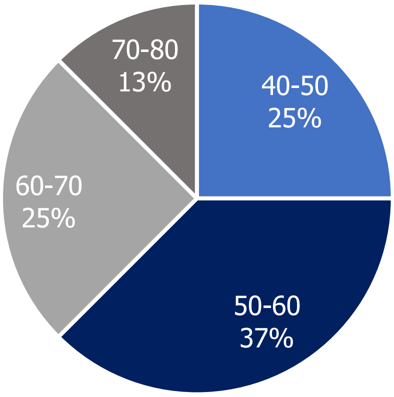
For further details, see the immediate report dated February 26, 2025 (Ref. No.: 2025-01-013308).

## 5.4 Composition of the Board of Directors

- The Company's Board of Directors reflects its being an internationally oriented company, held, among other things, by international investors, with 25% of the directors not residing in Israel and 25% holding an additional nationality apart from their Israeli nationality.

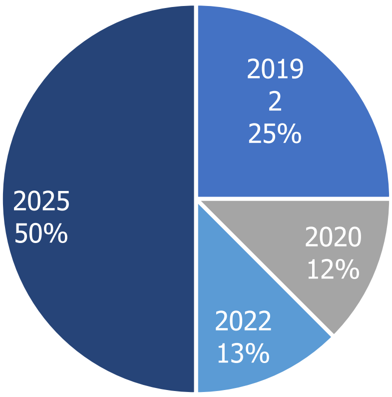
- Phoenix's Board of Directors comprises members from a range of age groups across different generations.

## Breakdown of Board members by age




- The average tenure of Board members is 2.3 years

## First year in office




- The Company places a special emphasis on its Board members' knowledge, skills and expertise at the time of their election to the Board. The Company's areas of activity and strategic objectives require financial and accounting capabilities, and an understanding of risk management processes alongside the Company's commitment to comply with the regulatory provisions of a range of government agencies. The following figure shows the number of directors with expertise by areas deemed critical to the Company:
  - 88% of the board members have expertise in financial accounting
  - 50% of the board members have expertise in risk management
  - 38% of the board members have expertise in insurance / asset management

| No. of directors | Rate of women on the Board | Rate of independent directors | Rate of foreign directors (non-Israeli) | Average seniority of Board members |
|---|---|---|---|---|
| 8 | 50% | 50% | 25% | 2.3 |

# 5.5 Information about the Company's Internal Auditor

## 5.5.1 Details of the internal auditor:

The Company's Chief Internal Auditor is Ms. Michal Leshem (CPA), who began her term in office on September 1, 2020.
The Chief Internal Auditor meets the criteria set in Section 3(a) of the Internal Audit Law, 1992, the provisions of Section 146(b) of the Companies Law, and the provisions of Section 8 of the Internal Audit Law.
Ms. Leshem serves as the Internal Auditor of Phoenix Insurance and Phoenix Capital Partners.
The internal audit work is carried out through employees of the Company's internal audit function, and through outsourced services. The Chief Internal Auditor reports to the Chairman of the Board.
As part of the Group's internal audit function, the Chief Internal Auditor of Phoenix Pension and Provident is Elad Cohen, CPA. The Internal Auditor of Phoenix Investment House and its subsidiaries is Hagit Kamesh Zluf (CPA). Hila Hoisman (CPA) of accounting firm Deloitte Israel and Co. serves as Gama's internal auditor, by way of outsourcing. The internal auditor of Phoenix IEC Central Severance Fund is Shay Luterbach (CPA) of the Vardi Luterbach & Co. CPAs firm.

## 5.5.2 The work plan:

The internal audit function's work plan for 2024 was derived from the multi-year plan for 2024-2027, which is based on a risk survey held in order to set the audit targets in key areas; the survey was held at the end of 2023 and discussed by the Audit Committee in early 2024.
The work plan also includes focal points in accordance with the changes in the Company's business activity and structure, regulation, and risk levels. Material activities are audited more frequently. Additional activities may be audited more frequently, in accordance with the Chief Internal Auditor's assessment, based on guidance issued by one or more of the following: the Board of Directors, Audit Committee and management. The work plan allows the Chief Internal Auditor to exercise discretion in deciding to deviate therefrom. The Chairman of Board of Directors, the CEO and the Audit Committee may expand the scope of the plan or request specific changes. Material changes in the annual work plan are reported to the Audit Committee.
The scope and nature of the work of the Chief Internal Auditor and her team were determined taking into consideration the scope of the Group's activities and its various areas of activity.
The Chief Internal Auditor submits to the Audit Committee a detailed periodic report about the auditing activity in the reporting period.

Interested party transactions are discussed and approved by the competent organs as required by law. As part of the work plan, the Internal Audit Division also reviews approved interested party transactions. Other material transactions, including approval of such transactions, are reviewed from time to time as part of the work plan and in accordance with generally accepted auditing principles.

### 5.5.3 Hours invested and audit of investees:

| | No. of hours invested | |
|---|---|---|
| | **The Company's internal auditor** | **Other internal auditors** |
| Phoenix Financial | 1,200 | - |
| Phoenix Insurance | 21,618 | - |
| Phoenix Capital Raising | 50 | - |
| Phoenix Pension and Provident Fund* | 4,302 | - |
| Gama Management and Clearing Ltd. | - | 1,500 |
| Phoenix IEC Central Severance Fund Ltd. | - | 1,180 |
| Phoenix Investment House** | 4,800 | - |
| **Total hours** | **31,970** | **2,680** |

* Phoenix Pension and Provident Fund - including 1,420 hours carried out by the operating entities (Bank Mizrahi and Malam).

** Phoenix Investment House Ltd. and its subsidiaries.

In 2024, the internal audit activities in all Group companies amounted to 34,650 hours, as detailed above.

### 5.5.4 Conducting the audit

The internal audit was conducted in accordance with the provisions of the Internal Audit Law, 1992, and the Companies Law, 1992, as well as in accordance with generally accepted practices while adapting the application of the guidelines and professional standards issued by the Chartered Institute of Internal Auditors (IIA).

The Board of Directors, through its Audit Committee, oversees the Internal Audit Division's work procedures, practices and results.  The Board of Directors is of the opinion that the internal auditor's work practices are appropriate and in line with the composition and scope of the Group's activities.

### 5.5.5 Access to information

During the course of the audit work, the Chief Internal Auditor was provided with documents and information as required. The Chief Internal Auditor and her team were given full, ongoing and unrestricted access to IT systems and financial data, where such access was required to perform their work.

## 5.5.6 Chief Internal Auditor's report

The Chief Internal Auditor's reports are submitted in writing. Generally, upon issuance of the internal audit reports by the internal audit function, and as part of the current work process, the reports are discussed with the audited functions. Internal audit reports are submitted on an ongoing basis to the Chairman of the Board, the Company's CEO, Legal Counsel, Chief Risk Officer and the Company and/or the subsidiaries' audit committees, as applicable. In 2024, the Company's Audit Committee held 13 meetings, and the audit committees of the Group's institutional entities held 29 meetings,[28] of which approx. 33 meetings discussed the internal audit reports.

## 5.5.7 The Board of Directors' assessment of the Chief Internal Auditor's work

In the opinion of the Board of Directors, the scope, nature and continuity of the Chief Internal Auditor's work and her work plan are reasonable under the circumstances and are sufficient to achieve the Group's internal control objectives.

## 5.5.8 Compensation

The Chief Internal Auditor is a Group employee, having the status of a VP and employed on a full-time basis; she receives a monthly salary including related social benefits. The Chief Internal Auditor has an individual compensation plan that includes the right to take part in the Company's options plan, and an entitlement to an annual bonus based on Company's targets, as part of the overall compensation policy adopted by the Company and its institutional entities.
During the reporting year, the Chief Internal Auditor was awarded approx. 15,492 RSUs and 4,070 non-marketable option warrants exercisable into ordinary shares of NIS 1.00 p.v. each in Phoenix Agencies; the option warrants were awarded as part of the compensation plan applicable to Company and Group employees and officers. The total cost of the internal auditor's salary in 2024 amounted to approx. NIS 2.7 million.

In the opinion of the Board of Directors, the Chief Internal Auditor's terms of employment are reasonable and fair and reflect the Chief Internal Auditor's meeting her personal targets and contribution to the Company and Group. The Board of Directors has found that the compensation policy paid to the Chief Internal Auditor is in line with the compensation policy of the Company and its institutional entities and does not give rise to any concern that her professional judgment would be compromised.

## 5.5.9 Information about the independent auditor

The Company's independent auditors are Kost Forer Gabbay & Kasierer ("**Kost**" and/or "**EY**"). Kost serve as the independent auditors of most of the Group's material companies.
As from December 2022, the engagement partner dealing with the Company on behalf of Kost is Yael Assaf (CPA), who replaced Tal Hay-Zion (CPA).
The auditors' fees are determined based on the scope of the work carried out in a publicly-traded Company and institutional entity which is an insurance company, and in the other Group companies.

[28] Phoenix Insurance - 15 meetings, Phoenix Pension and Provident 9 meetings, and IEC Gemel 5 meetings.

## 5.5.10 The independent auditor's fees are approved by the Company's Board of Directors.

**Following is a breakdown of the independent auditors' fees in NIS thousand (excluding VAT) for services rendered by them in 2023-2024:**

| 2024 | | | | | |
|---|---|---|---|---|---|
| | | **Audit services*** | **Special tax services** | **Other services** | **Total** |
| **The company and its wholly owned companies**** | **EY** | 2,452 | 219 | 192 | 2,863 |
| | **Other** | 536 | 148 | 218 | 902 |
| **Phoenix Insurance and companies under its control** | **EY** | 6,343 | 249 | 1,043 | 7,635 |
| | **Other** | - | - | - | - |
| **Phoenix Investment House and its consolidated companies** | **EY** | 750 | 271 | 110 | 1,131 |
| **Total** | | **10,081** | **887** | **1,563** | **12,531** |

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding Phoenix Insurance, Phoenix Investment House and companies under their control.

| 2023 | | | | | |
|---|---|---|---|---|---|
| | | **Audit services*** | **Special tax services** | **Other services** | **Total** |
| **The company and its wholly owned companies**** | **EY** | 2,450 | 438 | 1,130 | 4,018 |
| | **Other** | 446 | 11 | 11 | 468 |
| **Phoenix Insurance and companies under its control** | **EY** | 4,196 | 56 | 1,006 | 5,258 |
| | **Other** | - | - | - | - |
| **Phoenix Investment House and its consolidated companies** | **EY** | 620 | - | 237 | 857 |
| **Total** | | **7,712** | **505** | **2384** | **10,601** |

(*) The audit services include fees in respect of SOX audit, preliminary audit in preparation for the implementation of IFRS 17 and a solvency audit.

(**) Excluding Phoenix Insurance, Phoenix Investment House and companies under their control.

# 5.6 Effectiveness of Internal Control over Financial Reporting and Disclosure

## 5.6.1 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 set out in the Company's previous Reports of the Board of Directors, the Company has been working on an ongoing basis to implement the required procedure in the 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 Commissioner's circulars 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 Control over Financial Reporting and Disclosure.

The processes relating to the institutional entities are also addressed in the Commissioner's circulars, for more information, see Section 5.4.2 below.

## 5.6.2 The Commissioner's circulars

Alongside the process described in Section 5.6.1 above, the Phoenix group's institutional entities apply the provisions of Management's Responsibility Circulars pertaining to controls and procedures regarding disclosure and internal control 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 above-mentioned 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.

- <u>Disclosure controls and procedures</u>
  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 the Report. Based on this assessment, the CEOs and CFOs of the institutional entities in the Phoenix group concluded that, as of the end of the period, the controls and procedures as per 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.

- <u>internal control over financial reporting</u>
  During the reporting period ending December 31, 2024, 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 conducting a process of improving and streamlining processes and/or internal controls and/or customer service. The reports and statements relating to the relevant processes are attached to the Financial Statements of the Phoenix group's institutional entities, in accordance with the provisions of Management's Responsibility Circulars.

### 5.6.3 Disclosure on the financial statements' approval process in a reporting entity

Pursuant to the Israel Securities Authority's directive on 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 guidance 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 managers' 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.

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 Statement Review Committee, other than the Audit Committee, which 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.

| | |
|---|---|
| **Benjamin Gabbay, Chairman of the Board** | **Eyal Ben Simon, CEO** |

**Date: March 12, 2025.**

# Part F

Sustainability

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# 6.1 Sustainability Strategy

## 6.1.1 Strategy

In the reported year, the Company carried out a process to update and focus its Sustainability strategy and the key areas of this strategy. For the Company, sustainability includes: (1) long-term value creation in a dynamic and disruptive environment, and (2) corporate responsibility as a leading company with a substantial positive impact on Israeli society.

| | *Insurance* | *Asset Management* |
| --- | --- | --- |
| *1. Business Value Creation* | **Business opportunities & risks from disruption**<br>*Electric vehicles*<br>*Strategic growing market with 30% of new sales, specific brand strategies (e.g., Tesla, BDY, others)*<br>*Environment* | **Investment stewardship**<br>*Corporate governance*<br>*Appointment of directors, conflict of interest, compensation, etc.*<br>*Governance* |

*2. Corporate Responsibility*

**Community:** *Nonprofit ventures for social resilience (VC model)*

**Environment:** *Reducing carbon footprint, measurement across group*

**Clients:** *Innovation and simplicity (e.g., digitization) to improve service*

**Employees:** *Workplace excellence (e.g., development, welfare)*

**Shareholders/stakeholders:** *Transparency (e.g., ratings, publications)*

1. **Business opportunities & risks from disruption**

   The Company has a value creation strategy focused on insurance and asset management activities. Embedding sustainability principles in its corporate strategy strengthens the Group's robustness and resilience, and helps it cope with the anticipated challenges of the coming years, in Israel and globally.

   The Company's sustainability strategy in the area of insurance is focused on risks and business opportunities in fields experiencing rapid change in the business environment, primarily concerning climate change and decarbonization, such as insurance specifically for electric vehicles; insurance for charging stations; comprehensive insurance for renewable energy facilities, from construction to operation; and risk management, with an emphasis on fires and floods.

In the area of asset management, the Company manages over half a trillion NIS, including in various savings and investment solutions, and creates value while promoting the Israeli economy and the growth of companies in Israel through dialogue and voting processes at its portfolio companies, with an emphasis on corporate governance.

2. **Corporate responsibility**

As a company serving Israeli clients, the Company's success depends on the thriving and growth of Israel's economy and society.

On the social dimension, the Company supports the community and society in Israel by strengthening societal resilience, including in the areas of education and culture. The Company has formulated a VC model for supporting several "venture non-profits," combining its unique capabilities: 1. identifying non-profits with growth potential that create impact on a significant scale relative to the financial support; 2. taking advantage of the management skills and business perspective of the Group's managers and employees, who volunteer to guide the venture non-profits over the long term; 3. connecting the non-profits with others, for continued growth and realization of their potential, at the appropriate stage.

Concurrently, the Company operates based on corporate responsibility standards, setting an example and exercising transparency. The Company focuses on the management of its carbon footprint and invests in energy efficiency, waste reduction, and employees' awareness of environmental impacts. For its clients, the Company is accelerating digitization processes, in order to improve service, transparency, and accessibility of information and create a more advanced unique value proposition. At the same time, it is creating organizational value by instilling a culture of excellence and investing in executive development, staff promotion and development, and well-being and health programs.

Successful sustainable management requires leveraging unique synergetic capabilities of the Group to navigate business opportunities and risks and generate a substantial positive impact. In addition, sustainable management focuses on creating value in business activities and on building infrastructures for responsible conduct, such as measurement of the organization's carbon footprint; formalization of policies; employee training to raise awareness of sustainability issues, with an emphasis on climate change; and improvement of transparency at the Group.

## 6.1.2 Material topics

In preparation for its first ESG Report, released in 2022 in reference to the year 2021, the Company performed a materiality analysis. During the third quarter of 2023, we revalidated the materiality assessment, which was approved by the Company's Board of Directors and management, among others, while relating to the updated requirements of ESG rating agencies such as S&P, and the topics were ratified anew, with the detailed reference to them throughout the report having been updated.

In view of its commitment to alignment with advanced international standards, the Company performed an in-depth analysis of material topics, in accordance with the double materiality principle. This process is carried out in full every four years, with periodic validation every two years. Accordingly, the Company examined both the impact of the material topics on its own operations and the impact of its operations on people and the environment.

The members of the board of directors participated in the work process, ranking the material topics, with the Company's ESG Forum. Concurrently, in-depth interviews were held with leading local and foreign investors, ESG rating agencies (foreign and local), and suppliers, to understand their perceptions of the importance of each of the topics. In addition, the Company reviewed the questions in local and global ESG ratings to ascertain that the analysis was consistent with the requirements of the market and of investors.

As part of its continual improvement, the Company is aligning with leading international reporting standards (GRI, SASB), and has carried out benchmarking in relation to Israeli and international companies aimed at examining trends and comparing topics relevant to its sector.

The materiality matrix formulated by the Company at the end of this process is ranked by the importance of the topics for the Company and for its stakeholders; the map serves as a key tool in formulating sustainability strategy, planning targets, and establishing work plans, and is embedded in the Group's mechanisms for evaluating risks and opportunities, with a special focus on environmental, social, and governance issues.

**Transparency**

**Internal significance**

Transparency is a key element of risk management and value creation. The Company sees transparency as a strategic tool for strengthening trust, complying with regulation, and ensuring responsible management of its business operations. Transparency enables the managers and employees of the Group to make data-driven decisions, understand the business and regulatory risks, and act in accordance with the Company's ethical principles. For the board of directors, transparency strengthens oversight over performance and ensures sound risk management.

**External significance**

Regulators, investors, customers, and business partners expect clear, accurate, reliable reports on the Company's performance and the impacts of its activities. For the Company's customers, transparency ensures clear information about financial products, policies, and risk management. For investors, transparency delivers certainty regarding the attainment of ESG standards and financial metrics and allows informed decision-making. For regulators, transparency ensures compliance with regulations and prevents legal exposures.

**Performance**

- Publication of an annual ESG Report, beginning in 2021, in Hebrew and English.
- Expansion of carbon emissions measurement (Scope 3 – financed emissions) in 2022.
- Audit of the 2023 ESG Report by an external auditor, to improve the reliability of the data.

**Objectives**

A target set for 2024 stated that the Company would include the full Sustainability Report in its overall annual report, with an external audit of the section and measurement of financed emissions for 2023; this section has therefore been included in the description of the corporation's business in the 2024 periodic report, in order to demonstrate the reliability level of our reports to investors.

### Climate risks

#### Internal significance

The climate crisis is one of the most complex risks faced by nations and companies, with impacts reaching beyond businesses' operational activities to a broader effect on the financial sector as a whole. The Company considers climate risk management an essential component in strengthening its organizational resilience, recognizing that rather than just an environmental challenge, climate risks also represent a financial and strategic challenge. The adaptation of business models to an evolving environment is crucial to maintaining the Group's stability and responding to stakeholders' expectations.

#### External significance

Investors, customers, and regulators expect companies to apply sustainable strategies to the reduction of their environmental impacts and efforts to cope with the global challenges engendered by climate change trends. The impacts of climate risks are forward-looking and are difficult and complex to evaluate accurately. Accordingly, climate risk may affect not only operating expenses but also the potential for growth and investments, pricing of insurance premiums, and insurance policy formulations.

#### Performance

- Systemic climate risk management, with the implementation of operational measures to improve organizational resilience. For more extensive information on climate risk management, see below.
- The Company aspires to minimize its impact on the environment, in its operational activities as well as in the effect of the investments and insurance policies in which it is involved. For more extensive information on the Company's performance in the area of environmental impacts, see the section "Carbon footprint."

#### Objectives

The Company aims to continue mapping the effects of climate risks on its operations, cultivating aligned strategies, and improving its readiness for potential future impacts, by implementing adapted solutions and staying current on regulatory requirements pertaining to climate impacts. For further information, see the section "Objectives and indicators."

### Information security & privacy protection

#### Internal significance

Digital innovation confers great advantages, but also entails risks in various areas, particularly information security and privacy protection. Because the Company is responsible for sensitive personal data about its customers, information security and the protection of customers' privacy are crucial to its operations.

#### External significance

Customers, business partners, investors, and regulators require financial companies to meet high standards in the protection of information and privacy. Harm or leakage of information hurts companies' reputation and may lead to economic and regulatory damages.

#### Performance

- Implementation of advanced tools for monitoring, detecting, and addressing cybersecurity threats 24/7, and comprehensive management infrastructures for information security and cybersecurity incidents.
- Running management drills and annual surprise technological drills to assess the preparedness of cybersecurity teams.
- Operation of a dedicated cybersecurity incident response team.
- Management of cybersecurity risks by a chief information security officer (CISO) under the Technology Division.
- Quarterly steering committees review threats and provide status updates on the execution of work plans.
- An enforcement program on the subject of privacy protection.
- A quarterly forum and steering committee on privacy protection, with the participation of senior executives.
- Routine audits by the internal auditor and an expert consultant on cyber defense.
- Compliance with strict information-security standards, including PCI and ISO 27001.

### 6.1.3 Objectives and KPIs

The Company maintains objectives for the creation of business value in the areas of its activity, as well as objectives related to corporate responsibility, including climate goals. These indicators have been managed at the Company for several years; targets for each indicator are derived from the materiality analysis, business strategy, and goals, and from the Group's forecasts for 2027 in various areas.

**In the area of insurance,** the Company has established an indicator for value creation via growth of premiums and income from green products and services, including insurance of electric vehicles, with a growth target of 50% relative to 2023 by 2027. In 2024, the Company has revenues of approx. NIS 268 million from premiums on green products.

**In the area of asset management,** the Company measures its activity in qualitative terms, with the aim of leading the conversation on corporate-governance aspects and positioning the Company in Israel. Investment managers at the Company hold dialogue with investees emphasizing corporate governance and use the voting policy to express the Company's position in votes at general meetings. Representatives of the Company also participate in seminars, collaborate on corporate-governance aspects at research centers, and serve as key speakers at conferences.

**The positive impact on Israeli society** and responsible conduct as a leading company are measured using the indicators:

**Community:** Donations at a rate of 0.8%-1.0% of comprehensive income. The Company donated 0.9% of its comprehensive income in 2024.

**Environment:** Measurement of the Company's carbon footprint is the main indicator in the area of the environment and climate. The Company has set a goal of reducing its operational carbon footprint (Scopes 1+2) by 15% compared with the baseline year of 2019. In 2024, the Company's emissions (Scopes 1+2) reached 8,755 $tCO_2e$, a decrease of 2% from the preceding year and a cumulative decrease of 12% relative to the baseline year.

Concurrently with this indicator, in 2022 the Company began to measure the volume of its green financing and investments, as well as the financed emissions intensity per million NIS invested.

In 2024, the Company invested approx. NIS 12 billion in green investments, an increase of approx. NIS 2 billion from the preceding year.

The Company's volume of financed emissions for 2023 was measured using the international PCAF methodology at 28.5 $tCO_2e$ per NIS million invested. As the Company is currently in the process of studying and examining modes of action, future forecasts, and work plans, targets have not yet been set for these two indicators.

**Customers:** The service level index of the Capital Market, Insurance, and Savings Authority serves as an objective indicator of customer satisfaction for the Company; the Company has set a goal of being above the industry average in all 12 categories. Based on the most recent indicator released, the Company is leading the insurance industry, with an average service level score of 81.

**Employees:** The employee engagement index is measured through an internal survey conducted once every few years, or through a survey by BDI, an objective external party that has run the Best Workplaces survey in all sectors of the Israeli economy for several years. The Company has set a goal of being above average, or in the upper half, of the insurance and finance industry for 2027. In 2023, the Company conducted an intra-organizational survey, the results of which indicated that 70% of employees felt connected to the Company. In 2024, the Company moved up by 3 places on the BDI index in comparison to 2023, to 9th place, of 18 rated companies in the finance and insurance industry.

**Shareholders and stakeholders:** Transparency in ESG aspects is measured through ESG ratings. The Company has set a goal of leading the industry in the weighted strategic rankings on which it holds active dialogue with the rating agencies. In 2023 and 2024, the Company proactively held dialogue with two local rating agencies and one international rating agency. The Company leads the ratings for the insurance industry by 2 of the 3 raters.

In early 2024, the senior executive compensation policy for 2024-2026 was updated to include a component that weighs in ESG ratings. The update was derived from the materiality analysis and the awareness that management of significant ESG issues, such as climate change, transparency, corporate governance, and privacy protection, is essential to the creation of long-term value. Including ESG metrics in management compensation highlights the value created through ESG and commitment by management to embedding ESG values in all of the Company's operations. For further information, see the compensation policy on the Company's website.

## 6.1.4 Managing sustainability / ESG transparently

In 2021, the Company's board of directors established a committee dedicated to sustainability, which convenes on a quarterly basis to promote and oversee the ESG activities of the Group. ESG and climate issues are also presented and managed, as relevant for each topic, to the strategy committee; the risk-management committee, in the context of ESG risks, with an emphasis on climate risks; and the investment committee, which is responsible for setting policies on responsible investment. Over the last year, the committee convened every quarter to discuss the following matters: ESG strategy, climate strategy, gender equality, the Company's ESG ratings, setting objectives and metrics in the area of sustainability, responsible investment policies, and a review of climate risks.

In January 2025, after the report date, the ESG Committee was consolidated with the strategy committee, to promote and develop ESG as part of the Company's strategy; currently, the members of the committee are Board Chairperson Benjamin Gabbay and members Zubin Taraporevala, Stella Cohen, Zohar Goshen, and Ehud Shapira.

In the area of sustainability, the committee's responsibilities include: sustainability / ESG and climate strategy; setting ESG metrics and objectives; approving and monitoring the annual work plan; approving annual Sustainability Reports; reviewing the responsible investment policy; and collaborating with the risk management, audit, and investments committee on matters related to ESG aspects.

The managerial ESG forum, headed by the board chairperson, operates alongside the committees, with the participation of managers and employees from all of the companies in the Group. The forum's objective is to promote organization-wide thinking on sustainability and climate issues, while broadening the knowledge in this field, assessing trends, and finding innovative solutions to promote dialogue, provide professional development and instill the topic across the Company. During the reporting year, the forum held three meetings and an off-site enrichment session.

### 6.1.4.1 Promotion of knowledge on sustainability and climate

Knowledge forms the infrastructure and foundations essential to progress. Actions over the last year aimed at imparting knowledge include: a comprehensive review of the reform in the electricity sector in Israel and the extensive international developments in the area of energy, for the board of directors and management; lectures for the Insurance Company on ESG and sustainability, to raise awareness of risks and opportunities; and participation in meetings, discussions, courses, conferences, and panels with regulators, umbrella organizations, and others, to help promote awareness and knowledge on sustainability within and outside the Company.

### 6.1.4.2 Dialogue with shareholders and stakeholders

The Company maintains constant and ongoing communication with a variety of shareholders and stakeholders who are impacted by its operations and have an impact on it - shareholders, suppliers, customers, reinsurers, agencies, employees, regulators, and the community.

The Company maintains an ongoing dialogue with investors, presenting them with the strategy and performance in order to enable them to make informed investment decisions regarding their investments, to hear diverse opinions, and ensure that the strategy and operations are focused on value creation. The dialogue takes place through continuous open discussions, taking into account insider information constraints. The Company holds quarterly and annual conference calls, publishes past performance analyses and future targets, offers direct meetings, and operates a dedicated investor relations website updated on a quarterly basis. For international investors, the Company releases presentations, reports, and stock-exchange filings in English, and holds investor calls every quarter and as needed. The Company also regularly conducts dialogue with other stakeholders, such as NGOs, through meetings or responses to requests (such as questionnaires). In early 2024, the Company conducted an investor survey, which included references to sustainability and ESG issues. The Company also promotes sustainability through managerial responsibility and setting an example, as demonstrated by transparency in its reports on climate aspects, its efforts to reduce emissions in its operations, and its participation in conferences and learning sessions where representatives of the Company are key speakers. All of these efforts enable the Company to embed key and emerging topics in its strategy.

Transparency in reporting is reflected at the highest levels of the Company and in its industry leadership in the area of sustainability, a testament to the depth of its commitment and extensive actions. The Company proactively initiates dialogue with local and international rating agencies. This helps to focus the work plans in relation to existing gaps and to narrow them.

**International ESG ratings**

S&P Global Ratings — As of November 8, 2024, the Company has a score of 45 in the CSA, the highest of 6 Israeli insurance companies rated by S&P within the insurance industry –

SUSTAINALYTICS — a 10-point improvement, and a move from Severe Risk (42.4) to High Risk (32.4),* leading the insurance industry in Israel.

**Israeli ESG ratings**

מעלה maala — 4-point improvement, from Platinum 88 to Platinum Plus 92

Greeneye — No change from the preceding year; leadership of the insurance industry maintained, with a score of 74.

### 6.1.5 ESG risk management

The overall responsibility to establish and monitor the Group's risk management framework lies with its Group's Board of Directors and management. The Chief Risk Officer is directly responsible for risk management at Phoenix Insurance and Phoenix Pension & Provident Fund and receives reports on the risks inherent in the operations of the principal companies in the Group from the companies' risk officers. Risk management strives to support each of the Group companies and protect them from unforeseen losses that may prevent them from fulfilling their business objectives, while complying with all regulatory requirements.

Risk management is carried out at Group level by the Chief Risk Officer, who reports to the Company's CEO, and independently at each group company level. The Company's risk management strives to support the Group companies and protect them from unforeseen losses that may prevent them from fulfilling their business objectives, while complying with all regulatory requirements.

The Group's risk management policy in the Insurance Company and in Pension and Provident Company is based on a firm-wide risk management approach. According to this approach, the risk management processes (which include identification, measurement and assessment, control and mitigation, monitoring and reporting), for each type of material risks, are carried out across Company's activities. The key elements of this approach are overall, forward-looking, measurable, monitored and dynamic risk management.

### 6.1.5.1 Risk management policy for identifying emerging risks in ESG, climate, cybersecurity, and disruptive technologies (in Insurance and Retirement)

As part of the requirements set by the Board of Directors and management of the Insurance Company and Pension and Provident Company and according to the directives of the Capital Market, Insurance and Savings Authority regarding the principles for performing an Own Risk and Solvency Assessment for an Insurance Company (ORSA) and in view of the Institutional Entities Circular (Investment Considerations regarding Environmental, Social and Corporate Governance Aspects and Material Emerging Risks (such as Cyber Risks and Technological Risks) No. 2021-9-13 of 18 November, the Insurance Company and Pension and Provident Company have developed a policy to identify emerging material ESG, climate, cyber, and disruptive technology risks, which is revised each year and approved by the Companies' boards of directors.

The field of ESG comprises a number of aspects embodied in activities and processes taking place in the Insurance Company and in the Pension and Provident Company and the risks it poses to the Companies may constitute "risk drivers" for the materialization of the traditional types of financial risks managed by these management companies. In other words, ESG risk is a risk for a financial loss to the Company arising from current or future effects of environmental, social and governance factors on counterparties, or on invested assets of the Company, alongside direct effects of these factors on the Company. ESG risks are becoming more significant, both in the area of financial investments, due to their impact on investment portfolios, and in the area of insurance, due to their possible impact on the Insurance Company's insurance liabilities.

In 2023, the Risk Management Department revised the policy for identifying material emerging risks in the Insurance Company and in the Pension and Provident Company: ESG, climate-related, cyber and disruptive technology (hereinafter - the "Policy"); as part of this policy, the Risk Management Department works to identify, assess and mitigate emerging ESG risks, and in particular physical climate risks and transition risks that stem, among other things, from legislative and regulatory changes in the field of environmental protection in Israel and across the world. Under this policy, in 2024 the Risk Management Department, in collaboration with the business functions, continued to work on the gradual multi-year implementation of the identification, assessment, and management of material emerging risks, in terms of financial investments as well as insurance.

The Group attaches great importance to the involvement of the Board of Directors and the investment committees in the risk management process. In February 2024, the Board of Directors decided to set up a Risk Management Committee for the Company, which will assess the risks at the group level, along with the existing risk management committee in the Insurance Company. For further information regarding the Risk Management Committee, see Note 41. For more extensive information on climate risks, see the section "Climate risk management."

### 6.1.5.2 The responsible underwriting approach in P&C insurance

Phoenix Insurance is committed to embedding ESG considerations in its underwriting processes, based on the awareness that responsible risk management contributes not only to the Company's stability but also to promoting ESG and corporate social responsibility and to identifying opportunities. The Company's exposure to risk is usually indirect, through the risks borne by the Insurance Company on behalf of its insured customers.

In view of the importance accorded by the Company to ESG risks, with an emphasis on emerging risks, and their potential effect on Phoenix Insurance itself and on the insured companies, the underwriting and pricing process in corporate insurance (property and liability) includes the examination of various risks, including catastrophe risks such as earthquakes, climate risks, cybersecurity risks, and past legal claims. Phoenix Insurance assesses the risk level of every company that is a candidate for insurance, with reference to its geographical location, type of business activity, and the environmental and social risks present. ESG considerations are integrated with the underwriting process, not only as a risk-management means but also as a tool for the promotion of adaptive processes among our customers. Phoenix Insurance believes that the inclusion of these considerations contributes to better risk management and helps the companies confront the challenges of the future. For example, Phoenix Insurance recommends installing advanced firefighting systems, using personal protective equipment for employees, and adding safeguards to containers of hazardous substances. Phoenix Insurance also conducts periodic reviews to examine the protective measures and risk management of the insured companies.

This process is relevant both to new customers joining an insurance policy and to the renewal of an existing property and liability insurance policy. Each company, which is an insurance candidate, undergoes an underwriting process, which includes a reference to the risk level of the sector to which it belongs, the asset's geographic location, and ESG risks, including environmental risks in the environs of the asset. If Phoenix Insurance decides that the company meets the business targets and risk appetite defined, the underwriting process is transferred to the underwriting department, such that underwriters will identify risks and will have the tools to price the them, including ESG risks. To that end, Phoenix Insurance has an independent surveying department, and where needed a surveyor from the dedicated surveying team is dispatched in order to identify and look closely at the risks. The surveyor assesses the protection and risk management measures - both physical and human. Findings of the review are submitted in a report to the underwriter, and dialogue is conducted regarding the recommendations for the retention and improvement of risk management and protective measures at the insurance candidate company; based on the outcomes of this dialogue, the Underwriting Department decides whether the transaction can proceed, with or without special conditions. If serious risks are identified, the transaction may be rejected. In cases of transactions with material volume, a discussion is held at the management level, and the transaction is presented for approval by the relevant functions if necessary.

In employers' liability insurance Phoenix Insurance ensures that it assesses the risks to a business's employees based on the characteristics of the activity, the materials to which the employees are exposed in terms of health and safety, such as workplace and safety accidents of the organization and the way the organization conducts itself from labor laws and human rights perspectives.

In addition, during 2023, Phoenix Insurance included for the first time dedicated climate and ESG questions in the underwriting process of companies' directors and officers insurance. Directors play a key role in the development of the company's ways of dealing with the challenges of the future, which include many climate risks and ESG risks. Low awareness of climate issues in the insured companies may cause damage to those companies and consequently give rise to a potential exposure of Phoenix Insurance in its capacity as an insurer. Accordingly, we have added questions to the underwriting process that examine ESG aspects at the candidate company.

Officers liability insurance policies exclude pollution. If the Company requests an expansion of the insurance coverage such that it covers only legal expenses in respect of accidental and unexpected pollution, Phoenix Insurance assesses as part of the underwriting process the claims history and financial statements that detail the lawsuits against the Company with respect of these aspects.

Accordingly, the manner in which the company conducts itself in those cases needs to be taken into account as part of the set of considerations in directors and officers insurance.

In today's world, the volume, flow, and availability of information through the plethora of existing and developing technological means, and the ability to use advanced technologies to manage risks remotely, have increased exposure to new risks, such as cyber risks. This exposure applies to both businesses and individual users. The risk is covered in varying ways under the various forms of insurance policies in the traditional insurance sectors, which do not explicitly address cyber risks – referred to as silent cyber coverage. Phoenix Insurance is tracking the development of these risks and working to reduce the exposure to them arising from its insurance business.

ESG risks can be dynamic and complex. In order to incorporate them in the underwriting processes the Company is required to invest significant resources in order to screen and assess risks and hold a dialogue with customers. Phoenix Insurance is embarking on this process and is committed to developing automated climate risk assessment procedures to ensure identification, assessment, and management of the risks as part of overall risk management. Phoenix Insurance offers its customers a number of insurance products that were designed to facilitate companies' dealing with climate change and with the transition to low-carbon economy, alongside raising awareness to emerging risks and making preparations for dealing with those risks.

### 6.1.5.3 Responsible investments: embedding ESG risks in investment decisions

ESG investments are able to set in motion positive environmental and social processes alongside risk management and engaging in good investment opportunities.

ESG considerations are included in decision-making processes in active investments in marketable instruments of public companies, as well as in non-marketable investments. These considerations are examined alongside economic, business, taxation and other considerations. The Company has a responsible investments procedure that is updated annually. Its purpose is to ensure that analysis of companies is conducted in accordance with ESG risks. This is in addition to compliance with the Israel Securities Authority directive to fund managers and large licensees regarding the integration of ESG considerations in investment decision or risk management processes.

The findings of the ESG ratings in active investments accounting for approx. 75%[29] of the investment portfolio in the various financial instruments, are weighted according to the sector to which the investee company belongs. If necessary, the Company is aided by an external opinion from expert consultants to gauge the risk level and ascertain compliance with the ESG threshold. This information is added to the background materials gathered for the organizations charged with examining and approving the transactions, including the Investment Committee and the credit committee. If high ESG risk is assessed, the issues are discussed by the various committees, as with other risks.

The Company has a knowledgeable and highly-experienced internal research department, and by research conducted by leading research bodies in Israel and abroad. The Company attributes tremendous importance to integrating ESG considerations in the investment decision making process. In-depth analysis of companies according to these criteria, using a dedicated procedure, enables the Company to invest responsibly while taking into consideration ESG-related risks and opportunities.

[29] The percentage of assets under management by the investment managers of Phoenix Insurance, Phoenix Pension & Provident Fund, Phoenix Investment House, and IEC Gemel.

Concurrently, the overseas liquid investment portfolio is examined on a half-year basis with a global investment firm, which reviews ESG risks in the portfolio and flags high-risk investments. For further information, see the responsible investment policy on the Company's website.

# 6.2 Climate Change (TCFD)

Climate change has been identified as a disruptive event and a strategic pillar of the Company's approach to the creation of sustainable value. As a result of the ESG risk assessment performed in 2024, climate change has been identified as one of the key risks.

As discussed below, climate-change issues are being more intensively connected and addressed. The Company has developed policies and established key performance indicators to monitor its progress in mitigating negative impacts related to these risks. Climate change, as a risk to sustainability, is examined in this section in the context of the double materiality approach, in reference to (i) asset management, (ii) insurance activities, and (iii) the internal activities of the Company and their impacts on the environment.

The detailed report below is in line with the voluntary disclosure guidelines of the Task Force on Climate-related Financial Disclosures (TCFD), which are focused exclusively on climate-related factors, despite the fact that these requirements and other ESG and climate risk disclosure regulations do not apply to the Company at this time.

## 6.2.1 The impact of climate change and how Israel is coping

In Israel, the main threats mapped by the Climate Change Preparedness Administration[30] encompass four key trends: drier – less precipitation; more extreme – greater frequency and severity of extreme weather events; hotter – rising temperatures; and higher – rising sea levels.

Thanks to environment and water system management capabilities built over generations, including desalination infrastructures, the immediate risks of climate change in Israel are more specific than in some other regions, and it is possible to prepare for and manage the risks effectively.

Israel is in a semi-arid geographical hotspot and has experienced many drought years. This has led to measures that have made Israel a world leader in the management of water resources, with advanced technologies for water desalination, water recycling, infrastructure management, and drip irrigation. In the last few years, Israel has recycled approx. 75%[31] of its wastewater. Reclaimed water is used primarily in agriculture, enabling the nation to cope with water shortages and reduce its dependence on natural water sources. Along with its high volumes of water recycling, Israel is one of the world's leading countries in desalination. Desalinated water supplied by five desalination plants accounts for approx. 20%[32] of the water consumed in Israel. Desalination allows decreased dependence on natural water sources, with water even exported to neighboring Jordan, which suffers from severe water shortages. Israel's success in water resource management[33] stems from significant investments in advanced technologies, supportive government policies, and high public awareness of the importance of conserving water resources.

The forecast for our Mediterranean climate region predicts a continued decline in precipitation and longer dry periods, with a consequent rise in the potential for fires. Despite the increase in planted

[30] Report no. 1 – Israel's Preparedness for Climate Change, Ministry of Environmental Protection. https://www.gov.il/BlobFolder/reports/climate_change_adaptation_report_2021/he/climate_change_and_energy_efficiency_climate_report_2021.pdf
[31] Wastewater and brackish water reclamation – the Water Authority
[32] 2024.11-75A-PartB-301-Hatpala.pdf – State Comptroller report on regulation and supervision of seawater desalination plants.
[33] The water system in Israel – Ministry of Energy and Infrastructures

forest area, the percentage of forested land in Israel remains low, at approx. 9% of its territory.[34] In addition, population concentration in rural areas stands at only 9%, and construction in Israel is concrete-based. Every year, thousands of fires break out in open spaces in Israel, but only a minority become significant fire events that pose a threat to human life and property and cause serious damage to the natural environment. Israel invests extensively in fire prevention and firefighting, and in investigating fires to draw conclusions. Advanced systems are in place in Israel for the early detection and rapid suppression of fires, which are often caused by severe weather conditions, including extreme heat and strong wind, and sometimes also by intentional ignition.

Heat waves increase the demand for energy. Israel invests extensively in developing energy sources, particularly renewable energies. The main source of renewable energy is the sun; the rate of solar-power use in Israel is high relative to the developed countries.[35] In terms of installed solar-power capacity per capita, Israel is in the top ten, above the OECD average, despite the difficulties arising from the crowdedness and high-rise construction typical of Israel.

Studies in various countries have found that not only is mortality rising as a result of heat waves, but the number of hospital admissions, duration of hospital stays, and health expenditures are rising significantly, particularly in older people, women, and populations with low socioeconomic status. Accordingly to a study[36] conducted at Tel Aviv University, in 2012-2020, every heat wave in Israel led to approx. 45 deaths. Israel has broadly deployed air-conditioning systems in residential homes, public buildings, and industrial facilities, which help maintain comfortable temperatures indoors even during heat waves and extreme heat loads. Concurrently, advanced urban planning leads to the creation of green areas, planting of trees, and shading of public spaces, which helps lower temperatures in urban environments.

Israel has experienced a number of significant floods and flooding events, during the winter season when heavy rains fall over brief periods, particularly in urban areas, where infrastructures may not be adequate to rapidly drain the water. These incidents have caused severe damage to infrastructures, property, and occasionally human life. Hydrologists in Israel are still studying the relationship between climate change in our region and the impact on the extent of floods and flooding events. Concurrently, in the last year the Ministry of Environmental Protection released an initial version of a national climate risk map,[37] which serves as a supporting tool for decisions based on science and knowledge. This version contains information layers pertaining to aspects of floods and flooding, displaying the risk level across Israel, for the use of the public, government agencies, business organizations, and more.

In general, Israel is aware of the risks it may confront in the coming years, and has continued to invest resources in research, technological development, and the promotion of national programs[38] to develop infrastructures and public systems and prepare the public to cope with present and future climate change.

[34] From the Central Bureau of Statistics report: Israel in Numbers – Selected Data from the Statistical Almanac for Israel, 2023. Israel Statistical Almanac 2023

[35] Report on the Status of the Energy Sector, May 2024, Ministry of Energy and Infrastructures. https://www.gov.il/BlobFolder/reports/energy-300424/he/energy-april-2024.pdf

[36] Study by the Ministry of Environmental Protection on the relationship between heat waves, the climate crisis, and mortality – https://www.gov.il/he/pages/moep_research_on_heat_waves_climate_crisis_and_mortality_in_israel?fg_force_rendering_mode=LayoutTree&fireglass_rsn=true#fireglass_params&tabid=abbacd2c589ddcf1&start_with_session_counter=4&application_server_address=phoenix-1-me-west1.prod.fire.glass.

[37] The Ministry of Environmental Protection announces a new tool: an initial version of a national climate risk map – Ministry of Environmental Protection

[38] National Climate Change Preparedness Program, June 2024

## 6.2.2 The Company's climate strategy

The Company's climate strategy is derived from its sustainability strategy and from the opportunities and risks inherent in climate change and in the way Israel is coping with these changes. Strategy objectives:

1. **Value creation**, through taking advantage of opportunities and coping with new risks in all areas of activity.
2. **Responsibility and transparency** in reports and reduction of the carbon footprint.

This strategy is implemented through mitigation and adaptation activities promoted by the Company, such as:

- Efforts to reduce direct emissions (Scopes 1 and 2) through energy efficiency solutions, relocation to green buildings, reduction of fuel consumption, and transition to electric and hybrid vehicles.
- Actions to raise employees' awareness of climate change (e.g. climate risk management and the impact of climate change on the business and customers).
- Development of green products for customers, such as insurance policies for electric vehicles, charging stations, photovoltaic and energy storage systems, and more.
- Mapping of climate risks and management of our exposure (to floods, fires, and more), to achieve more efficient pricing and assess future risks.
- Reflection of opportunities and risks in the investment portfolio, and assessment of ESG risks in every investment, while identifying opportunities to increase impact investments, with an emphasis on green investments.
- Transparency and disclosure of information on ESG aspects, in line with international standards.

## 6.2.3 Climate-related indicators and objectives

The Company has climate-related indicators and objectives on the operational and business levels.

| Indicator | Unit of measure | Performance for 2022 | Performance for 2023 | Performance for 2024 | Target for 2027 |
|---|---|---|---|---|---|
| **Improvement of the carbon footprint (Scopes 1+2) relative to the baseline year 2019** | TCO2 | -18% | -10% | -12% | -15% |
| **Premiums and income from green products**[39] | NIS million | 111 | 194 | 268 | 50% growth since 2023 |
| **Green financing and investments** | NIS million | 6,500 | 10,000 | 12,000 | TBD |
| **Financed emissions intensity per NIS 1 million invested** | CO2eq | 32 tons $CO_2$eq | 28.5 tons $CO_2$eq | To be published in the 2025 report | TBD |

[39] Green products and services that promote decarbonization (mitigation and adaptation). The income measurement is partial and does not include all products and services.

## 6.2.4 Climate governance

The board of directors of the Company bears responsibility for the Company's business and robustness; its involvement in climate issues is managed through several subcommittees.

The board of directors is responsible for delineating and approving climate risk management policy principles and ensuring that the policy is upheld and implemented in practice. An ESG policy on emerging risks was approved by the Company's board of directors in 2022 and is validated and approved annually.

The function appointed by the board of directors to supervise the organization's conduct on climate aspects is the ESG Committee (which has been merged with the Strategy Committee as of 2025). Alongside and in collaboration with this committee, the risk management committee is charged with examining climate aspects of risks at the level of the Company. Four discussions of climate risks and the ways the Company is coping with these risks were held by the committees in 2024.

The investment committee is responsible for risk management and exposure to climate risks in the management of the Company's assets. The committee approves the Company's responsible investment policy annually.

Each of the committees has the authority to supervise the Company's preparations for climate risks, demand and receive reports on the extent of the exposure to climate risks, and review the progress on the work plan, at least once annually.

### 6.2.4.1 Climate-related training and study programs

Annual training and study programs are held for the members of the board of directors, including training on climate topics. Over the last few years, lectures and in-depth seminars have been provided for the members of the board of directors, including a review of present and future climate crisis impacts in the global and local arenas, and discussions of technological trends in areas such as cybersecurity and AI and their impacts; in the last year, a study program was held on decarbonization and the changes in the energy sector in Israel.

### 6.2.4.2 Management involvement in climate issues

Discussions with relevant executives of the Company are held throughout the year. For example, over the last year discussions were held regarding operational effects and emission volumes, with targets set for improvement; trends in electric vehicles in Israel and the effect of climate change on the acceleration of these trends; European regulation and its effect on the Group's operations in insurance for businesses via reinsurance; and the Group's ratings in insurance. In asset management activities, discussions were held regarding the policy for conversations and dialogue in investments, with the aim of clarifying the Group's policy and enhancing transparency.

## 6.2.5 Climate risk management

### 6.2.5.1 Implementation of climate risk management aspects in the overall risk-management system of Phoenix Insurance and Phoenix Provident & Pension Fund

Climate change constitutes a significant trend affecting business organizations. As a result of this trend, business organizations in Israel and worldwide are exposed to physical climate risks and transition risks; the Company therefore believes it is important to include climate risks in its overall risk management.

In the first stage, an ESG policy for emerging risks was approved by the board of directors of the Insurance Company and the Pension and Provident Company, as described above; the policy focused on emerging climate risk management in 2023 and 2024. The Risk Management Department has adopted a methodology for the identification of climate risks,[40] qualitative assessment of the exposure, and management of the risk based on globally prevalent methodology. Accordingly, the Risk Management Department at the Insurance Company and in Pension and Provident Company has mapped, identified, and assessed emerging climate risks, as detailed in Section 6.1.5.1.

The Sustainability Unit, in collaboration with the Risk Management Department, are continuing to increase and expand the Company's knowledge and expertise on climate change and the consequent climate risks. In addition, the Company is focused on preparing and expanding its data infrastructures supporting emerging climate risks and on routinely monitoring regulation and innovation in the climate field, in order to cope with transition risks.

### 6.2.5.2 Processes to identify, assess, and manage climate risk

Mapping and identification of emerging climate risks is performed on an annual basis by the Risk Management Department, in collaboration with the sustainability Unit and external consultants with knowledge and expertise on climate risks. The identification is performed using a risk map adapted to Israel, which describes and analyzes the principal emerging climate risks to which the Company is exposed. The risks are divided into two main categories: physical risks and transition risks.

<u>Physical risks</u>

These risks may materialize due to global warming and rising temperatures on earth. In Israel, the physical effects would be a hotter, drier, higher, more extreme climate.[41] These risks are divided into two main risks on the exposure map:

- Chronic risks: Risks the ecological and physical impact of which materializes over the long term, with a sustained effect. For example, sea levels continue to rise persistently.
- Acute risks: These risks include the effects of extreme climate events. Global warming may lead to more severe and numerous extreme events, such as powerful storms, floods, fires, and severe heat waves.

<u>Transition risks</u>

Transition risks arise from regulatory, economic, technological, and social changes that result from the decarbonization of the economy. For an Insurance Company, these risks may affect its investment portfolio, its policyholders, and the business models it applies. For more extensive information regarding transition risks at the Company, see the table below.

[40] Climate Financial Risk Forum (CFRF) – "Climate Financial Risk Forum Guide 2020."
[41] According to a report published by the Ministry of Environmental Protection: "Israel's Preparedness for Climate Change," Report no. 1

Risks are mapped in the risk map using a division into financial risks with a potential effect at the Insurance Company and at the Pension and Provident Company: insurance risks (divided into P&C insurance, life insurance, and health insurance), market and credit risks, and operational risks, as well as by time ranges (short term up to 2025, medium term 2026-2030, and long term 2031-2050).

The Insurance Company and the Pension and Provident Company also work to map and manage climate risks throughout the value chain. As part of this process, risks are examined that pertain to operational activities, including assets, information systems, and reinsurers, as well as potential effects on the Company's customers, insurance products, and investments.

In 2023 and 2024, several risks from the risk map were selected for deeper analysis performed at the Insurance Company and the Pension and Provident Fund Company; a qualitative assessment of the exposure and the management of the risk was performed, including recommendations for departments at the companies. A range of various risks were selected for deeper examination, including physical risks and transition risks.

As part of risk management, the Insurance Company and the Pension and Provident Fund Company are focused on preparing and expanding the data infrastructures supporting the analysis of emerging climate risks and routine monitoring of regulation and innovation in the climate field, in order to cope with transition risks.

In addition, several actions have been taken in the last two years to increase transparency in reference to the Company's material topics and transition risks, including expansion of carbon emissions to Category 15 of Scope 3 – financed emissions, external assurance for the 2023 annual ESG Report, and inclusion of the ESG Report in the Company's financial statements. For more extensive information on the ways the Insurance Company and the Pension and Provident Company are coping with climate risks, see the table below.

### 6.2.5.3 Mapping climate risk at the Insurance Company and the Pension and Provident Company

| Type of risk | Description of risk | Examples of possible effects on the Insurance Company | Processes to identify, assess, and manage the risk |
|---|---|---|---|
| **Insurance risk (underwriting)** | The risk of errors or inaccurate estimates in underwriting, arising, among other matters, from uncertainty regarding the future intensity and frequency of insurance claims. In addition, the availability and cost of premiums for reinsurers may be affected by natural damages and global | Physical risk – An increase in the incidence and intensity of claims in respect of natural damages, resulting in the short term from the materialization of acute risk, and in the long term from the materialization of chronic risk (e.g. an increase in claims and in the severity of property claims and liability due to floods, storms, fires, rising sea levels, etc.). | The Insurance Company and Pension and Provident have a risk management policy on emerging ESG risks, which include emerging climate risks. Accordingly, identification, assessment, and management of climate risks were performed in 2024, as detailed above. |

| Type of risk | Description of risk | Examples of possible effects on the Insurance Company | Processes to identify, assess, and manage the risk |
|---|---|---|---|
| | warming.<br>For more extensive information regarding insurance risks, including underwriting and pricing risks, and the ways of addressing these risks, see Note 41 to the Annual Financial Statements for 2024. | | |
| **Market and credit risks** | Economic effects resulting from the materialization of physical risk or transition risk, which may affect financial risks and asset values, among other things, and may lead a third party to fail to meet its obligations.<br>For more extensive information regarding market and credit risks, see Note 41 to the Annual Financial Statements for 2024. | Physical risk – An increase in the incidence and frequency of claims (e.g. claims due to significant fires or floods) may lead to damage to infrastructures and a impairment of assets, and may cause volatility in asset values and in the value of commodities sold, thereby affecting the capital market.<br><br>Transition risk – Change in regulation may lead to a change in and effect on asset values or the activity of large companies, such as oil, gas, and coal companies, which may suffer from changes in regulation. For example, the imposition of a carbon tax in Israel could obligate companies to cope with regulation and pay additional taxes, which may affect their value; as another example, rising sea levels (a chronic risk) may lead | The Company has a responsible investments procedure that is updated annually. Its purpose is to ensure that analysis of companies is conducted in accordance with ESG risks; for details, see the section "Responsible investments," above.<br>For details regarding the way the Company copes with market and credit risks, see Note 41 to the Annual Financial Statements for 2024. |

| Type of risk | Description of risk | Examples of possible effects on the Insurance Company | Processes to identify, assess, and manage the risk |
|---|---|---|---|
| | | to regulation in regions close to the coastline, which could affect asset values. | |
| **Operational risk** | Operational risks refer to the materialization of climate risks that may damage buildings, infrastructures, and critical equipment used by the Company, leading to the impairment of the Company's routine functioning. | Physical risk – The materialization of physical risk resulting from an extreme event may lead to the need to handle massive numbers of claims, causing impairment of the service provided by the Company.<br>Physical damage to the property of the Company or to infrastructure may lead to an increase in expenses of the Company or in the Company's systems. | The Group has a business continuity plan, as part of its preparedness for stress events, that includes coping with preparations for a stress event caused by natural damages.<br><br>The Company also follows publications by the Ministry of Environmental Protection and the Meteorological Service pertaining to coping with risks of flooding and fires.<br><br>The Company's ways of coping with transition risk include the measurement of carbon emissions in its investment portfolio using the leading methodology, PCAF. |
| **Legislative and regulatory risks** | Regulatory risks refer to regulatory challenges (existing regulation and regulation being formulated) due to progressively rising standards and requirements related to climate change and compliance with ESG standards that may lead to higher | Transition risk – Legislation/regulation in the area of the climate may lead to higher costs for resource consumption, including unanticipated investments in infrastructures and information systems during a specified period.<br>International legislation/regulation in | The Company monitors regulatory developments, in Israel and globally.<br>Local regulation is still in the process of being formulated, whereas international regulation in this area is more advanced. The Company aspires to develop in accordance with its climate |

| Type of risk | Description of risk | Examples of possible effects on the Insurance Company | Processes to identify, assess, and manage the risk |
|---|---|---|---|
| | costs, in response to the need to comply with regulation, or due to the need to carry out various business and operational adaptations. | the area of the climate, and a lack of uniformity in the Israeli market, may lead to reporting requirements from the Company's reinsurers that are not currently prevalent in Israel. | strategy, and is therefore including a sustainability chapter and a TCFD report in its annual report for the first time. |
| **Legal risk** | Non-uniform reporting requirements and a lack of regulation may lead to legal claims and legal exposure. | Leal exposure due to potential failure to comply with regulatory requirements, and a legal exposure to potential lawsuits.<br>Legal claims due to allegations of missing information ('greenhushing') or misleading information ('greenwashing'). | The Company promotes corporate governance in the area of ESG, as detailed in this chapter. The Company has an ESG Forum, providing managers in various areas of the Company's business and headquarters units with training on climate knowledge.<br><br>The Company included a sustianiability report in its periodic report for the first time. Reliability assurance is provided by the external auditing firm. |
| **Consumer preference risk** | Changes in consumers' tastes and preference for products involving green solutions or companies promoting climate-adapted solutions. | <u>Transition risk</u> – Awareness of climate change may lead to growing demand for green products, or for the option to invest in green investment programs, causing policyholders, investors, and financial institutions to prefer companies with sustainability strategies. | The Company has a sustainability strategy linked to its business strategy. For more extensive information regarding climate strategy, see Section 6.2.2.<br>In addition, the Company is developing green products and services, such as insurance for electric vehicles and charging stations and insurance for the construction and |

| Type of risk | Description of risk | Examples of possible effects on the Insurance Company | Processes to identify, assess, and manage the risk |
|---|---|---|---|
| | | | operation of renewable energy systems. |
| **Reputational risk** | Materialization of a physical or transition risk at the Company in the context of climate risks may lead to damage to the Company's image and reputation. | - Risk of cancellation or non-renewal of insurance policies by policyholders.<br>- Preferences of investors at investment houses or banks supporting ESG strategies. | The Company has a climate strategy integrated with its business strategy, which encompasses climate goals as detailed in the section on climate-related indicators and objectives. |

### 6.2.5.4 Identifying and assessing risk in the area of insurance

Risks confronted by the Company may affect underwriting and pricing in the areas of P&C insurance, life insurance, and health insurance. The Company monitors the evolving effects arising from climate change; the Risk Management Department has identified and mapped risks and examined the potential impacts on the Insurance Company in the various areas of insurance.

### 6.2.5.5 Effects of physical risk on the Insurance Company

The impacts of the climate crisis on the Middle East are apparent on several main levels, including heat and aridity; a significant increase in extreme weather events, such as droughts, flooding, floods, storms, and torrential rain; fires and sandstorms; damage to biodiversity; declining quality of potable water and water for agriculture; and growing environmental pollution.[42] The following are the effects of chronic and acute physical risks in the area of insurance:

| P&C Insurance | Life Insurance | Health Insurance |
|---|---|---|
| Climate change may lead to greater frequency and severity of claims in respect of natural damages following damage to public infrastructures, roads, bridges, buildings, vehicles, and businesses. Extreme weather conditions can also lead to a rising incidence and frequency of liability claims due to an increase in traffic accidents, and loss of profit as a result of shutdowns of businesses, as well as liability insurance claims, including against officers. | Extreme events may lead to harm to human life, with rising mortality and increased claims in life-insurance policies.<br>Injuries due to natural damages may lead to an increase in PHI claims. | Climate change may cause direct and indirect effects on health.<br>Direct effects can result from rising temperatures and increasing incidents of flooding, storms, heat waves, and fires; the growing frequency and severity of extreme events may lead to more cases of illness.<br>An indirect effect would be increasing dissemination of infectious diseases due to changes in the distribution of the mosquito and parasite population and rising exposure to harmful bacteria in drinking water.<br>These impacts may affect health-insurance policies in the future, leading |

[42] "Israel's Preparedness for Climate Change," Report no. 1, page 121.

| | | |
|---|---|---|
| | | to an increase in claims for coverage of surgeries, ambulatory care, severe illness, and medication. |

## 6.2.5.6 Effect of transition risk on the Insurance Company

The transition risks arising from the transition to low-carbon economy give rise to regulation and reporting risks associated with the imposition of requirements on international and Israeli companies regarding preparations to global warming. In recent years this trend has gained traction in the EU, the United States and other countries (UK, Japan, Singapore, and Brazil). Examples include the SFDR and CSRD disclosure requirements in Europe, and the CBAM taxation mechanism in Europe.

International legislation/regulation in the area of the climate, and a lack of uniformity in the Israeli market, may lead to reporting requirements from the Company's reinsurers that are not currently prevalent in Israel.

The Company is developing products and services to support customers' adaptation to decarbonization.

## 6.2.5.7 Identifying and assessing risk in the area of investments and credit

### 6.2.5.7.1 Measuring financed emissions

Measurement of the carbon footprint is of tremendous importance, both from an environmental and economic point of view. This measurement provides the Company with a tool for monitoring, measurement and determining policy regarding the environmental effects of its investment activity, and thus facilitates informed decision making with regard to its capital and asset management.

In 2022, a model based on the international PCAF (Partnership for Carbon Accounting Financials) methodology was developed for the following financial assets: liquid bonds, liquid equity, illiquid equity and financial loans. The assets of the remaining financial instruments were calculated using a development of a BDO methodology based on basic assumptions of the PCAF methodology. BDO's overall model was developed in order to contend with the challenges involved in calculation of the carbon footprint of compound financial instruments. Again this year, the Company measured its overall investment portfolio for 2023, as it continues to study the model and fine-tune the results.

The model's creation and measurement were conducted in 5 main stages: collecting the database, making key working hypotheses according to the nature of the asset portfolio of Phoenix, measuring the carbon footprint at the investee/borrower company level, weighing the carbon footprint attributable to the Company using industry-specific attribution coefficients, and estimating the emissions intensity at the company/product and entire portfolio levels. For companies that received a loan/investment exceeding NIS 100 million, the measurement was conducted individually for each company. For companies that received a loan/investment below NIS 100 million, an aggregate measurement was conducted using industry coefficients, in accordance with the PCAF Standard. The data quality score for the entire asset portfolio is 4.5, determined according to the accuracy of the data used.

2022 is the baseline year for the measurement, serving as the benchmark for findings of carbon footprint measurement from 2023 forward. In this manner, it should be possible to identify trends and examine the extent of implementation of the Company's policy on reducing its carbon footprint over time. In addition, the carbon footprint analysis will aid in making informed decisions regarding investments, while taking into consideration the environmental effects of the activity. This analysis enables the Company to map out both the risks and business opportunities arising from climate change and the transition to a low-carbon economy.

In 2023, asset portfolio emissions as measured according to the PCAF Standard and BDO's Methodology amounts to 12,334 thousand tons CO2eq. The emissions intensity is 28.5 tons of CO2eq per million NIS of investment made. The emissions intensity of the portfolio under management improved by approx. 10% compared with 2022.

## 6.2.6 Business opportunities due to climate change

In the modern era, we have witnessed rapid and far-reaching changes in a broad range of areas, from technology to economics and from education to climate change. The new trends and developments have given rise to many opportunities, along with challenges. These shifts are reflected in the appearance of new products and services adapted to customers' changing needs.

### 6.2.6.1 Climate change in business: opportunities in insurance

The Company's corporate strategy is focused on value creation from climate change, with more than 6 innovative insurance products dedicated to new technologies and services delivering solutions and methods for coping with climate change. The Company is a leader in electric-vehicle insurance, and its strategy is focused on maintaining this leadership in the coming years. The Company is seeking additional opportunities and has set a goal of 50% growth in comparison to 2023 in the volume of premiums from the relevant products and services by 2027.
In 2024, premiums from the relevant products and services[43] totaled approx. NIS 268 million.

**Electric vehicles**

Electric vehicles require new infrastructures and services that will have an extensive effect on the vehicle insurance industry and represent an opportunity for the Company in the area of insurance. 2023 was the "greenest" year in the history of the Israeli vehicle market, which grew significantly in 2023 thanks to delivery of approx. 48 thousand new EVs, such that this market constituted approx. 18% of the total new vehicles market in Israel.[44] The rapid entry of electric vehicles into the Israeli market continued in 2024, with market share reaching 24%, or approx. 67,000 new electric vehicles delivered to customers; the number of importers, brands, and models sold in Israel also expanded. The reduced taxation policy in 2025 continues to support this trend, for the coming years.
The Company has made adjustments to its vehicle insurance policies, with expanded coverage suited to the unique characteristics of electric vehicles and has formed a collaboration in which it is the preferred insurer for Tesla. The Company is continuing to work to expand its collaborations with additional manufacturers, importers, and other players in the electric-vehicle market.

[43] Products and services defined by the Company as contributing positively to the environment are presented below. The measurement of revenues applies to products, the revenue from which can be measured, and does not include all products and services.
[44] Electric vehicles and technology in Israel, Ministry of Transport and Road Safety

### Electric vehicle charging stations

There are more than 5,000 charging stations in Israel. The Company has a policy designated specifically for electric charging stations. Insurance for EV charging stations provides a full insurance package: alongside coverage for damage to the station itself in the event of fire, break-in, or theft, the policy includes broad liability for third-party damage of up to NIS 10 million. The scope of the coverage provides peace of mind to all station owners, knowing that they are covered in the event of heavy damage as well.

### Phoenix Young - on-demand motor insurance

Based on a personal mileage bank which is activated only when the vehicle is driven by the driver, reducing the mileage. This was done through a dedicated app using an innovative technology, which encourages safe driving by documenting safety incidents of the driver, such that the driver and car owner are able to view reports on speeding data, sharp turns, sudden braking, etc. In 2024, we insured some 17,000 drivers in more than 700,000 trips, covering approx. 7 million km traveled.

### Renewable energy systems

Phoenix Insurance has a range of insurance products to support private customers, companies, and businesses. Insurance coverage (contractor work, third party and employers' liability) to businesses that install rooftop PV systems on residential buildings, warehouses and agricultural land. Contractors are offered combined insurance packages: marine insurance to cover transportation of solar panels, insurance for storage of equipment, or permanent insurance after installation, including property and liability insurance, to cover the daily operation of the solar system. We also offer combined insurance packages for the installation of wind energy facilities. The insurance packages include marine insurance for transportation of turbines, storage and installation insurance coverage, and permanent insurance (property and liability) for operation of the facilities. These products assist in enabling the construction and ongoing management of renewable energy installations, mitigate the risk, and promote the transition to low-carbon economy in Israel.

### Natural disasters

To predict the unpredictable; natural disasters may ruin communities, and recovery may take many months and even years. With extreme weather events such as floods, storms, heat waves, and droughts becoming more common and more intense, the strategy for natural disasters – emphasizing climate change – is focused on providing solutions that help customers respond to the changing climate through insurance for extreme weather events, which protects policyholders against fires, floods, hail, and other natural disasters. Over the last year, Israel has experienced a number of extreme natural events (floods and flooding, heavy hail, and fires); approx. 50% of the Company's claim payments for natural damages (excluding fires) were due to storm incidents.

### Adapted insurance products for climate innovation

Phoenix Insurance insures startup companies delivering innovative solutions to cope with climate change. Insurance packages are tailored to each customer's needs, according to development stages, based on the risk assessment and the coverage needed.

### Insurance for mass-transit systems and clean transportation

The transportation sector is the principal source of air pollution in city centers and population concentrations in Israel, accounting for approx. 20% of total greenhouse-gas emissions.[45] This pollution impairs the quality of life and causes higher rates of morbidity and mortality in the

[45] National Plan for Implementation of the Paris Agreement

population. Phoenix Insurance promotes clean transportation by providing insurance for mass-transit systems such as the light rail in the Dan metropolitan area (Dankal), public-transportation companies, and Israel Railways.

### 6.2.6.2 Climate change in business: opportunities in asset management

**Green investments**

Impact investments are investments aimed at generating measurable positive social and environmental impacts along with monetary returns. Such investments can be made in companies, ventures, projects and funds with a view to generating a measurable social or environmental return on investment, alongside an economic return.
The taxonomy enables various economic activities to be classified according to their impact on defined environmental objectives, the main ones being the two climate objectives of mitigation (the reduction of GHG emissions) and adaptation (preparing for the climate changes and their effects).
Based on the principles of the taxonomy, the Company has developed a process to classify the economic sectors in which it invests into four categories: neutral, green, sensitive, and for examination. Thus, for example, various renewable energy companies are classified as "green" activity, while fossil energy companies are classified as "sensitive" activity. In the classification process of companies defined as "for examination" a detailed examination is conducted by investment managers in charge of the investments in these economic subsegments/companies. Companies previously categorized as "green" are required to be revalidated by the investment managers.
Pursuant to the classification we conducted, as of the end of 2024, more than 80% of the Company's investments are neutral. At the same time, the Company invested approx. NIS 12 billion in green investments with a positive environmental impact with a variety of financial instruments. These investments contribute, among other things, to the transition to a low-carbon economy and development of a domestic green economy.

- **Renewable energy: Approx. NIS 8,400 million invested**
  In the field of renewable energy, including solar energy, wind energy, pumped energy, etc., the Company invests in all stages of the project, commencing from the development and initiation stage to the investment in the shares of companies in that field.

- **Water desalination and treatment: Approx. NIS 1,000 million invested**
  Desertification and the shortage of water are climate change phenomena that are of serious global concern. For several decades now, Israel has been at the forefront of development of solutions for desalination, water recycling and purification. The Company has played a significant role in the promotion and development of this field via investments in private companies such as IDE – a global leader in the development of water treatment solutions, alongside investment in publicly-traded companies and organizations such as Igudan – the largest wastewater treatment plant in Israel as well as one of the largest water recycling plants of its kind in the world.

- **Increasing energy efficiency: Approx. NIS 1,000 million invested**
  Energy efficient solutions lead to a reduction in both the significant costs and dependency related to energy from the main grid. The improvement in energy efficiency is widely recognized as the most effective solution in terms of costs with a view to reducing GHG (greenhouse gas) emissions.

- **Waste management, foodtech, cleantech, green building, and others: Approx. NIS 1,570 million invested**
  The Company has investments in a variety of companies and projects for generating energy from waste, foodtech, and sustainable agriculture; investments in real-estate development companies; and direct investment in real-estate development projects in Israel and worldwide. Half of the properties in which the Company has significant holdings outside Israel have LEED/BREEAM green building accreditation. Energy consumption reduction efforts have been carried out at most of the buildings, and systems have been installed to cut back additional environmental impacts of the properties; these include water recovery systems, waste separation systems, sustainable transportation infrastructures, and more.

- **Green financial products**
  KSM Mutual Funds Ltd., a part of the Phoenix group, is a mutual-fund company. Since its founding, Kesem's goal is to make investments in the Israeli capital markets a more simple, fair, accessible and more transparent process. As part of its vision, in order to make the investment process more accessible, KSM offers a selection of funds with ESG aspects, with an emphasis on climate change. As of December 31, 2024, these funds had approx. NIS 84 million under management.
- **KSM ETF (4D) ISE Clean Edge Water** – Tracks an index, which consists of companies with the highest market capitalization in the water industry, listed on the NASDAQ, AMEX and NYSE.
- KSM KTF (4D) Indxx Climate Change Solutions (4D and KSM ETF (4D) Indxx Climate Change Solutions - tracker funds tracking the Indxx Climate Change Solutions The index is designed to reflect the performance of companies in developed markets that work to mitigate and ameliorate the harmful impacts of climate change.

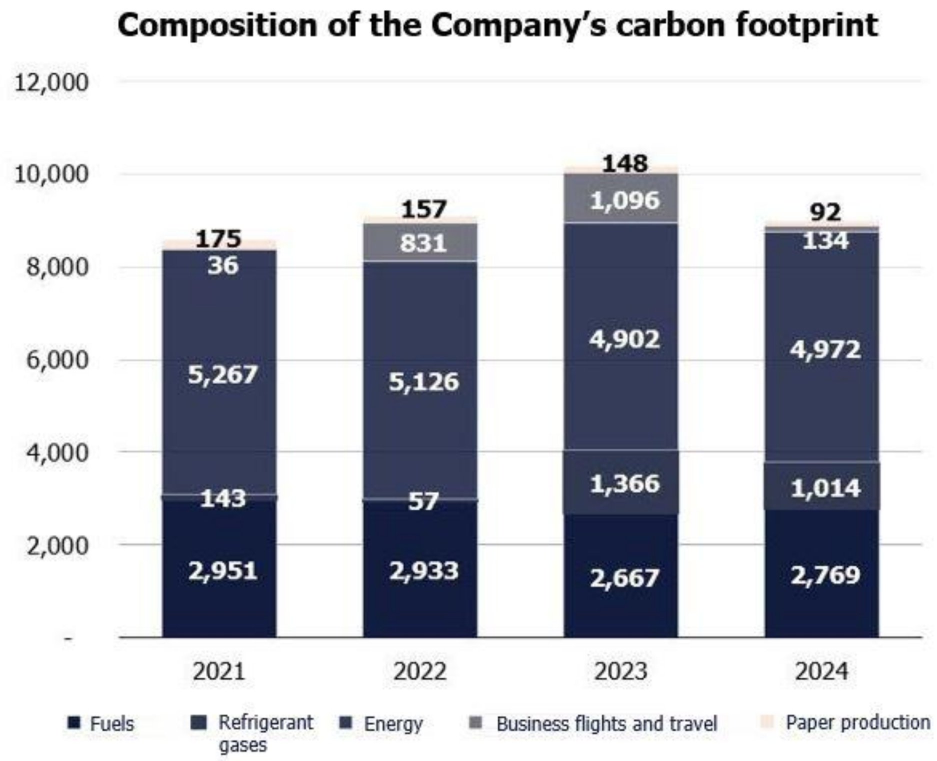
## 6.2.7 Carbon footprint

The Company responsibly manages and is committed to coping with climate change, through actions taken within its core operations, in accordance with its environmental policy. Its main impact is due to the emission of greenhouse gases (GHGs) as a result of heating and cooling, IT equipment and data centers, the vehicle fleet, and business travel. To mitigate these impacts and ensure that it is actively reducing its GHG emissions, the Company has established an environmental management system for the Group as a whole. Annual environmental reporting makes it possible to track progress towards the goals set annually and the long-term targets for 2027. Concurrently, training is conducted regularly, and recommended work methods and guidelines are communicated. The results of this policy are presented below in connection with Scope 1 and Scope 2 GHG emissions. Indirect emissions in Scope 3 include business flights, paper waste, and financed emissions in the Company's asset portfolio (based on the international PCAF methodology).

### 6.2.7.1 Composition of the Company's carbon emissions

The Company has set a goal of reducing its operational footprint by a cumulative 15% by 2027. In 2019-2024 there was a 12% cumulative decrease in the Company's operating carbon footprint (Scopes 1+2).

| TCO2e | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Scope 1** | 3,095 | 2,990 | 4,033 | 3,783 |
| **Scope 2** | 5,267 | 5,126 | 4,902 | 4,972 |
| **Total for Scopes 1+2** | 8,362 | 8,117 | 8,935 | 8,755 |
| **Emission intensity (per employee)** | 1.79 | 1.68 | 1.88 | 1.73 |
| **Scope 3** | 211 | 988 | 1,244 | 226 |




**Scope 1**

The Company's Scope 1 GHG emissions are direct emissions from the consumption of fuels by its vehicle fleet and different types of refrigerant gases in various systems.

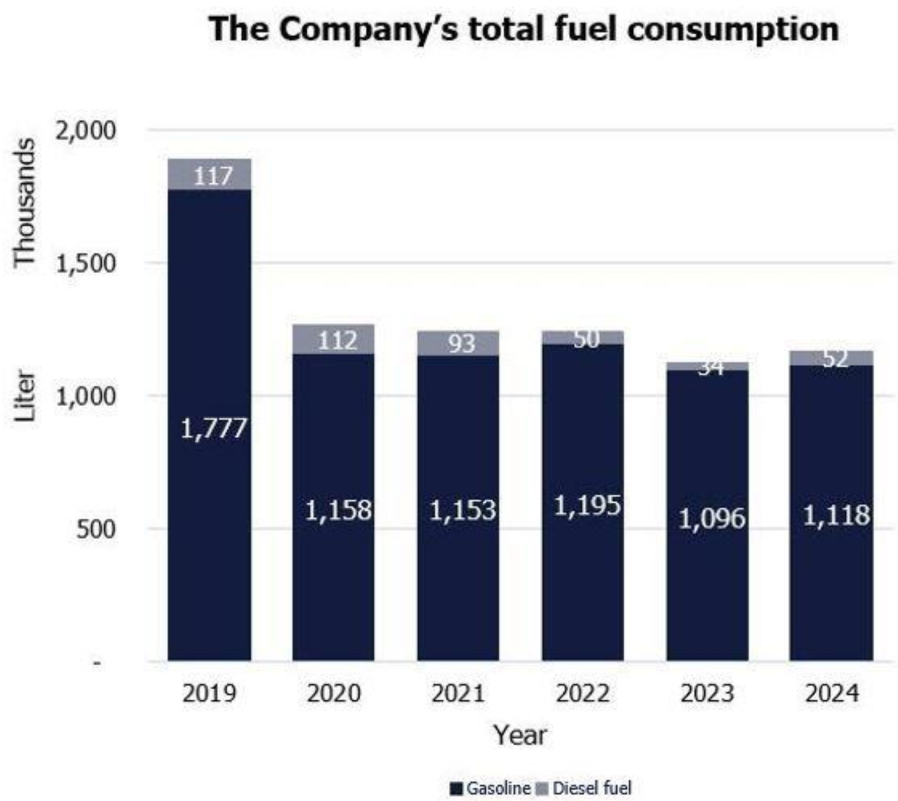
**Refrigerant gases**

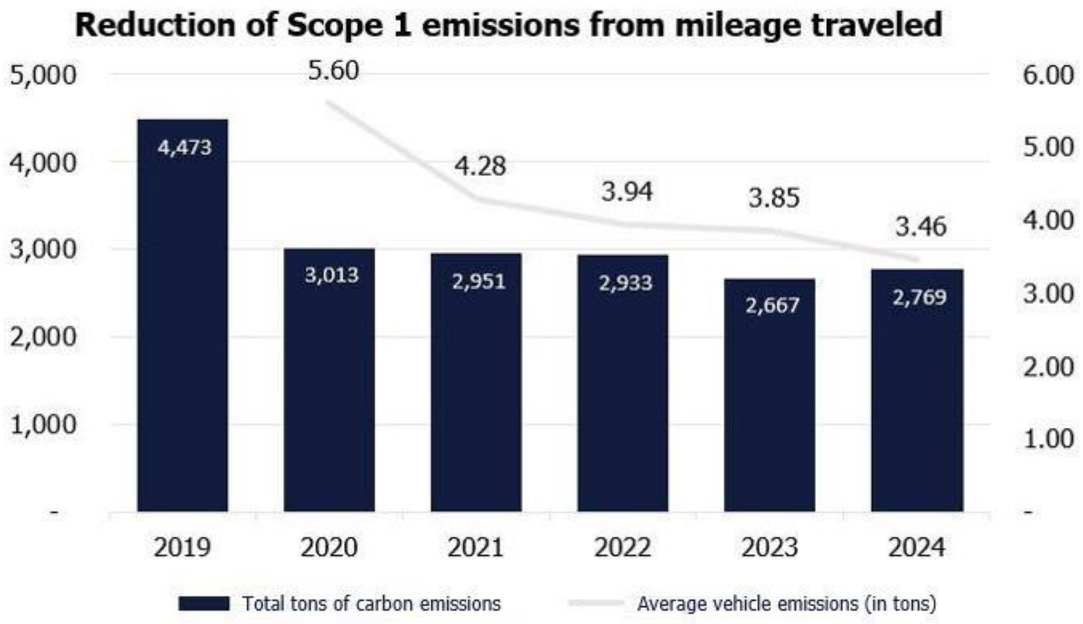
In 2023 and 2024, older cooling systems in the Company's headquarters building were replaced by efficient new systems that use refrigerant gases with a reduced effect on global warming. During the replacement, the refrigerant gases were suctioned out in a controlled process by an external expert company. As a result of the replacement, an average increase of approx. 1,000 tons per year was recorded in Scope 1 GHG emissions from refrigerant gases.

### Transportation and mileage travelled

To reduce fuel consumption by the Company, it offers hybrid and electric vehicles to eligible employees as default. As of the end of 2024, these vehicles constitute approx. 64% of the Company's fleet. Charging stations have been installed in the parking garage at the Company's headquarters. Group companies have undertaken targets for reducing the number of gasoline-fueled vehicles in the fleet by 2027, with the aim of attaining the Company's emissions reduction goal.

The Company's vehicles consumed 1.1 million liters of fuel in 2024. Despite the increase in the number of vehicles in the fleet as a result of mergers, the downward trend in average fuel consumption per vehicle at the Company continued, with a 10% improvement in 2024 and a cumulative decrease of 39% in 2019-2024.



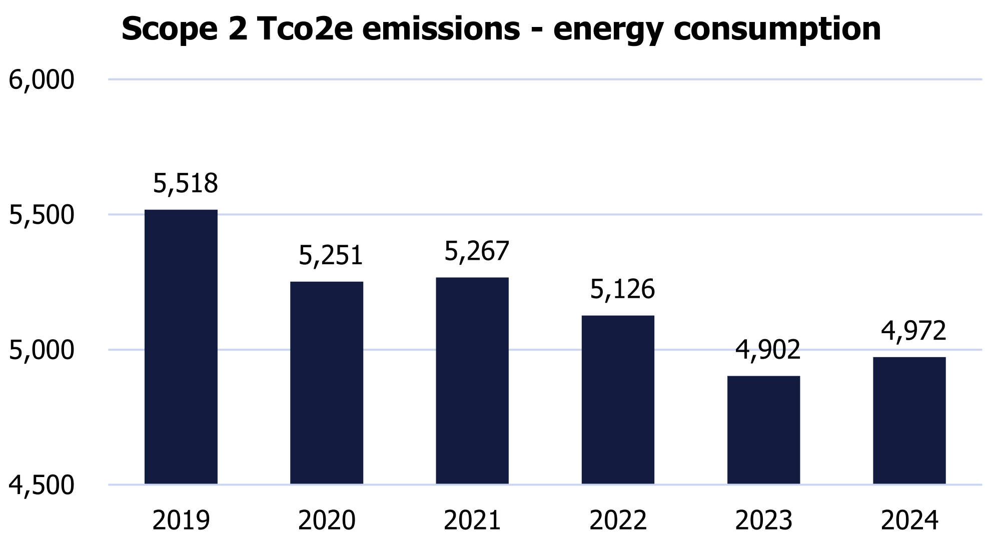



**Scope 2**

**Electricity Consumption**

Electricity consumption increased over the last year, mainly due to a larger headcount and office space. However, the Company's total GHG emissions from electricity consumption decreased by 1% over the last year in comparison to the preceding year. The reduction in emissions resulted from better energy efficiency in cooling systems, relocation to new green buildings, and actions taken to cut back on electricity consumption.

| | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| **Electricity consumption (MWh)** | 9,772 | 10,930 | 10,452 | 11,378 |
| **Intensity per sq. m** | 158 | 175 | 172 | 177 |



### Building for the Future

A new environment-friendly office campus in Rishon Lezion is planned to open in 2025. The campus will be an important component of the Company's strategy of creating value through synergy and supporting business operations from a central site. The campus is designed to provide employees with a unique work experience, with spacious common areas, an innovative and technologically advanced workspace and green spaces. The campus will be submitted to achieve LEED (Leadership in Energy and Environmental Design) "silver" certification, and it may even achieve a "gold" certification.

Concurrently, several companies in the Group relocated to greener buildings with better energy efficiency over the last year. Gama and Phoenix Investment House moved to ART Phoenix House, which has LEED Gold rating; the Oren Mizrach Agency moved to Amot House in Holon, a LEED Platinum rated building. The Shekel Group moved to a new building in Petach Tikva. These relocations are aligned with the climate strategy and are expected to contribute to further reduction of emissions at the companies in the Group.

### Scope 3

The Company monitors its Scope 3 emissions based on the GHG Protocol methodology[46] for the categories of business travel and flights (Category 6), paper production (Category 5), and financed emissions in investments (Category 15). The Company also works to manage waste resulting from its activities (Category 5), in order to reduce the volume of waste and raise employee awareness.

### Business travel

134 tons of carbon were emitted due to business travel and flights in 2024. From a multi-annual perspective, the Company's flights include overseas travel by its employees during a company trip once every few years. The calculation of emissions refers to flights by the Company's employees from Israel to various international destinations. Each trip is a return flight in economy class, without layovers.

### Digitization and reducing the use of paper

The digital transformation undergone by the Company in the last few years has led to improved efficiency in various processes and raised awareness of employees and suppliers, as the use of printed forms and documents has decreased.

Paper consumption for office purposes decreased by approx. 60% in 2024 to a total of approx. 24 tons, from approx. 62 tons in 2023.

The Company also used digital mailings to its customers. 92% of customers received digital mail in the last year,[47] compared with 91% in 2023. This led to paper savings of approx. 3 tons at the Company this year relative to the preceding year.

The Company has invested extensively in digitization over the last few years; as a result of the greater number of customers receiving digital mail and reduction of the use of paper in the office, emissions from the production of paper we purchased reached approx. 92 tons of carbon in 2024, a decrease of approx. 47% compared with the preceding year.

### Financed emissions in investments

[46] The calculations in all of the Scope 3 categories were performed based on DEFRA emission coefficients, which are considered the prevalent methodology.
[47] Unique customers over the age of 18, excluding Phoenix Investment House, Phoenix Gama and the agencies

Asset portfolio emissions as measured according to the PCAF Standard and development of the BDO Methodology amounts to 12,334 thousand tons of CO2eq. The emissions intensity is 28.5 tons of CO2eq per million NIS of investment. For more extensive information on the measurement method, see Section 6.2.5.7.1.

**Waste management**

Paper is the main form of waste in the Company's routine operations. Other than paper, the Company's business activities also generate electronic waste and packaging materials, but at a lower volume.

The Company recycles waste in accordance with the Waste Collection and Clearing for Recycling Purposes Regulations, 1998 and works to raise employees' awareness of recycling of all forms of waste. Towards that end, the Company has contracted with third-party suppliers, who submit reports tracking waste removal and recycling confirmations. Approx. 40 tons of paper waste were recycled over the last year. By removing paper to be recycled instead of landfilled, the Company succeeded in saving approx. 45 tons of greenhouse gases over the last year. In electronic waste, approx. 15 tons of waste were removed for recycling, primarily consisting of computers and peripheral equipment. Since the Company's offices are based in commercial buildings, which have other tenants, currently the Company is unable to measure and monitor the amounts of landfilled waste.

# 6.3 Responsible management setting a personal example

As a leading Israeli finance company, the Company aims to create a better future for future generations, and for that purpose it has set its sights on the broadening of its investment and involvement in the Israeli economy and society. The Company's deep commitment to the Israeli economy and society is evident in normal times and even more so at times of emergency.

The Company's activities in the fields of finance and insurance have a very significant impact on Israeli society and economy. For example, insurance and investment in projects and companies to develop essential public infrastructures that contribute to improving social and economic well-being and enable coping with population growth and the increase in the standard of living in Israel. In addition, significant, capital-rich national projects in the fields of water, energy, communications and transportation that help address climate change are expected to pose large and varied challenges, and also support national efforts to make the transition to a low-carbon economy. For small and medium enterprises (SMEs), which constitute the majority of businesses in Israel, an entire spectrum of solutions ranging from adjusted insurance, loans and financing, which among other things, allow policyholders to take controlled risks in order to invest, develop, grow and initiate.

In addition, the business activities impact employees and suppliers directly and indirectly, and contribute to growing the GDP, and to creating high-quality jobs and economic opportunities. Creating stable jobs with the potential for professional growth and career development, with over 5,200 direct employees and approx. 230 contract workers. In 2024, procurement of more than NIS 1.3 billion was carried out from approx. 3,500 suppliers, most of whom are from the local economy.

## 6.3.1 Social-community engagement

Contribution and involvement in the community is very important to the success of the Group. Over the years, the Company has implemented these principles in a range of ways - collaboration with NGOs and social organizations, donations to hundreds of entities and encouraging volunteering. Over the past year, as part of the sustainability strategy update, the Company's Community Engagement

Strategy has been refined. The strategy to strengthen social resilience in the VC model for venture NGOs reflects the Company's unique capabilities by supporting NGOs, various bodies and organizations in the fields of health, education, culture and heritage.

The Group uses a VC model for venture NGOs, which incorporate social initiatives and have a significant potential which - through the Company's active involvement could have a substantial influence and impact in Israel. The model includes assistance for at least three years, business support programs, employee volunteering, networking assistance, exposure to opportunities and additional donations.

In terms of educating future generations, our focus is to improve the starting point of children and youth in Israel's geographic periphery, with an emphasis on providing technological skills required for their future. To this end, the company has adopted a number of venture NGOs such as, "Netivei Udi", "Aharai" and "8200 graduates", "Ir B'Maof", "Lend a Hand to a Special Child", "The Good Energy Initiative", "RuppInvest" and "Technoda".

In terms of health, support is provided to the Stop Cancer NGO and the Company has also adopted the Barzilai Medical Center. In terms of culture and heritage, the Company has a rich and diverse collection of Israeli art throughout the ages. Over 200 works of art belonging to the collection were presented to the public during 2023-2024 in the "My Beloved Land" exhibition with over 50,000 visitors. At the same time, scholarships were given to young artists from a one-time auction of several works of art at the Christie's Auction House in New York.

In 2024, the Company provided approx. NIS 11 million of support to Israeli society through financial donations, donations of products and services, and donations of real estate for social purposes. The Company produced an art exhibition promoting young artists and for the benefit of the Israeli public. In addition, approx. 1,500 of the Group's employees provided support to the community in the form of more than 6,400 volunteer hours.

| % of comprehensive income before tax | Rate of volunteering employees | Scope of support and donations in NIS million |
|---|---|---|
| 0.9% | 30% | 11 |

## 6.3.2 Innovation and simplicity in the customer experience

In recent years, efforts have been invested in improving service through digitization, automated systems and self-activity, along with increasing the availability and quality of the human response, combined with technological means.

In 2024, the Company implemented a new strategy for the customer experience, which highlights issues such as innovation and simplicity of service - from the aspect of diversifying tracks, personalization, and nurturing relationships with customers, which are seen as value-generating relationships and business partnerships.

### 6.3.2.1 Leadership in service

We monitor customer inquiries regularly, measure them and how they are handled while focusing on customer experience at the organizational level; attaining a score in the range of excellence in the Net Promoter Score (NPS) market research metric and the simplicity index.

Every year, the Capital Markets, Insurance, and Savings Authority evaluates insurance and pension savings companies for the service they provide. The Authority publishes an annual index intended to strengthen transparency for the public and to support a competitive market. Rankings are based on claim payments, customer satisfaction, public inquiries, response times, and digital tools offered. In the 2023 index (published in June 2024), the Company leads the market with an average score of 81 in the service index (for all 12 categories); it is positioned in first among the five major insurance companies in Israel, for 5 out of 12 categories:

The Company continues to promote service improvement and has set a target for 2027 - a higher score than the industry average.

### 6.3.2.2 Financial inclusion in products and services

The Company is committed to promoting financial inclusion and ensuring equal access to financial services for all sectors of the population, including underrepresented ones. The Company aims to expand the range of financial services being offered, adapting to the unique needs of diverse audiences, including the development of unique tracks for these needs. In addition, the Company implements accessible complaint mechanisms, which enable each customer to receive a fair and transparent response. As part of its commitment to increasing financial inclusion, the Company cooperates with external entities in order to expand the range of solutions available and improve access to financial services. In addition, the Company invests in dedicated training for employees in order to ensure sensitive and professional service to all customers. To manage and ensure the implementation of the Company's accessibility policy, an accessibility coordinator was appointed who serves as a supervisor responsible for uninterrupted control and continuous improvement in this sphere.

A key example of this is the Company's commitment to making services accessible to senior citizens, who face technological and digital challenges in obtaining financial services. As part of the implementation of this policy, the Company has a dedicated call router for this population, and adjustments have been made in digital and non-digital processes to meet their needs. In addition, the Company conducts training sessions for employees and business partners, designates a personal representative for customers in complex cases, and even acts to prevent economic exploitation through specially structured supervision and control mechanisms.

In addition, the Company cooperates with third parties, such as the Access Israel NPO, to improve the accessibility of services for people with disabilities. Managers and employees undergo ongoing accessibility training, and the information and services are also adapted for the visually and hearing impaired, in order to ensure an equal service experience for all customers.

This policy reflects the Company's commitment not only to expanding the range of financial services, but also to adapting them to the unique needs of diverse populations, while implementing practical solutions and constantly improving financial inclusion.

**6.3.2.2.1 Financial inclusion in insurance**

**Motor insurance for disabled drivers**

Motor insurance for disabled persons is accessible for the Company's policyholders through Shekel Group agents, which provides unique services for drivers with limited mobility, including: a significant discount in the premium, assistance with and benefiting from rights related to government bodies and institutions such as the National Insurance Institute and the Ministry of Defense, and flexibility in options in the policy (for example: choice between a replacement car and a taxi in the event of an accident). The Company has insured more than 500 disabled vehicles in the past year.

**6.3.2.2.2 Financial inclusion in asset management and credit**

**Access to investment management at an international level**

The Company's financial offerings provide clients with a wide range of innovative products. In 2022, the first financial product in Israel was launched that allows customers to receive investment management services on an international level through unique collaboration between the Company and the international asset management company BlackRock. In 2024, an additional joint venture was launched with Apollo. The Company's customers have the option to save on a variety of investment policies managed in partnership with the Company, so the process is simple and accessible for investors. To date, more than 11,000 customers have joined these programs with 12,000 policies, and as of December 31, 2024, these policies involved the management of approx. NIS 3.5 billion.

**Investment tracks for religiously observant clients**

The Halacha and Sharia tracks in provident and pension fund products, as well as savings policies are designed to make the Company's products accessible to minority populations and help increase the financial inclusion of populations with such unique characteristics. The Halacha and Sharia-compliant tracks provide these population groups with a solution, which is in line with their faith and the specific needs thereof; they also increase those groups' awareness of the advantages of savings and pension products. Uniquely in Israel, the company offers Sharia-compliant tracks that adhere to requirements and prohibitions under Islamic law (such as substitution of acceptable alternatives for interest; avoidance of investment in assets involving alcohol, gambling, tobacco, etc.). In the tracks for religion-observant customers, as of December 31, 2024 approx. NIS 1.7 billion are under management for approx. 35,000 customers.

**Gold Loan for senior citizens**

Reverse mortgage is a unique product focusing on the senior population - a fast-growing segment of the Israel population. The high cost of living in Israel forces many adults to face new challenges, while trying to balance financial support for their families and maintain the standard of living to which they are accustomed. The Gold Loan is an all-purpose loan designed for people over the age of 60 who own their own home and are planning for their family's future. The product is managed through a designated and indirectly-owned subsidiary, Phoenix Mortgages (Gold) Ltd. In the past year, there have been over 1,000 active customers with gold loans totaling over NIS 500 million.

**Making responsible investments accessible through mutual funds**

KSM Mutual Funds Ltd. ("KSM"), is a leading mutual fund company in Israel. Since its founding, Kesem's goal is to make investments in the Israeli capital markets a more simple, fair, accessible and more transparent process. As part of the vision, and in order to make the investment process accessible, KSM offers a selection of funds with ESG aspects, for example**:**

- **KSM Active (B4) Israel Equities ESG**[48] – Invests in securities traded in Israel, based on a dedicated model that examines parameters including high correlation between ESG criteria of the examined company and the expected return on investment of the securities it issues. Securities are selected that reflect below-average ESG risks and above-average ESG potential, relative to all of the securities examined using the model.
- **KSM KTF4 (A) TA Maala** – Tracks the TA-Maala index. The index consists of shares of public companies that are part of the pool of equities and are included in the Maala corporate responsibility ratings, which examine social, environmental, ethical, and governance criteria.

**Social impact in property management**

Alongside the discourse and dialogue to promote corporate governance, as well as the value from environmental impact investments, the investments made by the Company can also drive social change.

In 2023, the Company made an investment of approx. NIS 20 million in bonds of Ogen, a social loan fund that operates as a non-profit lender. Ogen's mission is to make credit accessible to underserved populations in Israel and to people who struggle to obtain loans. The Company is the largest institutional entity to invest in the bonds which were issued against Ogen's loan portfolio, allowing it to diversify its financing sources. The investment will enable Ogen to provide loans with attractive terms, accompanied by consulting and guidance on sound management for small businesses, particularly those who have been refused credit by banking organizations. The investment in the social bonds is categorized as an ESG investment at the highest grade (Dark Green) under European standards (SFDR Article 9).

#### 6.3.2.2.3 Financial inclusion – customer support

**Financial training for micro-businesses**

The Company strives to make clear financial information accessible for customers and agents – most of whom are self-employed or small businesses with up to 10 employees. In 2023, the Company decided to generate real, useful and effective value for agents. For the first time, the Company set up Fnx Business School, which provides participants with the most advanced and effective tools for growth, training, and individual support and mentoring, in order to improve their work and support them in the management of their relations with their customers in an ever-changing and developing world, and to improve the agent's ability to provide their customers with best in class professional

[48] A brief description, all in accordance with the provisions of the law and the terms of the fund; for further information, see the fund's prospectus at the acquisition date and the immediate reports in effect. The fund manager is KSM Mutual Funds Ltd. (hereinafter - the "Fund Manager"). The above indices are under license from the formulators of the indices. The funds are not financed, approved, or promoted by the index formulators, and the index formulators have no responsibility whatsoever for any matter related to the funds or the management or value thereof. The indices are the intellectual property of the index formulators, including registered trademarks.
**The foregoing shall not be construed as an undertaking by the Fund Manager to achieve any return, including excess return. These statements do not constitute a substitute for investment advising or marketing by a duly licensed professional that takes into consideration each person's unique data and needs** and shall not constitute a guarantee of return or profit. **The foregoing statements do not constitute a proposal to purchase participation units in the fund. A purchase of units in the fund shall be based solely on the prospectus at the acquisition date and the immediate reports that are in effect.** (4A) Up to 120% exposure to equities; up to 10% exposure to foreign currency. (4B) Up to 120% exposure to equities; up to 30% exposure to foreign currency. (4D) Up to 120% exposure to equities; up to 120% exposure to foreign currency.

services. The program, which also received the "Move of the Year" award of the Adif Insurance Conference for 2023, continued into a second cycle in 2024 as well. For the 25 participants, a connection was made between the business sector in Israel and around the world and key personnel in the insurance industry. At the end of the course, the graduates of the program flew to a professional development meeting in Europe, held at one of the industry's reinsurance giants. During the visit, a review was conducted of the significant trends in the global insurance industry, lectures on innovation and technology, climate change and trends that shape the world of motor and property and casualty insurance. The agents who participated in the program, report a significant increase in income, and a decline in operating expenses thanks to the tools and information their received during the program.

**Promoting women in business**
In the field of property and casualty insurance, the Company identified that there is a clear female bias in underwriting positions alongside a critical lack of business underwriters. Consequently, the Company seized the opportunity to create value for individual agents and female underwriters by supporting the promotion of women to the role of business underwriters. The "Phoenix with you in Business" program - at a token cost over a month.

The program was completed by 14 women in 2024 and the course will be run again in 2025.

At the same time, for the past two decades the Company has been holding the main women's conference in the insurance industry called "Feminix". The conference is intended for women underwriters and managers of property and casualty insurance agents' offices, and it includes professional lectures alongside dedicated lectures on professional development for women.

**Financial accessibility - intelligent retirement**
In order to support customers nearing retirement age, a "Smart Retirement Preparation" conference was held in 2023, which was aimed at customers of the Shekel insurance agency, and who reached the age of 60, as well as their spouses. The conference was held for the third consecutive time, as part of the Company's vision to support its policyholders during the most significant points in their lives, and in maximizing the options available to them, even after they retire.

**Health support for clients who are victims of the war**
Following the outbreak of the Iron Swords War, Phoenix Insurance allowed debt rescheduling, it increased the time periods for entry into health insurance without a health statement. It deleted a one-month premium at a cost of approx. NIS 300,000 for 1,100 policyholders of collective health insurance who are residents of Kibbutz Be'eri in the Gaza border area, who had been evacuated from their homes due to the war. Furthermore, automatic validation extensions were made for dental policyholders, whose policy was terminated and who were unable to take advantage of the approval granted, because the clinic was closed due to the war.

## 6.3.3 Organizational excellence

The Company views the development of human capital as a central pillar of its strategic outlook. As such, it implements a variety of programs and processes focused on professional promotion, enriching the knowledge and empowering the capabilities of its employees and creating opportunities for intra-organizational mobility. The Company aims to give employees an equal opportunity to develop their professional and managerial skills. In the reporting year, approx. 260 employees were mobilized, 20% of whom were transferred to other positions at the same level, and 20% were promoted to a higher managerial rank.
The Company continued to establish a culture of excellence and promote ongoing dialogue between

executives and employees. During the year, several leadership development processes and programs were launched, which are based on the Group's leadership concept.

In 2024, following the employee engagement survey conducted in 2023 and as part of the aspiration for continuous improvement and in order to allow employees to influence their experience, we continued to hold round table meetings with employees in the various departments. This year, too, we took part in BDI's "Best Companies to Work for" survey, and we even rose in the rankings compared to the previous year. Based on the findings of the round table, the survey results and the processes of identifying needs, development and training programs were built for the various populations.

### 6.3.3.1 Employee training

In the professional aspect, the Company has conducted training programs in response to business focuses as well as maintaining the level of knowledge regarding legislative changes through training and regular updates. Furthermore, a range of programs were implemented that focus on concepts and skills in the service and sales spheres, and on a range of areas in which the Company is engaged. Alongside these, in the current work environment, which is characterized by high levels of uncertainty, complexity, a large number of changes at a rapid pace, the Company continued this year to maintain focused programs on the skills of the modern workplace. In 2024, the Company provided an average[49] of approx. 13 hours of training per employee.

| Average no. of annual training hours per employee in 2024 | Women | Men | Total |
|---|---|---|---|
| **Senior management** | 24.3 | 18.7 | 20.7 |
| **Managers** | 17.8 | 19.3 | 18.4 |
| **Employees** | 10.2 | 16.2 | 12.1 |
| **Total** | 11.4 | 16.8 | 13 |

**The FNX Masters program** is a unique development program designed to strengthen financial and managerial skills in response to the strategic focus of the long-term savings field. As part of the program, approx. 20 participants expanded their understanding of the macroeconomic environment in which the company operates. The course contributed significantly to the development of managerial and strategic capabilities and was a major factor in the 100% increase in sales of the Phoenix Invest savings policies compared to the previous year.

A **pension planning plan** for 110 portfolio managers was carried out in the Shekel Group in 2024. The program equipped participants with professional tools to increase their confidence to offer the products and especially to provide added value to the customer in order to increase the chances of sale. In addition, a meeting management framework was built - using supportive conversation scripts and handling objections with emphasis on the products for which the company sought to increase sales. The plan contributed to sales growth and meeting targets with an increase of 35% in financial sales in the Shekel Group and 24% in risks compared to the previous year.

[49] Excluding Phoenix Gama and the Oren Mizrach agency.

**The "Investing in Resilience" program** was adapted to the security situation and another program focusing on resilience and robustness was launched for the claims populations, who as part of their work handle cases related to the events of the war. As part of the meetings, a space was opened to process the day-to-day experiences. Discussions were held approx. the various challenges in light of the encounter with sickness, loss and human suffering while connecting to the strengths and resources of each and every one of us.

### 6.3.3.2 High-performance culture

The implementation of the Company's strategic plan and establishment of its competitive advantage as a group are based, among other things, on our ability to achieve excellent performance. In the reporting year, the Company continued to promote a culture of excellence, among other things through the annual performance evaluation process. This involves a significant dialogue between managers and employees in which it is required to set expectations, recognize successes, identify development areas and provide significant feedback. The process also strengthens the relationship between employee performance and compensation, which includes an annual performance-based bonus and equity compensation for eligible employees. All these reinforce the link between personal excellence and organizational success.

In order to maintain the Group's leadership and as part of the preparations for the campus transition, this year the Company invested efforts in mapping critical populations, developing and preserving them.

Employee-related decisions are based exclusively on objective, data-based considerations. As such, the Company has invested in the adoption of people analytics methodologies. In the reporting year, the deliverables included management information dashboards that provide managers with an up-to-date snapshot combined with historical data analysis (recruitment and churn rates, absenteeism, overtime, etc.). Those tools help in identifying opportunities and risks and in decision-making. The following are[50] employee turnover rates as of December 31, 2022-2024:

| Employee Turnover and Employment | | 2022 | | 2023 | | | 2024 | | |
|---|---|---|---|---|---|---|---|---|---|
| Gender | Age group | Rate of new employees hired | Employee turnover rate | Rate of new employees hired | Employee turnover rate* | Employee voluntary churn rate* | Rate of new employees hired | Employee turnover rate* | Employee voluntary churn rate* |
| Women | 18-30 | 5.5% | 4.6% | 6.3% | 3.3% | 2.3% | 7% | 3% | 3% |
| | 31-50 | 6.9% | 7.7% | 4.4% | 6.1% | 3.4% | 5% | 5% | 3% |
| | 50+ | 0.8% | 1.4% | 0.7% | 1.3% | 0.5% | 1% | 1% | 1% |
| Total women | | 13.2% | 13.7% | 11.3% | 10.7% | 6.2% | 13.1% | 9.6% | 6.7% |
| Men | 18-30 | 3.7% | 1.2% | 4.1% | 1.6% | 1.0% | 4% | 1% | 1% |
| | 31-50 | 3.7% | 4.4% | 3.9% | 4.0% | 1.9% | 3% | 3% | 2% |
| | 50+ | 0.3% | 0.6% | 0.4% | 0.5% | 0.1% | 1% | 1% | 0% |
| Total no. of men | | 7.8% | 6.2% | 8.3% | 6.1% | 3.1% | 7.4% | 4.4% | 2.7% |
| By age group | 18-30 | 9.2% | 5.8% | 10.3% | 4.9% | 3.4% | 11% | 4% | 3% |
| | 31-50 | 10.6% | 12.1% | 8.3% | 10.1% | 5.4% | 8% | 8% | 5% |
| | 50+ | 1.1% | 2.1% | 1.0% | 1.9% | 0.6% | 2% | 2% | 1% |
| Total (all ages) | | 21.0% | 19.9% | 19.7% | 16.8% | 9.3% | 19.9% | 13.9% | 8.7% |

The turnover [50] rates in 2023-2024 do not include call center employees.

#### 6.3.3.3 Health and wellbeing

The Company provides its employees with comprehensive benefits, spanning 4 health-related dimensions: physical, social, mental and financial. These benefits are included in the health and welfare policy approved by the management and published on the Company website.

These benefits include risk (life), health and dental insurance, the purchase of discounted services and products alongside a wide range of social and welfare services, including lactation rooms, daycare subsidies and children's day camps. During the course of the year, the group holds a variety of team building events and enrichment activities, fitness and sports groups, gives gifts for the holidays and lifecycle events, and also holds an annual leisure day that all employees can enjoy, with considerations made for those with special needs (accessibility, religious needs, and more).

As part of our support for employees, we provide assistance with individual emotional or physical issues, including coping with older parents, grief and bereavement support, a grief care package in the event of death, preparation for life after retirement, and other personal topics. At the same time, the Company offers mothers and fathers between 15-26 weeks paid maternity leave in accordance with the provisions of the law.

In order to support employees in maintaining a work life balance, the Company expanded the hybrid work pilot plan that we implemented during the Covid-19 pandemic; the plan was expanded in the different business units, and currently most employees may work remotely in some weekdays, subject to their manager's approval.

Hybrid work at the Company includes: remote work, flexibility in working hours, part-time work, providing equipment for working from home, expanding eligibility for catering and welfare services to the home, and more. In order to assimilate the essence of hybrid work, the Company made adjustments to the work methods, management, organizational infrastructure and employee experience to tailor these to the new reality that involves significant advantages.

The Company has a health and safety plan that matches the nature of our business as service providers. On road safety, the program includes mapping and internal investigation of the state of safety in the company's vehicles, conducting theoretical training sessions on this subject once every two years, internal communiques to raise awareness as well as monitoring employee driving characteristics. As far as emergency procedures are concerned, the Group has a set of emergency procedures for conduct during the evacuation of the building in extreme events such as rocket fire, fires and earthquakes. There is a procedure for providing first aid as well as emergency kits. There are routine exercises throughout the year that ensure the Company and its employees are prepared for emergency scenarios.

The Company makes every effort to ensure an optimal work environment, due to our concern for our employees' well-being and mental health, which is reflected in the number of absence days of employees, which amounted to approx. 40,000 sick leave days. The Company manages and monitors the health and well-being indicators of its employees on an ongoing basis.

#### 6.3.3.4 Talent and diversity

In order to strengthen the Company and in accordance with a culture based on values of excellence, the Company attaches importance to creating a diverse, and inclusive work environment that encourages excellence, including by locating and promoting employees with the highest ability and potential. The Company encourages equality and the creation of job opportunities without discrimination on the basis of religion, race, gender, ethnicity, political or sexual orientation or any other reason.

The following is the mix of company employees by age groups, management levels, underrepresented populations[51] and gender as of December 31, 2022-2024:

| Underrepresented populations | | 2022 | | | | 2023 | | | | 2024 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Management rank | Age group | Total no. of employees by age | Total no. of employees by rank | % of women | % underrepresented | Total no. of employees by age | Total no. of employees by rank | % of women | % underrepresented | Total no. of employees by age | Total no. of employees by rank | % of women | % underrepresented |
| Senior management | 18-30 | - | 146 | 28% | 2% | - | 159 | 31% | 2% | - | 181 | 34% | 2% |
| | 31-50 | 91 | | | | 90 | | | | 94 | | | |
| | 50+ | 55 | | | | 69 | | | | 87 | | | |
| Managers | 18-30 | 40 | 603 | 56% | 4% | 29 | 646 | 61% | 4% | 30 | 671 | 60% | 3% |
| | 31-50 | 451 | | | | 491 | | | | 460 | | | |
| | 50+ | 112 | | | | 126 | | | | 181 | | | |
| Employees | 18-30 | 1,063 | 4,086 | 68% | 11% | 954 | 3,957 | 71% | 10% | 950 | 4,200 | 70% | 8% |
| | 31-50 | 2,477 | | | | 2,397 | | | | 2,453 | | | |
| | 50+ | 546 | | | | 606 | | | | 797 | | | |
| Total | | 4,835 | 4,835 | 67% | 10% | 4,762 | 4,762 | 69% | 9% | 5,052 | 5,052 | 67% | 7% |

### 6.3.3.5 Gender diversity in management

As of the reporting year, 56% of management are women. Currently, the rate of women in senior management roles alone is 34%. In the business units, 53% of the employees are women, and in the STEM units - 45% are women.[52]

As part of an ongoing organizational focus to promote a culture of diversity and inclusion and to maintain gender equality (at least 50% women) at the company's management levels, the SheLeads Forum was launched at the end of 2023. This forum was created out of a desire to connect women who hold senior management positions in the group with female members of the Board of Directors in the group and other women in senior leadership roles in the group. The forum convened in 2024, introducing a space that allows joint learning and the sharing of challenges and knowledge, while leveraging the participants' experience and organizational networking. The forum's activity influences all of the Group's female employees and delivers a message to those employees regarding the range of promotion opportunities available to them within the group.

### 6.3.3.6 Salary gaps

In accordance with the provisions of the Equal Pay to Male and Female Workers Law, 1996, a comparative analysis of the average pay levels in the Company was performed.[53] From analysis of the data, it emerges that there are wage gaps between women and men, sometimes in favor of women and sometimes in favor of men. The (gross) median wage gap stands at -27.1%. According the pay gap analysis, the gaps do not stem from gender reasons alone, but rather from objective

[51]Underrepresented populations include: 25 Arabs, 255 Ultra-Orthodox Jews, 51
employees with disabilities and 5 employees of Ethiopian descent. Diversity in our management is reflected as follows: 1 Arabs, 16 Ultra-Orthodox Jews, 6 managers with disabilities, and 2 managers of Ethiopian descent.
[52] Excluding the Investment House, Phoenix Gama and Agencies.
Equal Pay [53]Report excluding Phoenix Investment House, the agencies and Phoenix Gama

data that impact each employee's own pay, such as: seniority and professional experience, line manager's satisfaction and assessment, fulfillment of targets, overtime, and more. The Company works throughout the year to identify and locate wage gaps, investigate them and carry out preventive actions in the recruitment, mobilization and promotion processes alongside actions to correct the gaps if they stem from gender-related aspects. For more information see the Equal Pay Report on the Company website.

#### 6.3.3.7 Underrepresented populations

The diversity of our workforce is reflected in a number of measures: Firstly, open jobs are advertised in all recruitment channels, and members of a range of population groups are encouraged to apply; in addition, there are dedicated recruitment channels for specific population groups, with an emphasis on employees with disabilities. The Company works in collaboration with government ministries, NGOs and HR organizations that support the employment and integration of groups that are underrepresented in the labor market, such as ultra-Orthodox men, Israeli Arabs and the disabled. In order to achieve the targets, a number of dedicated plans were promoted. Secondly, managers undergo interview workshops, that provide them with tools, which allow them to interview candidates in an effective and focused manner, especially candidates with disabilities; and finally, in order to increase the diversity among those, who are eventually assigned to the roles, the full time equivalent of the position is adjusted, and candidates are offered flexible working and to incorporate hybrid working in the service and operations function.

### 6.3.4 Ethical conduct

#### 6.3.4.1 Code of Ethics

The Company is committed to responsible business conduct. The Code of Ethics reflects the Company's values and guides its business relations and activities with employees, partners, and stakeholders. The Code of Ethics deals with issues such as transparency, bribery and corruption, human rights, ethical dilemmas and conflicts of interests. The Code deals with ESG issues of the Company and its suppliers, fair work environment, the importance of competition, and more. The Code of Ethics is embedded in all of the Group's activities and encourages fairness and transparency in our business processes, including managing employees, wage processes, engagements, benefits, and more.

Every two years an examination of the Code of Ethics is carried out, and, if necessary, an update of the Code of Ethics, which is intended to define the rules of conduct. The Code of Ethics was last updated in 2023.

All of the Company's employees and managers are responsible for implementing the Code of Ethics in full. Contacts for inquiring or reporting dilemmas or concerns pertaining to the Code are detailed therein, including processes for reporting breaches of the Code of Ethics and the Company's way of handling breaches via public and anonymous channels. As part of the process of dealing with the complaint, meetings are held with those involved, the severity of the case is assessed as well as the proper handing thereof in line with the Company's Code of Ethics; if necessary, the process is carried out in collaboration with the Workers' Committee. The Company conducts internal monitoring of all of the above issues and reports any detected breaches in its reports to the public.

Employees are given dedicated guidance on the Code of Ethics in parallel with learning to implement it in relation to the issues and situations that the employees may encounter during their routine work. In 2023, approx. 86% of the employees and 84% of the managers read the tutorial and signed the Code of Ethics. Concurrently, the Company's suppliers declare that they undertake to act in accordance with the Company's sustainable procurement policy, which also includes aspects of the Code of Ethics.

Every year, a communication is sent to all employees regarding the prevention of embezzlement, fraud, and bribery and the upholding of the integrity of our business activities. Employees are required to report suspected fraud or embezzlement within the Company, or to report any deficiencies in financial statements, internal control systems, or compliance with the provisions of the law. Channels to communicate these activities are detailed in the communication, including anonymous channels. The Company has set and implements 'blackout' periods prior to the publication of financial statements, during which employees are prohibited from trading in the Company's securities or the Group Companies. Comprehensive internal audits are conducted, aimed at identifying any failures, weaknesses, or vulnerabilities in the management of processes and activities in accordance with the provisions of regulations and the law.

In 2024, there were zero incidents of legal actions, decisions or judgments related to anti-competitive or corrupt behavior by the group. During the Reporting Year, four inquiries were submitted to the Company's ethics officer, all of which were handled with due seriousness by the ethics officer and the Head of Human Resources, regarding: Sexual harassment (2), information security (1) and privacy protection (1). Each of the inquiries was closed through an understanding with the parties involved without the need to take disciplinary action. In matters of money laundering, insider trading, and conflicts of interest, there have been no inquiries to the Company's Ethics Officer over the past year.

### 6.3.4.2 Bribery and corruption

As part of its commitment to maintaining transparency, integrity and effective risk management, the Company implements procedures and controls to prevent and reduce embezzlement and fraud risks. The purpose of these procedures and controls is to ensure that effective measures are taken to address embezzlement and fraud risks on the part of the Company's employees, officers, insurance agents, pension consultants or service providers.

The Company's Chief Risk Officer is the person in charge of preventing embezzlement and fraud in the Company, and as such is responsible for the Company's activities to prevent and reduce embezzlement and fraud risks.

As part of this activity, a risk survey is conducted on embezzlement and fraud once every four years for mapping and ranking the risks in the main work processes. The Company implements a reduction plan based on the prioritization of risks as indicated in the survey. This plan includes implementing new controls and improving existing controls, updating procedures, and as required, changes in the work processes. In addition, the Company requires officers in sensitive positions to take a continuous vacation.

The Company provides employees with direct channels of communication to report suspicions of embezzlement and fraud, complaints related to financial statements, internal auditing and compliance with the provisions of the law. These channels include a physical inbox, a dedicated email box, and a hotline for receiving phone calls.

When a fraud or embezzlement incident is suspected or detected, an embezzlement and fraud forum is convened that includes the Chief Risk Officer, a legal advisor and an internal auditor (or someone acting on their behalf), and if necessary, the Company reports these events to the Commissioner of the Capital Market, Insurance and Savings and other relevant parties.

Through these procedures, the Company strives to ensure effective risk management, maintain integrity and transparency, and protect the assets of the Company and its interested parties.

### 6.3.4.3 Membership in associations

The Company takes part in various associations and forums in the insurance and financial sectors, including: the Israel Insurance Association, the Association of Life Insurance Companies, the Israel Association of Investment Houses (IHAI), the Israel Association of Publicly Traded Companies, the Association of Corporate Counsel (ACC), the Israel Marketing Association and the Maala organization." Membership is voluntary, and the organizations work to support their respective industries and promote development. The Company is an active participant in the Association discussions outlining strategies in relation to reforms and legislative updates. For example, the Chairman of the Board of Directors is the Chairman of the Israel Insurance Association and the Association of Life Insurance Companies, the Company's Legal Advisor is the Chairman of the Regulatory Committee of the Association of Corporate Counsel (ACC) in Israel. In some instances, the Company is the leading body behind new regulatory initiatives that promote changes in the various insurance and finance segments, in response to specific issues in the field or to set long term regulatory strategies in the Company's areas of activity. In the above associations, the Company does not engage in lobbying activities related to the climate crisis. In 2024, the cost of membership in these associations amounted to a total of approx. NIS 3 million. It should be clarified that the Company makes no donations to politicians or various political entities.

### 6.3.4.4 Human Rights

Protection of human rights is a fundamental component of the Company's business conduct and is an integral part of its commitment to corporate responsibility. The Company works to protect the rights of its employees and all of its stakeholders, while maintaining a respectful and fair work environment, complying with accepted ethical standards, and integrating supervisory and risk management mechanisms to prevent potential human rights abuses.

Over the past few years, the Company has developed and implemented human rights policies as part of its corporate strategy. In 2023, the Company formulated an official policy document, which was approved by the Group's ESG Committee. In this process, organizational risk mapping was carried out, including due diligence processes to assess any potential impacts on human rights as a result of the Group's insurance activity and asset management:

- Employment of employees (direct and indirect) – including subcontractors, employees through third parties and women in employment, while maintaining periodic audits among suppliers to ensure compliance with labor laws and maintaining fair employment conditions.
- Services and products – Maintaining supervision mechanisms vis-à-vis agents, suppliers and service providers to ensure compliance with standards of ethics and workers' rights.
- Investments and insurance – conducting DD checks for joint investments (Co-Invest), including examination of conflicts of interest and compliance with the Group's ethical policies. In direct investments, analyzing companies' ESG ratings to identify risks of human rights abuses.

**Oversight and risk management mechanisms:**

To ensure consistent implementation of its commitment, the Company has ongoing DD processes alongside structured oversight mechanisms:

- Periodic audits of suppliers and subcontractors to monitor compliance with labor laws and protection of workers' rights.
- Binding contractual terms for the protection of human rights in all business engagements, including suppliers, partners and agents.

- Strict screening processes for new agents, including financial, regulatory, and ethical background checks.
- Annual training for employees and managers on ethics, prevention of sexual harassment and employee rights.
- Investment controls – integrating ESG considerations into DD checks to prevent the Company's direct or indirect involvement in activities that harm human rights.

The Company is committed to the continued development of advanced risk management tools, while integrating due diligence processes, ongoing supervision and compliance with international standards. For additional information, see Phoenix's Human Rights Policy on the Company's website.

### 6.3.4.5 Safe work environment

The Company attaches paramount importance to the prevention of sexual harassment and maltreatment, which may adversely affect human dignity, freedom, privacy and gender equality. The Company has taken a range of actions in view of the importance of this issue, as follows: appointment of two officers in charge of prevention of sexual harassment (a man and a woman) in order to manage and supervise all dealings relating to this issue; lectures were held in various forums in order to introduce this issue to employees, and a relevant tutorial was distributed to all Company employees. Furthermore, a special appendix was added to the collective agreement that applies to Company's employees, which includes detailed information and explanations, such as: definitions of sexual harassment and bullying, Company's policy, complaint submission procedures, complaint handling process, the methods of investigating and handling complaints, and more.

In the opinion of the Company, good and respectful work relations include, among other things, fair and descent attitude towards each and every person, and the Company strongly objects to bullying in the workplace regardless of the rank, background and type. The subject is the responsibility of the Human Resources Department representatives stationed within the Company's business units and accompanied by legal advice if necessary.

The Company has a number of mechanisms by which employees can receive advice and raise various concerns. Protections and procedures for handling complaints regarding the business activities will be implemented at the approval of the Audit Committee.

### 6.3.4.6 Privacy Protection

The Company attaches paramount importance to protecting the information stored in its systems and the privacy of its customers, employees, suppliers, partners, etc. Accordingly, the Company works to protect the information, both as part of its operating activities and at times of emergency. The Company is subject to tight regulation in the field of privacy and information protection, including by the Capital Market, Insurance and Savings Authority and the Privacy Protection Authority; and therefore, it must establish organizational mechanisms and tools for maintaining the provisions of the law and regulatory requirements relating to ensuring the privacy of its customers and employees. Accordingly, the Company has an organized information security system, headed by an information security officer, who is responsible, among other things, for building and maintaining an annual work plan in the field of privacy and information security. This is done in collaboration with all relevant Group functions, such as the information security function, a cyber security officer, a compliance officer, the Chief Internal Auditor, etc.

In addition, in 2023, the Company voluntarily adopted an internal compliance program relating to privacy law and data protection. The role of the compliance program is to help the Company mitigating the risk of damage to personal information stored in the Company, to increase the awareness of the Company's employees and managers to the provisions of the law and to serve as a means to improve the level of compliance with the Company's privacy laws. The adoption of the compliance program is in line with the Group's own interests: To protect the personal and sensitive information of its customers and employees, being transparent in all matters pertaining to information, and ensuring that customers are able to express their trust in the Group, alongside the economic advantages. As part of the implementation of the compliance program, the Company performs, among other things, tests and compliance controls of various types in accordance with the control plan that was formulated; ongoing monitoring of the implementation of new regulatory requirements; and training activities of various types. In addition, an ongoing report is made to the Compliance Forum and the Company's Board of Directors. It is noted that in 2022, prior to the adoption of the compliance program, the Company conducted a comprehensive compliance survey in the laws of privacy protection, the conclusions of which were expressed as part of the compliance program and the control plan.

This was carried out in addition to routine monitoring and compliance steps the Company is required to follow, such as conducting risk surveys and third-party penetration tests. In addition, during the past year, an internal audit was conducted on the subject of privacy in the Company.

Furthermore, in order to increase its compliance with regulation in the fields of privacy and information security, and ensure the Group's commitment to this issue, it has set up a "Privacy Steering Committee" headed by its Chief Legal Counsel; the committee, whose members include senior officers, convenes every quarter to discuss and make decisions regarding important and organization-wide issues related to privacy protection in the Group. This committee is one of several forums which the Group has in place in order to deal with this issue, including a Group Cyber Steering Committee, IT meetings, etc.

In addition, during the year, the Group mapped its databases, which included the updating and validation thereof, including reducing the number of databases and assessing whether they contain any surplus information, appointing managers of relevant databases, preparing a work plan, which will assist them to duly fulfill their obligations, revising the wording of agreements, etc. The above were designed to ensure maximum protection of the Group's information, and the Group's operating transparently and subject to the customer's consent.

Furthermore, the Group promotes, in accordance with the law, a group synergy project, which aims to realize the digital potential of the Group, and to create data-based technological solutions, which will allow the provision of comprehensive, fast and simple services to the Group's agents and customers via digital channels. This step enables the Group to develop new capabilities and make them accessible to customers, improve the work processes involving the customer, and reduce the potential adverse effect on customers' privacy, which is often caused by human errors. In order to realize the aforementioned potential and build an infrastructure for collaborations among the Group's companies, the Group has registered ownership of a group database which is based on the customers' consent to use data about them in accordance with the objectives of the database.

Privacy and information protection is implemented in the Group via a range of security systems, which are designed, among other things, to protect the Company's information and the privacy of its customers against attempts to hack information systems and/or attempts to disrupt information integrity, as well as through orderly work procedures and processes. Thus, for example, there is an extensive user access management system to verify that user access to the IT systems is given only on a "need to know basis", and subject to each employee's position; user access and the way users use the IT systems is audited frequently. In addition, the Group uses tools for supervising and monitoring the actions carried out through its systems in order to identify irregular incidents, such as information leakage and the planting of malware, protecting the information and its confidentiality, preventing unauthorized access and embezzlement, fraud, and any inappropriate use.

It is further emphasized that the Group ensures to apply its privacy and information security policy to parties with which it has dealings. As part of this, its employees for example, as part of the employment agreements sign a privacy policy and commitment to maintain confidentiality and undergo training on privacy, confidentiality and information security regularly. In addition, the Group ensures that its suppliers sign comprehensive outsourcing agreements, as part of which supplies undertake that their employees comply with the Group's strict information security and privacy rules.

As described above, with regard to its customers, the Group ensures that its dealings with its customers are fully transparent, and informs them regarding the collection of data relating thereto, the objectives of the collection of such data, the ways it is used, etc. Moreover, the signing-on forms relating to the Group's products include consent clauses, which are in line with the provisions of the Privacy Protection Law, 1981 and its regulatory obligations, and so do the Company's Revised Privacy Policy, which is posted on its website; the privacy policy for Company's employees, and more.

Furthermore, the Group gives its customers access to their data, which are stored on its systems as part of the personal area in the Company's website and the customer app and even provides them information about their rights in connection with that data, as required by law. Thus, for example, the Group informs its customers as to their right to peruse the data, ask to amend, delete or transfer it, etc.

The Group's business and operating units are supported by the legal department and receive advice on an ongoing basis in the areas of privacy and data protection.

It is clarified that the Group takes very seriously any breach of its privacy policy and/or information security, and in addition to taking precautions it also implements monitoring measures in connection with its employees and the suppliers with whom it works as well as reporting to the relevant authorities according to the particulars of the case and it's severity.

In the past year, the Company (Phoenix Insurance Company Ltd.) reported for the sake of caution only, to the Privacy Protection Authority and the Capital Market Authority about a specific case that resulted from a malfunction that was dealt with. For information about pending claims on the subject, see Note 3 of the 2024 Financial Statements.

### 6.3.4.7 Information & cyber security

The importance of protection against cyber-attacks increases with the development of innovative technologies and the sensitive information stored therein. The Company conducts ongoing assessments of the threats to the IT and communication systems for the purpose of securing the availability of systems, confidentiality of information, and reliability of data. In order to minimize the potential damage, we deploy and implement advanced tools for 24/7 monitoring, identifying and containing cyber threats or breaches. This is done in accordance with orderly principles regarding incidents where availability, integrity or confidentiality are undermined.

The Company has guidelines, designated areas of responsibility and applicability, as well as ways to inform all employees of the subject, as part of the business activities and operating activities. The Company made it possible for all employees to report immediately - in a number of ways - where there are concerns to a materialization of the cyber risk, including - for example - a "dedicated reporting button", through which an employee can report an email, which is a suspected phishing email; as soon as the button is pushed, the email is blocked in all email boxes in the organization to which it was sent, and the matter is transferred immediately for a review by information security personnel. The Group also defined an administrative infrastructure for the full range of required information security activities. From time to time, the Group conducts simulations of various information security incidents. The Company conducts top table drills once a year, in which the crisis management team, the business divisions and the technological functions simulate information security crises.

In addition, throughout the year, the Company carries out at least 3 unannounced technology-related drills in which the Company effectively assesses it's vulnerability and capabilities of the technological teams - cyber and infrastructures - to identify a cyber event and deal with the effects of such an event, for example - servers restoration in an event where an attacker managed to encrypt them; some of the exercises are carried out by ethical hackers hired by the organization in order to challenge the defense mechanisms in the form of unannounced attacks, in addition to the use of advanced technological capabilities, which constantly and continuously attempt to attack the organization.

The cyber risks are managed by the officer in charge of cyber security and information security (CISO), who reports to the Chief Technology, Information Systems and Innovation Officer. The Chief Technology, Information Systems and Innovation Officer is in charge of verifying that the senior managers of all business units and subsidiaries devote their utmost attention to this issue. Day-to-day responsibilities for security and privacy are overseen by various teams and managers, including the Company's cyber defense team, the Legal Counsel Division, risk managers, etc. In addition, we have set up a cyber incidents response team. The corporate governance rules, which are set in the Company's procedures, include a number of quarterly control processes, including steering committees dealing with information security and cyber security issues from a Group perspective; as part of those processes, updates are presented as to emerging threats, the principles of the response and the status of the implementation of the work plan, and breach and attack simulations are held, which are independent technological control tools; the risk management function of the Company is challenged regularly, the Chief Internal Auditor conducts audits as well as a quarterly discussion, in which the situation is presented to the Board of Directors' IT Committee.

The Company's management has in place regular control processes to ensure resilience against the various threats. Progress of the cyber unit's work plan is audited on a regular basis by steering committees and by committees meeting face to face. Regular reports are delivered to the Board of Directors based on the reports and other components, and the board outlines guidelines with the support of a cyber security expert. The advisor challenges the activities of the cyber security officer, and the Company's preparedness for tackling the risks. He implements regular controls over the matters presented to the Board of Directors and explains the risks and the responses. Furthermore, the Company's Chief Internal Auditor conducts audits on a regular basis in the areas of information and cyber security with the assistance of external experts.

Phoenix Insurance and Phoenix Pension and Provident are subject to local information security regulations and obtained PCI standards. Three Group agencies comply with the ISO 27001 standard. The Group works closely with regulators and authorities in connection with the relevant issues.

To the best of our knowledge, in 2024 there were no cyber incidents which compromised the Group's business continuity or breached the privacy of our customers and employees.

### 6.3.4.8 Artificial intelligence (AI)

The use of artificial intelligence in general, and in the financial sector in particular, has been on the rise in recent years. Artificial intelligence has many benefits and a huge potential for humanity; however, it poses significant challenges such as dealing with concerns regarding privacy, information security, biased decision-making, undermining competition, etc.

Using artificial intelligence may maximize value for the Group, and accordingly - the Group works to incorporate those tools into its activities, while being aware of the risks and concerns involved in using AI systems.

The Company has implemented a number of AI-based apps in the Company, all of which involve a human factor in decision-making, including an auxiliary tool that serves as a "personal assistant" to its employees who assist them in performing daily tasks such as: translation and writing documents. As part of the implementation of this app, the Company conducts appropriate instruction and training sessions in order to teach the employees to make responsible use of this app. The Company makes additional uses based on generative AI designed to optimize and improve working processes, back office, and it also works to implement additional uses in this field.

As part of the implementation of corporate governance in this field, the Company has developed and adopted work tools for risk assessment and responsible use of generative AI systems. This tool examines aspects such as privacy, cyber risks, the degree of human involvement and information security, and has been approved by the Company's Audit Committee. The Company has a steering committee on AI that convenes on a quarterly basis, and its members include senior executives and another committee headed by the CEO. The Company plans to formulate a comprehensive policy document on the subject of artificial intelligence and is examining the possibility of implementing compliance systems for responsible uses in this field.

### 6.3.4.9 Tax policies

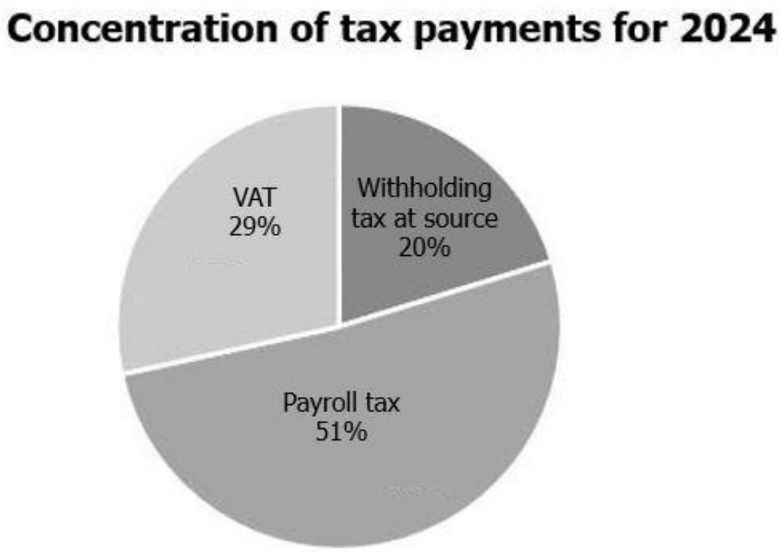
As a leading company in the finance sector in Israel, the Company adheres to all tax requirements and regulations in the jurisdictions in which it operates, with transparency and accountability.

Within the Israeli insurance sector, there are industry-wide agreements between the Israeli Insurance Association and the Israel Tax Authority that regulate the unique tax requirements for the sector and apply to the entire sector. The tax agreements are updated and renewed from time to time, and the Insurance Company fully complies with them. The tax department manages all tax areas for the Group, including ongoing activities with internal departments and the Israel Tax Authority.

The Group companies conduct activities with maximum transparency vis-à-vis the Israel Tax Authority. The Company conducts annual assessments and audits for the Israel Tax Authority, prepared by the Company's tax team. A third party audits the Group's tax statements, and so far all Group companies have successfully passed the audits of the Israel Tax Authority without exception.

The Company constantly makes investments in various areas and sectors of the economy for its customers and planholders, while meeting various regulatory and corporate requirements in multiple countries around the world. The tax consulting firms that guide and support the Group in its dealings with tax authorities across the world are among the leading in their field in Israel and abroad.

In 2024, in addition to corporate tax as detailed in Note 23 of the Financial Statements, the Company paid[54] approx. NIS 1 billion to the Israel Tax Authority, for employer tax, payroll tax, social security, deductions and VAT.




## 6.4 Corporate Governance

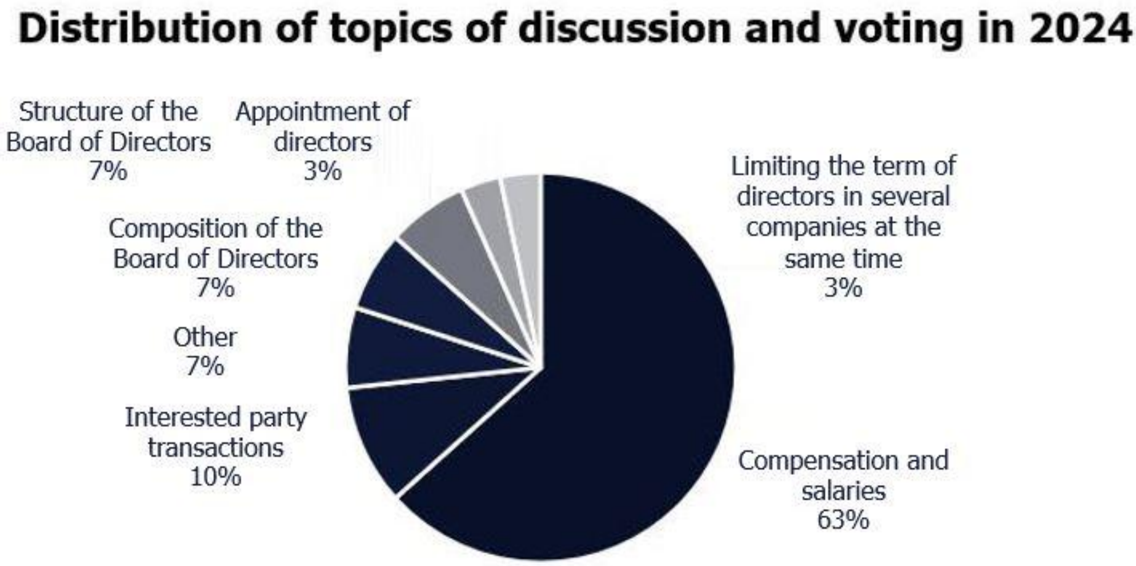
The Company aspires to become a model of strong corporate governance. The Company manages large-scale investments, and as such, proper corporate governance is not only a legal obligation but an essential element of its ethical commitment and business conduct. The Company maintains full transparency with the shareholders, holds regular Board of Directors meetings, makes data-based decisions, and strictly carries out internal and external audits. The above – out of an understanding that corporate governance is the basis for public trust in the Company and for its long-term financial stability. Moreover, the Company maintains an open and ongoing dialogue with investors, with the aim of hearing their views and addressing their needs and concerns. Through this dialogue, the Company can enhance its performance and adapt its strategies to market expectations and thus strengthen its relationships with investors and cultivate mutual trust. For more information, see 5.1 Corporate Governance.

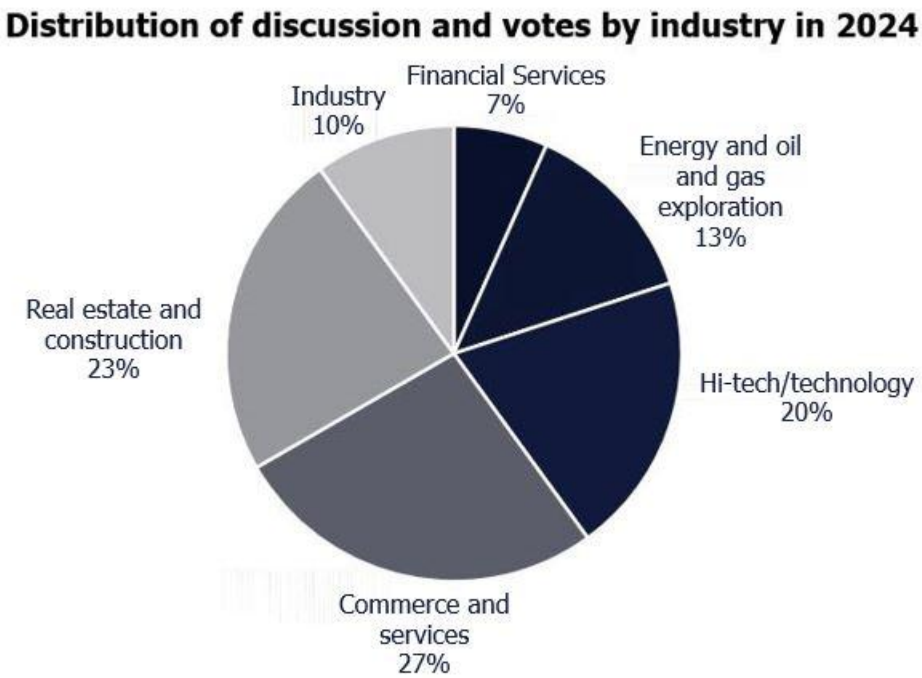
### 6.4.1 Stewardship and voting as a leading investor

As an institutional investor, we have the ability to influence the shaping and improvement of the corporate governance of our material portfolio companies, among others, by voting at general meetings. The Company has adopted a unique, independent discussion and voting policy at the meetings of companies in which it invests. We participate in hundreds of votes every year. Although most are on technical matters, a substantial part of the votes contribute directly to better corporate governance. In 2024, we participated in approx. 570 general meetings; of which, through discussions with the relevant companies, we were able to influence 30 votes in favor of promoting corporate governance and corporate responsibility among Israeli companies, on various issues. For example: The Company has objected to and even proactively approached companies with regard to those topics, resulting in changes to the compensation policy and/or officers' terms of service, such that they are consistent with the principles set out in the policy. We have thoroughly examined

[54] Refers to the taxation of the associates in the scope of the reporting of this chapter.

appointment of external directors and objected to such appointments where they were not in line with its policy for qualitative and pertinent considerations. In addition, the Company took steps to offer a position of an ED in order to achieve gender balance in its boards of directors, together with the appointment of additional EDs, where it believed that action should be taken to bolster the Board of Directors' independency. For the 2024 Discussion and Voting Policy, see the Company's website.



### 6.4.2 Scope of reporting

The sustainability chapter in the Company's Annual Report emphasizes our commitment to transparency towards our stakeholders, and to reporting our business strategy as well as our impact on the environmental, social, and corporate governance issues.

This chapter covers Phoenix group's operations in Israel and overseas, including the following entities, unless otherwise stated: Phoenix Financial Ltd., Phoenix Insurance Company Ltd., Phoenix Pension and Provident Funds Ltd., Phoenix Capital Partners (formerly known as Phoenix Investments and Finances Ltd.), Phoenix Investment House Ltd., Gama Management and Clearing Ltd., Agam Leaderim Holdings (2001) Ltd., Shekel Insurance Agency (2008) Ltd., Oren Mizrach Insurance Agency Ltd.

Performance data is for 2024 and prior years, when available. In some data tables, figures may not calculate to 100% or exact totals, due to up and down rounding effects.
As part of the Company's commitment to transparency and reliability in reporting on sustainability, the current Report has been subjected to an external assurance process by an independent entity. This process, whose purpose is to grant credibility and reliability to the data and reporting processes, controls, and relevant collecting methods in order to build a credible and accurate reporting framework. The Company places paramount importance on providing reliable and accurate information to stakeholders regarding the impact of its operations.

Building a better
working world

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**Independent Limited Assurance Report to the users/readers of Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.) 2024 Sustainability Report**

We were engaged by the management of Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.) (further referred to as "The Phoenix" or "the Group") to provide limited assurance on the specified parts as mentioned below (further referred to as "specified parts"), regarding the information presented on The Phoenix's Sustainability Report for the year ended 31 December 2024 (further referred to as "the Report").

Below is a list of the specified parts on which limited assurance was performed regarding the information and data for the year 2024: Scope 1 and 2 emissions; Scope of premiums from green products and services; ESG investments policy; Percentage of women in senior management positions; Number of transfers and promotions in the Group; Scope of Sustainability Committee Meetings. Further information and details, including the scope, content, assumptions and estimates determined by the Group regarding the specified parts included in the process, can be found in the relevant chapters of the Group's Report. Additionally, a limited assurance was performed regarding the percentage of employees and managers who completed the ethical code training for the year 2023 only.

The Phoenix management is responsible for A. the preparation and the presentation of the Sustainability Report in accordance with the Sustainability Reporting Standards of the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB) as described in the Report and the information and assertions contained within it B. for determining The Phoenix's objectives in respect of sustainable development performance and reporting C. for establishing and maintaining appropriate performance management and internal control systems from which the information is derived, to be free from omissions and material misstatements whether due to fraud or error. D. the identification of stakeholders and material issues for reporting.

Our responsibility is to provide a limited assurance engagement and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements, including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the topics that were examined in the report are free from material misstatement.

A limited assurance engagement, regarding data and information in the specified parts on the Sustainability Report, consists of making interviews, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures, as appropriate. These procedures included:

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- Examination of the specified parts in the Report, for the purpose of performing a limited assurance, based on public information sources, knowledge of the Group activities and other comparative information of similar organizations.
- Interviews with relevant parties responsible for providing the necessary information for the preparation of the report, to gain an understanding of the specified parts.
- Comparing the information regarding the specified parts presented in the Report to corresponding information in the relevant underlying sources to determine whether all the relevant information contained in such underlying sources has been included in the Report.
- Where relevant, conducting interviews regarding the calculation, aggregation and methods used to collect and report the specified parts in the Report.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the ESG performance of The Phoenix.

As part of the process of performing a limited assurance, we reviewed the changes made to the draft Sustainability Report of The Phoenix and reviewed the final version of the Report to ensure that it reflects our findings.

The scope of the procedures for gathering and examining supporting information performed in the Limited Assurance process are less than those intended to provide Reasonable Assurance and therefore, a lower level of assurance is provided regarding Phoenix's ESG Report.

Based on the limited assurance procedures performed and the evidence we have obtained, described in this report, nothing has come to our attention to indicate that the specified parts, in The Phoenix's 2024 Sustainability Report, are not presented, in all material respects, in accordance with the GRI, SASB and The Phoenix's reporting criteria.

Our limited assurance report is made solely to The Phoenix in accordance with the terms of our engagement. Our work has been undertaken so that we might state to The Phoenix those specified parts we have been engaged to state in this limited assurance report and for no other purpose or in any other context. We do not accept or assume responsibility to anyone other than The Phoenix for our work, for this limited assurance report, or for the conclusions we have reached.

Tel Aviv,
March 12, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

## Part 2

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

Reuven Rubin, Open Window, ca. 1922–3, 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 December 31, 2024

The Report of the Board of Directors of Phoenix Financial Ltd. (formerly - Phoenix Holdings Ltd., hereinafter - "**Phoenix Financial**" or the "**Company**" or the **Corporation**") as of December 31, 2024, outlines the principal changes in the Company's operations in the period from January through December 2024 (hereinafter - the "**Reporting Year**").

In light of the Company's diverse activities in the fields of Insurance, Asset Management, Distribution and Credit, it took steps to change its name such that it will match its business activities. On August 14, 2024, the Company's General Meeting approved the change of its name to Phoenix Financial Ltd. On August 19, 2024 the Registrar of Companies approved the name change as requested.

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 of the Board of Directors is an integral part of the periodic report, and the periodic report should be read in its entirety, as a single unit (hereinafter - the "**Financial Report**" or the "**Financial Statements**"). For further explanations regarding changes between the financial results for 2023 and the financial results for 2022 – see the Report of the Board of Directors on the State of the Company's Affairs as of December 31, 2023, as published in the Company's Periodic Report for 2023.

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

### 1.1. Group structure

Sale of control over the Company and its transformation into a company without a controlling core

On April 21, 2024, Belenus Lux S.a.r.l. (hereinafter - "**Belenus**"), which is indirectly held by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs - the Company's controlling shareholders (hereinafter - the "**Former Controlling Shareholders**"), informed the Company that the Capital Market, Insurance and Savings Authority awarded the Former Controlling Shareholders a permit to hold means of control in the Company and in Phoenix Insurance at a rate of up to 10% of the Company's means of control (hereinafter - the "**New Holding Permit**").

During the third quarter of 2024, the Company's Former Controlling Shareholders sold shares, such that as from July 17, 2024, the Company no longer has a controlling core. Immediately prior to the sale of the shares, the controlling shareholder held approx. 31% of the Company's shares, and as of the report publication date it is no longer an interested party in the Company.

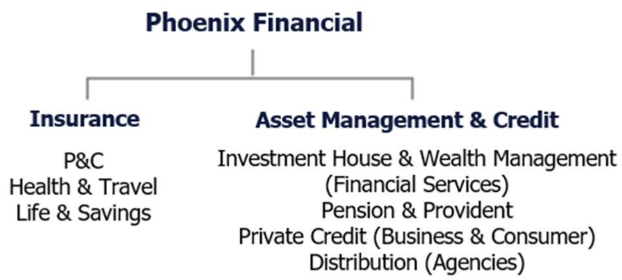
Following the Company's becoming a company without a controlling core, it set up an appointments committee, which will recommend new directors to the Company following the resignation of directors, who served on behalf of the controlling shareholders, in accordance with guidelines set by the Company's Board. Further to the above, the general meeting of the Company approved the appointment of four new directors. For further details regarding corporate governance in the Company and in the Group’s institutional entities, see Part 5 below – Corporate Governance Aspects.

In addition, on February 26, 2025, the Company received a letter from the Commissioner regarding the Outline for Exercising the Company's Means of Control in the Subsidiaries: Phoenix Insurance and Phoenix Pension & Provident Funds. For further details, see Section 1.1.1 to the Report on the Company’s Business.

For further details, see the immediate reports dated April 21, 2024, July 16, 2024, August 8, 2024, October 14, 2024 and December 2, 2024 (Ref. Nos.: 2024-01-044958, 2024-01-074239, 2024-01-085306, 2024-01-610485 and 2024-01-621184, respectively).

## 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 and Credit.



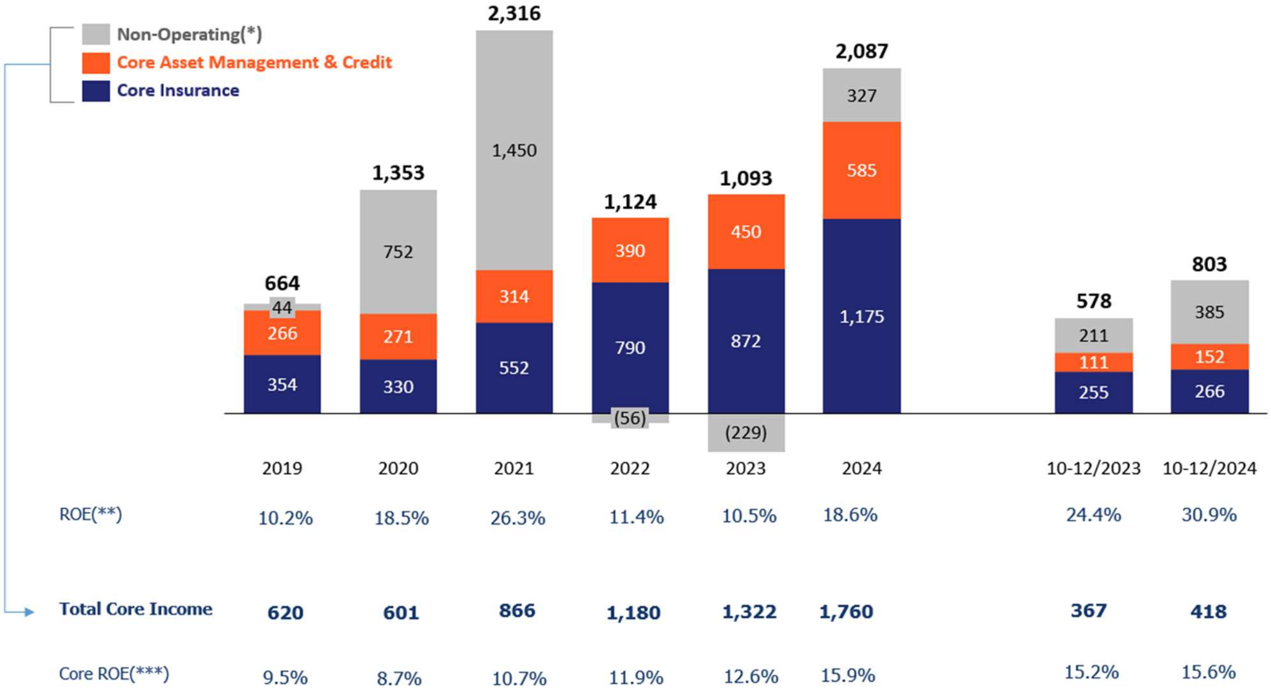

The said activity is divided in the Report into seven reporting segments. **The Insurance Activity** is divided into three segments - Property and Casualty Insurance, Health Insurance, Life and Savings. **The Asset Management and Credit Activity** is divided into four further segments - Retirement (Pension and Provident), Investment House and Wealth, Distribution (Agencies) and Credit.

In the **Insurance Activity**, the Company operates through Phoenix Insurance Company Ltd.; In the **Asset Management and Credit Activity**, the Company operates through Phoenix Pension and Provident Funds Ltd., Phoenix Investment House Ltd., and Phoenix Advanced Investments Ltd.; in **Distribution** through Phoenix Agencies 1989 Ltd. and the agencies it owns; and in **Credit** mainly through Gama Management and Clearing Ltd. - a reporting corporation, all of the shares of which are owned by the Company (hereinafter - “**Phoenix**

**Gama**"); for information about 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. In September 2024, the Company's Board of Directors decided to revise the strategic objectives for the Company and the Group subsidiaries for 2027, based on the Company's multi-year strategic plan and joint work for the management and work teams of the Company and the Group subsidiaries. Due to the implementation of IFRS 17 as from the Company's financial statements as of January 1, 2025 and its positive effect on the Company, the Company reports a potential comprehensive income and intends to revise its strategic objectives in 2025. For further details, see Section 5 below and the immediate report dated September 9, 2024 (Ref. No. 2024-01-601901).

1.2.3. The Company has various sources of operating income of its subsidiaries, as detailed in the sections dealing with the various operating segments. Following is the breakdown of the comprehensive income attributable to the shareholders in the Reporting Year (in NIS million post-tax); for further details, see Note 3 to the Financial Statements and Section 6 below:




(*) Non-operating income - income from capital market effects above or below a real return of 3%, effects of the interest rate curve changes and other special items. (For further details, see Section 6.4.1 below).
(**) 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.
(***) Adjusted 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. Interest rates, capital markets 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 Year, the Bank of Israel decreased the interest rate from 4.75% to 4.5%. In addition, in the Reporting Year, the short-term NIS yield curve was up and the illiquidity premium was down' and in the fourth quarter of the year - the NIS interest rate curve decreased in the illiquidity premium; in addition to their effect on the assets, these changes led to a change in insurance liabilities and the K-value; for further details, see Section 6.4 below and Note 41 to the Financial Statements.

Capital market - during the Reporting Year, despite volatility during the year, 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, the Company collects variable management fees. For details regarding the effects on investment income and the closing of the deficit arising from non-collection of variable management fees, see Section 6.4 to the Report of the Board of Directors.

Inflation - during the Reporting Year, the inflation rate increased by 3.4% compared to an increase of 3.3% 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 0.6% increase in inflation in January; these changes brought about real profits in the Nostro liquid portfolio. On the other hand, there was a decrease in the risk-free interest rate curve and liquidity premium, which may trigger an increase in insurance liabilities.

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 first quarter of 2025, and therefore the above does not constitute an assessment of the Company's results in the first 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 4 to the Report of the Board of Directors; for effects on the Company's financial results and sensitivity tests, see Section 6 to the Report of the Board of Directors, and Note 41 to the Financial Statements. As to the effect of the changes in the NIS yield curve and in capital markets on Phoenix Insurance's solvency ratio, see Section 3.1.7 below, and Section 8 in Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2024.

For the purpose if using its financial results, the Company uses a real return of 3% (see Section 6.4.1). In view of that, the changes in the CPI, as stated above, affects the classification of amounts between underwriting income and investment income. It is noted that as from January 1, 2025, due to the change in the accounting standards and the implementation of IFRS 17 and IFRS 9, the Company will measure its normalized investment results using nominal risk-free interest plus a 2.25% spread (for further details regarding the implementation of IFRS 17, see Section 2 below).

### 1.3.2. 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. Towards the end of the Reporting Year, ceasefire agreements were signed in Lebanon and Gaza, which are being complied with as of the report publication date; under the abovementioned agreements, some of the hostages who were abducted to Gaza at the beginning of the War were released.

Subsequent to the War, on February 9, 2024, it downgraded the State of Israel's credit rating to A2 with a negative outlook. On September 27, 2024, Moody's rating agency announced that it was again downgrading the State of Israel's rating to Baa1 with a negative outlook.

On April 18, 2024, S&P announced it was downgrading the State of Israel's rating from AA- to A+, with a negative outlook. On October 1, 2024, S&P announced that it was again downgrading the State of Israel's rating to A with a negative outlook, among other things, due to the continuation and escalation of the fighting against Hezbollah.

Fitch rating agency announced on August 12, 2024 it was downgrading the State of Israel's rating from A+ to A with a negative outlook.

Following Moody's downgrade of Israel's rating, it also downgraded Phoenix Insurance's internation rating. For further details, see Section 1.3.26 to the Report of the Board of Directors.

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

### 1.3.3. The Company's preparation for the application of IFRS 17 and IFRS 9

The Company is in advanced stages of applying IFRS 17 (hereinafter - the "**Standard**") and IFRS 9 (hereinafter - "**IFRS 9**") (hereinafter, jointly - the "**Standards**"), in the Financial Statements of the Company and Phoenix Insurance; for further details, see Section 2 below.

### 1.3.4. Updating the minimum capital target

In August and December 2024, Phoenix Insurance's Board of Directors revised the minimum economic solvency ratio target without taking into account Provisions for the Transitional Period from 115% to 118% (in August) and from 118% to 121% (in December 2024), effective December 31, 2024.

### 1.3.5. The reform in the Health Insurance Segment and the Economic Arrangements Law for 2023 and 2024

For details regarding Phoenix Insurance's application of insurance rates as part of the health insurance reform and the Economic Arrangements Law for 2023 and 2024, see Section 2.3 to the Report on the Corporation's Business.

### 1.3.6. Revising the demographic assumptions in life insurance and pension funds

As of July 24, 2024, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the Consolidated Circular regarding revising the demographic assumptions for insurance companies and pension funds (hereinafter - the "**Circular**"). Following the implementation of the Circular, the effect on Phoenix Insurance's financial results was an increase in insurance liabilities in life insurance, which caused a decrease of approx. NIS 168 million in pre-tax income in the third quarter of 2024. For further details, see Note 41 to the Financial Statements.

### 1.3.7. Completion of the take-up rate (TUR) study

During 2024, the Company completed a study on the subject of retirement age and pension takeup rates regarding the tendency for pension takeup at different rates in accordance with the retirement age (hereinafter - the "Study"). Following the implementation of the study, the Company's insurance liabilities decreased, which increased its pre-tax income by approx. NIS 254 million. For further details, see Note 41 to the Financial Statements.

## Asset Management and Credit

### 1.3.8. Restructuring of investment management

As part of the implementation of the strategic plan regarding the Asset Management and Credit Activity, and the Company’s wish to concentrate each of activities under separate arms, on July 30, 2024, the Company’s Board of Directors passed an in-principle resolution regarding restructuring, which will include statutory mergers in accordance with the Eighth Part of the Companies Law, and the transfer of activities and assets of various group companies, as follows:

**<u>Approval of mergers of companies in Phoenix group</u>**

The Company’s Board of Directors approved that statutory mergers will be carried out as part of the restructuring between the Company and Phoenix Investments and Finances Ltd., a wholly-owned (100%) privately-held subsidiary of the Company (hereinafter - “**Phoenix Investments**”; the “**First Merger**”) and between the Company and Platinum Finance and Factoring Ltd., a wholly-owned (100%) privately-held subsidiary of the Company (hereinafter - “**Platinum**”; the “**Second Merger**”). As a result of the mergers all of the assets and liabilities of Phoenix Investments and Platinum (which will be the merging entities in the mergers, as this term is defined in the Companies Law) will be transferred to the Company (which will be the surviving entity in the mergers, as this term is defined in the Companies Law), and they will cease to exist as separate companies. In November 2024, simultaneously with the approval of the Company’s financial statements, the Company’s Board of Directors and the relevant bodies in the Group companies approved the mergers.

The completion of the mergers is conditional upon, among other things, the fulfillment of all of the following conditions: (a) Receipt of the Israel Tax Authority’s approval for a restructuring and merger, which is exempted from corporate income tax in respect of each of the mergers, in accordance with Section 103I to the Income Tax Ordinance (hereinafter - “**Approval by the Israel Tax Authority**”); and (b) the execution of the actions required to complete each of the mergers in accordance with the Companies Law and Companies Regulations (Merger), 2000.

Subsequent to the report date and as of the report publication date, the Israel Tax Authority and Registrar of Companies approved the merger, and the Company completed the measures required to complete each of the mergers. Accordingly, see the Company's report dated February 25, 2025 (Ref. No.: 2025-01-012796).

**Approval of additional structural changes to be executed subject to completion of the mergers**

On completion of the First Merger, the Company transferred to Phoenix Capital Partners Ltd. - a new privately-held subsidiary established by it, which it shall wholly-own (hereinafter - the "**New Company**") - the entire Asset Management Activity, which was carried out in Phoenix Investments prior to the merger date; its holding in all of Phoenix Advanced Investments Ltd.'s shares (hereinafter - "**Phoenix Advanced Investments**"); and its 19.9% stake in the shares of Phoenix Underwriting Ltd. In addition, the Company's holdings in the shares of Tehuda Management Service 1999 Ltd. and Safra Ltd., which were held by Phoenix Investments, were transferred to Phoenix Advanced Investments. In addition, upon completion of the Second Merger, the Company transferred to Phoenix Gama - in effect as from January 1, 2025 - its entire stake in Phoenix Retail Credit Ltd.' (hereinafter - "**Phoenix Retail Credit**") (for details, see Section 1.3.10 below).

### 1.3.9. Restructuring in the Credit Segment

At the end of 2023, as part of the execution of the said strategic plan in the Credit Segment, it was decided to execute a restructuring in the Credit Segment, as part of which Phoenix Construction Financing and Guarantees Ltd., which provides financing to real estate development projects (mainly residential projects) (hereinafter - "**Phoenix Financing and Construction**") and was wholly owned by Phoenix Insurance, became wholly owned by Gama. For further details, see the Company's immediate report of December 12 2023 (Ref. No. 2023-01-134841).

### 1.3.10. Phoenix Retail Credit

During 2022, the Company decided that the provision of consumer credit will be carried out through Phoenix Retail Credit Ltd.

Further to this decision, the Company began to operate in this area, while developing a software, and during December 2023 - received an expanded credit provision license (hereinafter - the "**License**") in accordance with The Financial Services Supervision Law (Regulated Financial Services), 2018.

In June 2023, Phoenix Retail Credit entered into a long-term agreement with a software company for the provision of managed services and the development of a system for the processing, management and development of consumer credit services to customers, in a manner that is compliant with the provisions of the law and the regulations.

During the third quarter of 2024, Phoenix Retail Credit started marketing retail credit via a fully digital process; the company's credit portfolio is estimated at tens of millions of NIS.

As detailed above, the Company transferred to Phoenix Gama the shares of Phoenix Retail Credit effective January 1, 2025. which was wholly-owned by Gama, in exchange for issuance of shares in accordance with the value ratios.

For further details, see Section 2.6.1 to the Report on the Company's Business and the Company's immediate report dated December 12, 2023 (Ref. No.: 2023-01-134841).

### 1.3.11. Phoenix Investment House - Acquisition of assets under management from Psagot Investment House

In the Reporting Year, a transaction was completed between Phoenix Investment House and KSM Mutual Funds on the one hand, and companies of the Psagot Investment House group on the other hand, for the acquisition of assets (mutual funds activity and hedge funds activity) totaling approx. NIS 22.2 billion for a total consideration of NIS 150 million.

For further details, see the immediate reports dated December 20, 2023 and February 28, 2024 (Ref. Nos.: 2023-01-138141 and 2023-01-138141, respectively).

### 1.3.12. Phoenix Investment House – Shareholders Agreement

In November 2024 and February 2025, addendum were signed to the shareholders agreement of Phoenix Investment House Ltd. - Phoenix Investments and Finances, Mssrs. Boaz Nagar (Chairman of the Board of Directors of the Investment House and KSM Mutual Funds Ltd.) and Avner Hadad (CEO of the Investment House and KSM Mutual Funds Ltd.); (Boaz and Avner jointly - the "**Managers**"), which, among other things, extends - by three additional years - the term of the put and call options arrangements for the execution of transactions in connection with the Managers' holdings in the Investment House, as set forth in the shareholders agreement of May 2022. That is to say, the transactions may be executed from 2026 to 2031 (instead of through 2029). The exercise price of the options will be set in accordance with an agreed valuations-based mechanism, which will be based on Phoenix Investment House's financial statements. For further details regarding the arrangements relating to Investment House options awarded to the Managers, see the Company's immediate report of March 15, 2022 (Ref. No.: 2022-01-025548). In February 2025, the parties signed an additional addendum to the shareholders agreement, which updated certain rights regarding the put and call option arrangements.

### 1.3.13. Retirement (Pension and Provident) - Slice

In September 2024, Phoenix Pension and Provident Ltd., a wholly-owned subsidiary of the Company, entered into an agreement with Slice Gemel Ltd. (under authorized administration) (hereinafter - "**Slice**"), whereunder Phoenix Pension and Provident will purchase from Slice several provident funds and an advanced education fund (hereinafter - the "**Funds**"). On October 30, 2024, the court handed down a ruling, which approves the sale of the Funds to Phoenix Pension and Provident in the manner and under the terms and conditions listed in the agreement. On December 4, 2024, the Capital Market Authority approved the agreement; the transfer of the funds' management and merger was completed on February 28, 2025. On the agreement completion date, the funds were transferred to Phoenix Pension & Provident and they were merged into existing funds under the management of Phoenix Pension & Provident.

### 1.3.14. Phoenix Agencies

As part of the Company's strategy of maximizing value from the activities of the Group subsidiaries, it continues to assess opportunities to unlock value in Phoenix Agencies and will report in accordance with any developments that may occur. For further details with respect to the conclusions of the report of the taskforce for assessing the holding of insurance agencies by institutional entities, see Section 2.7 to the Report on the Company's Business.

### 1.3.15. Oren Mizrach transaction

In August 2024 Phoenix Agencies signed an agreement for the purchase from companies owned by Mr. Oren Cohen - both directly and indirectly - of approx. 16% further ownership interest in Oren Mizrach Insurance Agency Ltd. (hereinafter - "**Oren Mizrach**"), such that subsequent to this acquisition, Phoenix Agencies holds - directly and indirectly - approx. 84% of the ownership interest in Oren Mizrach instead of approx. 68% before of the abovementioned transaction. Furthermore, in accordance with the agreement, Phoenix Agencies issued to a company owned by Oren Cohen shares constituting approx. 1.75% of Phoenix Agencies' share capital, Following the issuance, the Company holds approx. 78% of the issued and paid-up share capital of Phoenix Agencies.

### 1.3.16. One Part

One Part Ltd. is held in equal shares by the Company and partners. One Part started its operations in the first quarter of the Reporting Year; it is engaged in the importation and marketing of automotive bodywork (shell) spare parts in Israel. As part of the activity, One Part and Phoenix Insurance entered into an agreement for the supply of spare parts.

### 1.3.17. Acquisition of ownership interests from partners by Phoenix Advanced Investments

In August 2024 Phoenix Advanced Investments increased its share in the Wealth Subsegment by acquiring ownership interests from several partners in various companies operating in the area of Wealth and IRA, at a total of approx. NIS 90 million.

## Further developments in the Reporting Year and thereafter at the group level

### 1.3.18. Sustainability and ESG

In the Reporting Year, the Company implemented a comprehensive in-depth process to refine its sustainability strategy and focus it on areas in which the Company wishes to generate value for its shareholders and stakeholders. Accordingly, the Company decided to incorporate the issue of sustainability into its Periodic Report and therefore incorporated its annual sustainability reports into this Periodic Report. It is noted that these reports include a dedicated external assurance of the independent auditor. For more information, see Chapter F below on sustainability in the Report on the Company’s Business.

### 1.3.19. Dividend policy and dividend distribution

1.3.19.1. **Dividend distribution policy**

In May 2024, the Company’s Board of Directors approved a revised dividend distribution policy, whereby the Company shall distribute a semi-annual dividend at a minimum rate of 40% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year (as of the 2024 income).[1] Amounts used by the Company in the execution of buy-back plans are not included in the dividend distributions.

1.3.19.2. **Distribution of dividend by the Company to its shareholders**

A. In August 2024, concurrently with the approval of the Company's Financial Statements as of June 30, 2024, the Company's Board of Directors decided to distribute a dividend in accordance with the Company’s dividend distribution policy, which was revised in May 2024,[2] totaling NIS 270 million, which constitutes approx. NIS 1.07 per share. The said distribution was based, among other things, on a dividend distribution from subsidiaries, including from Phoenix Insurance, as detailed below. The actual distribution was on September 11, 2024.

[1] Instead of the policy which was in place until then, of distributing a dividend of no less than 30% of the profit.
[2] For further details regarding the revision of the dividend distribution policy, see the Company’s Report of the Board of Directors as of June 30, 2024.

B. Subsequent to the report date, on March 12, 2025, concurrently with the approval of the Company's Financial Statements as of December 31, 2024, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 565 million. Total amount in dividend that was distributed and will be distributed in cash in respect of 2024 including the interim dividend as stated above is NIS 835 million, which represents a dividend per share of approx. NIS 3.3. 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 in respect of said adjustment on the record date. It is noted that the Company complies with all dividend distribution restrictions; for further details, see Section 1.3.20 below.

1.3.19.3. **Phoenix Insurance's distribution policy**

In 2024, the Board of Directors of Phoenix Insurance revised the dividend distribution policy in Phoenix Insurance, whereby - as from 2024 - Phoenix Insurance will distribute a semi-annual dividend of 40% to 60%[3] of Phoenix Insurance's comprehensive income as per its Consolidated Annual Financial Statements, as long as Phoenix Insurance meets the set minimum capital target rate (see Section 1.3.4 above), which is higher that the solvency ratio it is required to maintain under the regulations.

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.

1.3.19.4. **Distribution from Phoenix Insurance to the Company**

A. At the beginning of the Reporting Year, Phoenix Insurance carried out a distribution of Phoenix Financing and Construction as a dividend in kind at a total amount of approx. NIS 315 million as detailed in Section 1.3.19 above.

B. In August 2024, Phoenix Insurance distributed a dividend in the total amount of NIS 250 million, which exceeds the threshold set in Phoenix Insurance's dividend distribution policy. The distribution was carried out after compliance with solvency ratio targets and the distribution criteria in accordance with the Companies Law.

C. 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 in accordance with the following breakdown:

[3] Instead of the policy that was in place until then, whereby 30% to 50% of the income will be 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 of illiquid financial assets, whose value in Phoenix Insurance's books of accounts as of December 31, 2024 is approx. NIS 30 million. The distribution is subject to approval by the Commissioner of Regulated Financial Services Providers (hereinafter - the "**Commissioner**"). As of the report publication date, the approvals have yet to be issued.

3. 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.

D. Distribution to the Company of all rights and obligations arising from loans advanced by Phoenix Insurance to Phoenix Mortgages for the purpose of advancing loans to finance Phoenix Mortgage, as a dividend in kind (hereinafter - "**Golden Mortgage Loans**"). The distribution described above was recognized as a dividend and recorded as a liability in Phoenix Insurance's books of accounts as of December 31, 2024 at a fair value of approx. NIS 574 million. The distribution of loans was executed on January 1, 2025. For the effect on the economic solvency ratio, see further details in section 3.1.5 below.

E. Distribution to the Company of Phoenix Insurance's shares in El Al Frequent Flyer Ltd. (hereinafter - "**El Al Club**"), which constitute approx. 19.9% of the issued and paid-up share capital of El Al Club, 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 180 million. The above distribution is subject to the approval of the Israel Tax Authority. As of the report publication date, the approvals have yet to be issued.

In its said distribution resolution, 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 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 or failure to obtain said approvals, as detailed above.**

## 1.3.20. 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 Note 27 to the Financial Statements.

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 a revisions of the minimum solvency ratio target - without taking into account the Provisions for the Transitional Period - of 121% (see Section 1.3.4 above). It is noted that part of the sources of the interim dividend in accordance with Section 1.3.19.2 above originate in the distribution of a dividend by Phoenix Insurance to the Company in August 2024.

## 1.3.21. Share buybacks

In January 2024, 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 "**Plan for 2024**"). In June 2024, the Company's Board of Directors approved the increase of the Plan for 2024 by further NIS 100 million to NIS 200 million in total. As part of the Plan for 2024, as of the report publication date, the Company made buybacks totaling approx. NIS 185 million.

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**").

As of the report publication date, there are approx. 11,529,677.5 dormant shares constituting 4.4% of the Company's issued and paid-up share capital. For further details, see the Company's immediate reports dated January 29, 2025 and February 8, 2025 (Ref. Nos.: 2025-01-007405 and 2025-01-009361, respectively).

## 1.3.22. 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.

**Extension of the exercise period of the 2022 option outline**

In April 2024, the Company's Compensation Committee and Board of Directors, respectively, approved the extension of the exercise period of the first tranche of options under the 2022 Outline, including the options, which were awarded to the Company's CEO, by a further period of approx. ten months through April 10, 2025, which is the exercise date of the second tranche of options (as defined in the 2022 Outline), without making any further changes to the 2022 Outline. For further details, including the Board of Directors' reasons for the extension of the period, see immediate report of April 24, 2024 (Ref. No.: 2024-01-040690). It is noted that during the Reporting Year, the abovementioned options were exercised automatically.

**First-time allocation of restricted share units (RSUs) to employees and officers**

In August 2024, the Company's Compensation Committee Board of Directors approved the allocation of up to 778 thousand RSUs to the Company's CEO, and to officers and employees of the Company and its subsidiaries, without cash consideration. On September 29, 2024, the General Meeting approved the allocation of 3,098 restricted share units (RSUs) for the Company's CEO.

On March 10, 2025 and March 12, 2025, concurrently with the approval of the financial statements, 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 is subject to approval by the Company’s General Meeting.

For further details, see Note 37 to the Financial Statements.

**Allocation of options by subsidiaries**

**Gama**

In January 2024, the Company's Compensation Committee and Board of Directors approved the allocation of non-marketable options of Phoenix Gama to the Company's CEO, Chairman of the Board and officers. The options were awarded as part of the compensation terms of the Company's CEO and Chairman of its Board in respect of their service as directors in Phoenix Gama. The allocation has been preapproved by Gama’s competent organs. The allocation of the options to the Company’s CEO and to the Chairman of the Board of Directors was approved as part of an extraordinary general meeting of the Company on March 7, 2024. The allocation of options was made as part of the allocation to officers in Phoenix group who had an effect on and contributed to the activity of Phoenix Gama. For further details, see the immediate reports dated: February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

**Phoenix Agencies**

In August 2024, the Company's Compensation Committee and Board of Directors approved the allocation of non-marketable options of Phoenix Agencies to the Company's CEO, Chairman of the Board and officers. The options were awarded as part of the compensation terms of the Company's CEO and Chairman of its Board in respect of their service as directors in Phoenix Agencies. The allocation has been preapproved by Phoenix Agencies’ competent organs.

The allocation of options was made as part of the allocation to officers in Phoenix group who had an effect on and contributed to the activity of Phoenix Agencies. For further details, see the immediate reports dated August 22, 2024 and September 30, 2024 (Ref. Nos.: 2024-01-086865 and 2024-01-607009, respectively).

**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 in respect of their service as directors in Phoenix Capital Partners. The allocation has been preapproved by Phoenix Capital Partners’ competent organs. The allocations to the Company’s Chairman and CEO are subject to approval by the Company’s General Meeting.

The allocation of options was made as part of the allocation to officers in Phoenix group who had an effect on and contributed to the activity of Phoenix Capital Partners.

## 1.3.23. Debt raising

### Extending the term of a shelf prospectus

In August 2024, the Israel Securities Authority approved the extension of the term of the Company's shelf prospectus by one further year, through August 23, 2025. For further details, see the immediate report dated August 15, 2024 (Ref. No.: 2024-01-083445). Concurrently, the Israel Securities Authority also approved the extension of the shelf prospectus of Phoenix Capital Raising (2009) Ltd., a wholly owned subsidiary of Phoenix Insurance, which is raising debt for Phoenix Insurance.

### Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion

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 million.

## 1.3.24. Shareholders' meetings

### Annual Meeting - First Session

On August 14, 2024, a first session of the annual General Meeting of the Company was held, with the following items on its agenda, which were brought for discussion and/or approval: 1) discussing the 2023 Periodic Report; 2) reappointing the Company's independent auditor and authorizing the Company's Board of Directors to set its fees; 3) Changing the Company's name to Phoenix Financial Ltd. For further details, see the Company's immediate reports dated July 31, 2024 and August 14, 2024 (Ref. Nos.: 2024-01-078429 and 2024-01-082707).

### Annual Meeting - Second Session

On September 29, 2024, a second session of the Company's annual general meeting was held, and on the agenda the following items were brought for approval: (1) Reappointment of Mr. Benjamin Gabbay as a director of the Company; (2) Reappointment of Mr. Roger Abravanel as a director of the Company; (3) Reappointment of Dr. Ehud Shapira as an independent director of the Company; (4) Allocation of restricted share units (RSUs) of the Company and options (non-marketable) of Phoenix Agencies to the Company's CEO, Mr. Eyal Ben Simon; (5) Allocation of (non-marketable) options of Phoenix Agencies to the Company's Chairman of the Board, Mr. Benjamin Gabbay. For further details, see the Company's immediate reports dated August 22, 2024 and September 30, 2024 (Ref. Nos.: 2024-01-086865 and 2024-01-607009).

### Extraordinary meetings

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

In March 2024, an extraordinary meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of Phoenix Gama. For further details, see the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-020488, respectively).

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, including the directors' statements issued as part of the meeting summons report, see immediate reports dated: December 10, 2024 and January 14, 2025 (Ref. Nos.: 2024-01-623250 and 2025-01-004151, respectively).

## 1.3.25. Renewal of liability insurance for officers and board members

In October 2024 the Company's Compensation Committee approved the engagement in a professional liability insurance policy for officers serving in the Company and in subsidiaries, including those serving on behalf of the controlling shareholders, for an annual insurance period starting on November 3, 2024, in accordance with Regulation 1B1 to the Companies Regulations (Exemptions for Interested Party Transactions), 2000. The limit of liability coverage is USD 165 million per case and in total per annual insurance period, together with reimbursement of reasonable legal expenses in addition to the said liability limit for claims in Israel.

## 1.3.26. Ratings

### Israeli rating

### Maalot

In July 2024, S&P Maalot reiterated the Company's ilAA rating with a stable outlook, and Phoenix Insurance Company's ilAAA rating with a stable outlook. 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.

### Midroog

In January 2024, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook. On August 19, 2024, Midroog announced that it upgrades the rating of Phoenix Insurance from Aa1 to Aaa. 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 February 2025, Midroog announced that it is reiterating the Company’s rating and that of the bonds issued by it at Aa2.il, with a stable outlook.

## Global rating for Phoenix Insurance

### Moody's

In May 2024, international credit rating agency Moody's (hereinafter - “**Moody’s**”) reiterated the existing A2 rating of Phoenix Insurance with a negative rating outlook.

In October 2024, following the downgrade of the State of Israel’s credit rating, Moody’s announced that it was downgrading the international credit rating of Phoenix Insurance from A2 to Baa1 with a negative outlook, with Moody’s noting that the independent financial strength of Phoenix Insurance remained at A2.

### S&P

In July 2024, international credit rating agency S&P Global Ratings (hereinafter - “**S&P**”) reiterated Phoenix Insurance’s ‘A-’ international rating with a stable outlook.

## 1.3.27. Legal proceedings

For details regarding legal proceedings, see Note 43A to the Financial Statements.

## 1.3.28. Human capital

For details regarding the Company's human capital and changes therein, see Section 4.6 to the Report on the Company’s Business.

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

### 2.1. General

IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors stipulates, among other things, the disclosure required in connection with changes in accounting policies. Section 30 to IAS 8 stipulates that when an entity has not applied a new IFRS which has been issued but is not yet effective, the entity shall disclose this fact and known or reasonably estimable information relevant to assessing the possible impact that the application of the new IFRS will have on the entity's financial statements in the period of initial application. Section 31 to IAS 8 details the disclosure that an entity is required to consider disclosing to achieve compliance with Section 30. This disclosure includes, among other things, the nature of the changes in accounting policies, the date by which application of the new IFRS is required, the first-time adoption date by the entity, and a disclosure regarding the impact that initial application of the IFRS is expected to have on the entity's financial statements, or, if that impact is not known or reasonably estimable, a statement to that effect.

In accordance with the above and the Commissioner's Directives in the Roadmap, as detailed below, and in view of the expected material effects of the application of the standard on the Company's financial statements as from the first quarter of 2025, the Company has included qualitative data regarding the key changes to accounting policies and financial effects as of the standard's transition date (January 1, 2024) in Note 45 to the financial statements and financial effects on the Company's results for the first half of 2024 in Section 2.4 below.

### 2.2. Initial application date and the 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.

On June 1, 2023, the Capital Market, Insurance and Savings Authority published a third revision to the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - "Insurance Contracts" (hereinafter - the "**Third Revision**"). As part of the Third Revision the first-time application date of the New Standards in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025; (accordingly, the transition date shall be January 1, 2024). The Third Revision included a requirement to conduct a number of quantitative impact surveys (hereinafter - "QIS") by the Company and the publication of pro-forma reports regarding the New Standards as part of the 2024 Financial Statements.

On January 26, 2025, the Commissioner published a fifth revision to the Roadmap, according to which in its 2024 annual financial statements, the Insurance Company is required to provide separate disclosure regarding statement of financial position line items (pro forma balance sheet) as of January 1, 2024 (i.e., opening balances as of the transition date), including disclosure of gross and reinsurance contractual service margin (CSM), and gross and reinsurance risk adjustment (RA), for each of the operating segments, and a disclosure of the balance of the credit loss provision in accordance with the disclosure format for statement of financial position line items in the Roadmap. In addition, the following line items should be disclosed: comprehensive income for the six-month period ended June 30, 2024, income and loss from insurance services, income (loss) from investments and financing, net, and income (loss) for the period, net of tax, including a verbal explanation of the effect of changes in the interest rate curve and developments in the interest rate curve through the end of 2024. A company may include operating results information for the six-month period ended June 30, 2024 in the Report of the Board of Directors. Furthermore, reliefs were given regarding the information which is required to be disclosed in the notes to the 2025 interim financial statements, and also regarding the related reports to the Commissioner with respect to 2024.

During the Reporting Year, the Company completed the key milestones in the fifth and final 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.
2. QIS 3 Report to the Commissioner on financial data in accordance with the New Standards, which includes a statement of the 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.

It is noted that the above financial statements are neither reviewed nor audited by the independent auditors.

Furthermore, in the Reporting Year, the Company focused on completing the implementation and integration of a new and dedicated IT system for the application of the standard, and on the mapping of the required controls and the manner of flow of information to the financial statements, a process which has not yet been completed and is still underway. Furthermore, the Company conducts reviews and training sessions to 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 will 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 activities which will be affected are 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 are expected to make the financial statements of the insurance companies more transparent and clearer; they 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. The New Standards are not expected to affect the Company's strategy. The Company is making preparations for the adoption of IFRS 17 in accordance with the set schedule. For further details, see Note 45 to the Financial Statements.

### 2.3. Analysis of the Company's sources of income as from the first quarter of 2025, upon the coming into force of the New Standards:

Further to Section 6.4.1, at each reporting period, the Company reviews its sources of income, according to the segment breakdown. Furthermore, the Company reviews its profitability based on a breakdown into core income - assuming a real 3% return assumption - and non-core income. When the New Standards came into force, the Company assessed the method of analyzing its sources of income and the normalization method in the definition of core income and adapted the normalization to the New Standards in order to reflect core income with low volatility. Upon the application of the New Standards, the Company is expected to report its core income as from the first quarter of 2025, assuming a return based on a nominal risk-free interest as of the beginning of the reporting period, plus a 2.25% margin, which prudently reflects the mix of Phoenix Insurance's Nostro investment portfolio. This assumption generates transparency with reduced volatility in accordance with the New Standard compared to a real 3% return and compared to actual results. For details regarding the analysis of the sources of income for the six-month period ended June 30, 2024 in accordance with the New Standards, see Section 2.4 below.
Furthermore, as part of the initial application of the New Standards, the Company will present - as of the first quarter of 2025 - the activity of investment contract policies as a separate segment under the Asset Management Activity.

## 2.4. The following is the expected effect of the implementation of the New Standards on capital and income

The Company examined the material effects which are expected to arise to the Company as a result adopting the New Standards. Information regarding key changes in accounting policies and the effects on statement of financial position line items (pro forma balance sheet) as of January 1, 2024 (opening balances data as of the transition date) of the standard is provided in Note 45 to the financial statements.

It is noted that the Company's preparations have not yet been fully completed, including discrepancies in identifying quantitative effects and assessing presentation and disclosure issues. In addition, changes may arise from Directives of the Commissioner of the Capital Market, Insurance and Savings.

The said figures were calculated based on the status of preparedness as of the reporting date, and is subject to changes, which may arise from further collection and improvement of, and adjustments to, information, processes of implementing controls as well as changes which may arise from developments regarding the interpretation of the application of the New Standards, including following discussions with the independent auditors and with respect to the directives of the Israel Tax Authority.

Since the Standards will be applied to the financial statements for the first time in the first quarter of 2025, and the Company is still processing and studying the matter, changes may also be made to the accounting policies on which the information is based.

### 2.4.1. Following is an estimate of the effects as of January 1, 2024, (the transition date) on the Company's capital, contractual service margin (CSM) and risk adjustment (RA) balance (NIS billion):

| | As of December 31, 2023, as reported in accordance with the current standards | Effect in accordance with the New Standards - IFRS 17 and IFRS 9 | As of January 1, 2024 (restatement) in accordance with new standards IFRS 17 and IFRS 9 |
|---|---|---|---|
| | Audited | | |
| Total equity attributable to Company's shareholders | 10.6 | (0.6) | 10 |
| Balance of contractual service margin (CSM), net of reinsurance(*), (**) | N/A | 9.7 | 9.7 |
| Balance of risk adjustment (RA), net of reinsurance (*), (**) | N/A | 1.9 | 1.9 |

(*) The said balances form part of the Company's insurance and reinsurance liabilities and assets in accordance with IFRS 17. The reported balances are pretax.

(**) 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 1.8 billion and a total of approx. NIS 0.5 billion, respectively. It is noted that the rate of recognition in profit of the contractual service margin in the Individual LTC portfolio is expected to be slower compared to other insurance portfolios, mainly due to a significantly longer remaining coverage period in insurance contracts issued in said portfolio.

(***) For further details regarding the effect of the transition day on the statement of financial position and the CSM and RA balances, see Note 45 to the Financial Statements.

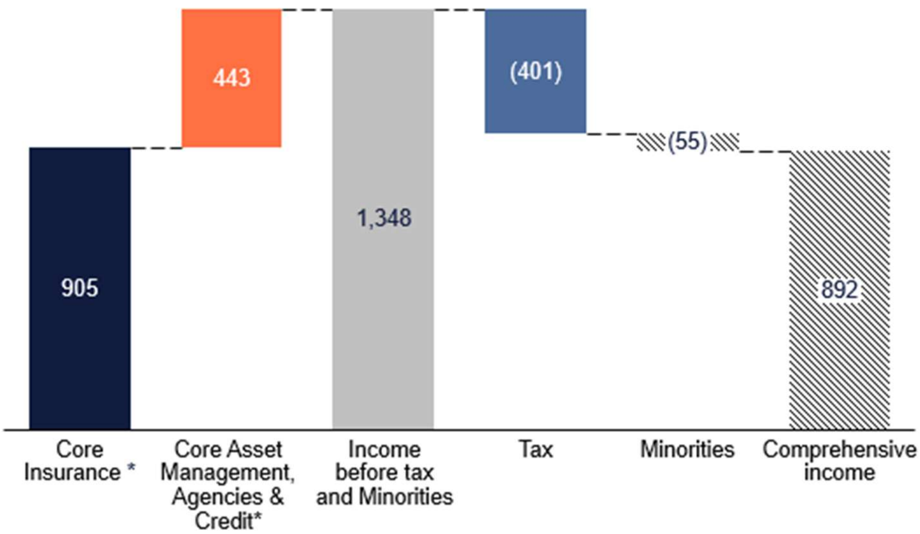
We note that the CSM balance as of the transition date shall be stated gradually - in accordance with the Company's product mix - in profit and recognized as revenue from insurance services, subject to updated actuarial assessments as of that period, which may lead to a higher profit for the Company's and to improvement in the return on equity relative to the results based on the current accounting standards.

According to the estimate made by the Company's management, out of the total CSM balance - net of reinsurance as of the transition date - approx. 35% to 45% is expected to be stated in profit during the next five years after the transition date.

2.4.2. **<u>The following is the expected effect of the application of the New Standards on statement of comprehensive income line items for the six-month period ended June 30, 2024 (pro forma statement of comprehensive income):</u>**

It is emphasized that the comprehensive income data for the six-month period ended June 30, 2024 (pro forma statement of comprehensive income) are not reviewed and are not audited by the Company's independent auditor.

2.4.2.1.1. **<u>Following is the composition of the Company's pro forma comprehensive income for the six-month period ended June 30, 2024, which was calculated in accordance with the New Standards (NIS million)</u>**




| | | | | | | |
|---|---|---|---|---|---|---|
| **IFRS 4-1-6/2024** | **583** | **443** | **1,026** | **(304)** | **(55)** | **667** |
| Difference | 322 | - | 322 | (97) | - | 225 |

*The income from the investment contract policies activity is reclassified and presented as part of the Asset Management Activity (for details, see Section 2.3 above).

2.4.2.1.2. **Following are key line items of revenues from the Insurance Activity for the six-month period ended June 30, 2024, which were calculated in accordance with the New Standards (NIS million)**

| | For the six-month period ended June 30, 2024 | |
|---|---|---|
| Income and loss from insurance services - retention | 875 | (a) |
| Investment profit and loss and net financing - retention | 209 | (b) |
| Other income (loss), net | (179) | (c) |
| **Pre-tax comprehensive income from the Insurance Activity for the period** | **905** | |

**A. Income from insurance services - retention**

The income from insurance services (retention) includes the total underwriting profitability from insurance services. The income mainly includes release from the contractual service margin (CSM) and release of the risk adjustment component (RA) totaling approx. NIS 542 million (retention) in life and health insurance and underwriting revenues from P&C Insurance totaling approx. NIS 378 million.

**B. Investment profit and loss and net financing - retention**

1) Profit and loss, net - retention - includes:

   A. Investment income (losses) in respect of savings policies and investment contracts, net of changes in liabilities in respect of insurance contracts resulting from changes in the fair value of the underlying items and net of changes in liabilities in respect of investment contracts due to the yield component.

   B. Income from the Nostro portfolio including interest income and share in income from subsidiaries accounted for according to the equity method.

   C. Finance expenses with respect to the discount rate for the time value arising from an insurance contract net of finance income arising from a reinsurance contract.

   D. The effects for the changes for the period with respect to the risk-free interest rate and the illiquidity premium, changes between the expected index and the actual index, changes between the expected return and the actual return on the savings policies.

2) Changes in the risk-free interest rate and the illiquidity premium as well as changes between the actual CPI and the expected CPI have a substantial impact on insurance liabilities (except for the effect on the CSM balance). During the first half of 2024, the risk-free interest and the illiquidity premium increased by approx. 0.51%. The changes between the expected index and the actual index for the six-month period ended June 30, 2024, are not substantial. The reported results for the first half of 2024 include the effect of the increase in the risk-free interest rate and the illiquidity premium, which reduced the insurance liabilities (retention) by approx. NIS 447 million; most of the effect was in the life and health insurance segments. On the other hand, the increase in interest rate led to a decrease in the fair value of financial investments, including Hetz bonds - an effect that largely offset the interest rate effect on insurance liabilities.

3) In the second half of 2024, there was a decrease in risk-free interest, including an illiquidity premium of approx. 0.54% and a decrease of approx. 0.3% in the expected CPI from the actual CPI. These effects are expected to lead to an increase in insurance liabilities and a concurrent increase in financial investments. The Company has not yet completed the preparation of the data for the second half of 2024, and therefore, at this stage, the total expected effect on the Company's results for the second half of 2024 cannot be quantified.

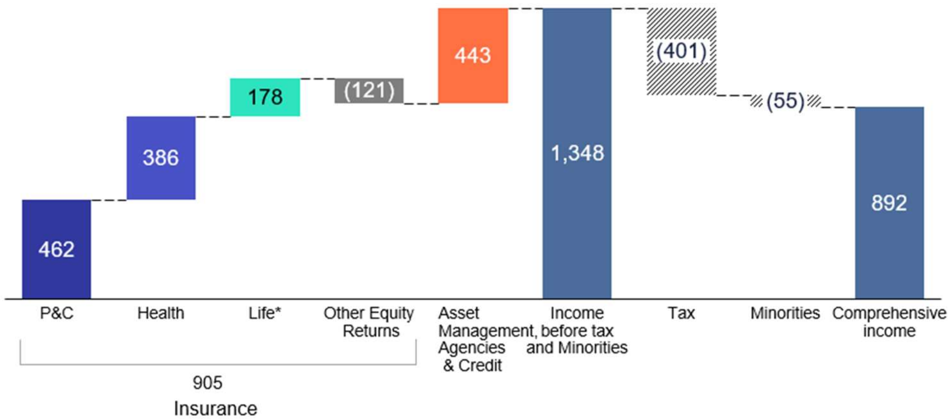
## C. <u>Other income (loss), net</u>

This line item mainly includes the results of the Other Equity Returns Segment and general and administrative expenses, which are not recognized in income from insurance services.

## D. <u>Income from the Asset Management and Credit Activity</u>

The Asset Management Activity includes also includes the results of the revenues from the investment contract policies activity (as from the first quarter of 2025 - to be presented under the Asset Management Segment).

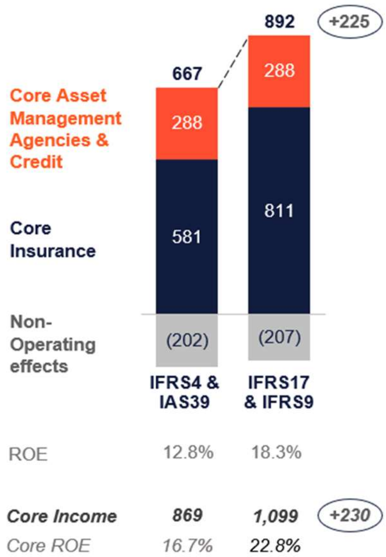
2.4.2.2. **<u>The following are the results of the Company's pro forma operating results by segment for the 6-month period ended June 30, 2024, which were calculated in accordance with the New Standards and a comparison thereof to the operating results, as reported in accordance with the standards currently applicable (NIS million)</u>**




| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| IFRS 4-1-6/2024 | 507 | 259 | (62) | (121) | 443 | 1,026 | (304) | (55) | 667 |
| Difference | (45) | 127 | 240 | - | - | 322 | (97) | - | 225 |

*The income from the investment contract policies activity is reclassified and presented as part of the Asset Management Activity (for details, see Section 2.3 above).

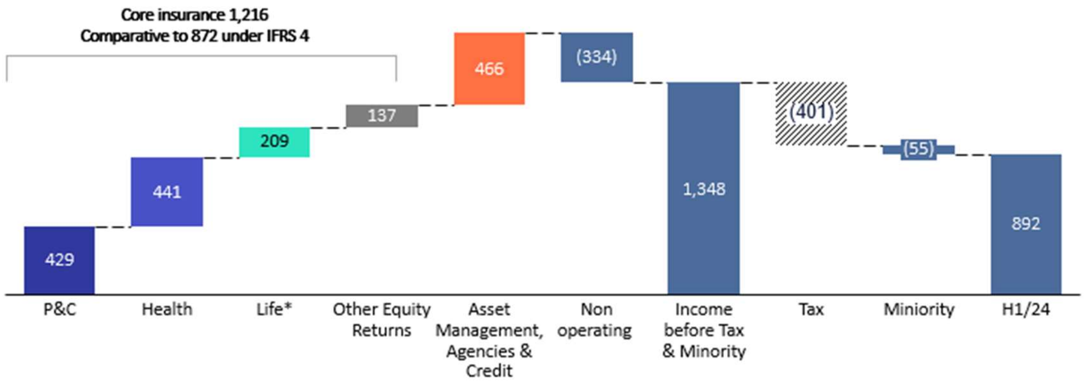
2.4.2.3. **<u>The following is a breakdown - on a pro forma basis - of the comprehensive income attributable to the shareholders for the six-month period ended June 30, 2024, which was calculated while segregating core income and effects of non-operating activity in accordance with the New Standards and the adjusted normalization to the standards compared to that period as reported (NIS million):</u>**



*The income from the investment contract policies activity, as reported, was reclassified from the Insurance Activity to the Asset Management Activity (for details, see Section 2.3 above).

The core income in insurance includes a return on investments assuming a nominal risk-free interest at the beginning of the reporting period of each quarter, plus a 2.25% annual spread (compared to annual real interest of 3% as reported prior to the application of the New Standards). The remaining investment income above or below the return were carried to effects of non-operating activities. The effect of the New Standards on the post-tax comprehensive income is approx. NIS 225 million and the effect on the post-tax core income is approx. NIS 230 million. For details, see also Section 6.4 above.

2.4.2.4. **<u>The following is a breakdown of the pro forma core income by segment for the 6-month period ended on June 30, 2024 and a comparison thereof to the core income as reported for that period (in NIS million):</u>**




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| IFRS 4-1-6/2024 | 437 | 198 | 87 | 150 | 466 | (312) | 1,026 | (304) | (55) | 667 |
| Difference | (8) | 243 | 122 | (13) | - | (22) | 321 | (97) | - | 225 |

*The income from the investment contract policies activity is reclassified and presented as part of the Asset Management Activity (for details, see Section 2.3 above).

**The manner by which the standard will be applied may also be subject to changes or adjustments following clarifications or revisions to IFRSs, changes to existing practices abroad and the emerging practice in Israel, regulatory changes, tax changes or changes and adjustments to various estimates made by Phoenix Insurance in accordance with professional judgment. Therefore, the above data or results should not be deemed final. Therefore all the information included above constitutes forward-looking information as defined by the Securities Law, 1968. It is clarified that the above data do not cover or reflect the full effects of the New Standards, including any potential effects on the relevant tax regime and on Phoenix Insurance's Solvency II-based economic solvency ratio. As of the report publication date, these matters have not yet been fully settled, are not under full control of Phoenix Insurance, and are under review.**

# 3. Description of the Business Environment

## 3.1. Implementation of the Provisions of the Economic Solvency Regime applicable to Phoenix Insurance Company Ltd.

### 3.1.1. 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.

### 3.1.2. 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 in respect of the Transitional Period, see Section 3.1.5 below and 2A(2) in the Solvency Ratio Report dated June 30, 2024.

### 3.1.3. Publication of Economic Solvency Ratio Report

The Economic Solvency Ratio Report as of June 30, 2024, is published at the same time as the Financial Statements as of the end of the third quarter of 2024, 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 in respect of the December 30 and September 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.

3.1.4. **Economic solvency ratio and minimum capital requirement (MCR) as of June 30, 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 June 30, 2024 | As of December 31, 2023 |
|---|---|---|
| | Unaudited (1) | Audited (2) |
| | NIS thousand | |
| Shareholders equity in respect of SCR | 15,242,482 | 14,823,584 |
| Solvency capital requirement (SCR) | 7,707,246 | 7,640,211 |
| Surplus | 7,535,236 | 7,183,373 |
| **Economic solvency ratio (in %)** | **198%** | **194%** |
| **Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report:** | | |
| Redemption of capital instruments [(3)] | (251,328) | - |
| Shareholders equity in respect of SCR | 14,991,154 | 14,823,584 |
| Surplus | 7,283,908 | 7,183,373 |
| **Economic solvency ratio (in %)** | **195%** | **194%** |

(1) Any reference made in this report to the term "unaudited" refers to a review conducted in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information.

(2) 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.

(3) Subsequent to the report date as of June 30, 2024, approx. NIS 298 million in Bonds (Series J) were redeemed (immediate report dated October 14, 2024, Ref. No.: 2024-01-610850). The redemption referred to above affected the balance of excess Tier 2 capital in the Company in the amount of approx. NIS 251,328 thousand, in accordance with 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 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 June 30, 2024 compared with December 31, 2023, see Section 1A to Phoenix Insurance's Economic Solvency Ratio Report as of June 30, 2024. Below is a link to the Economic Solvency Ratio Report as of June 30, 2024 on Phoenix Insurance's website.

**https://www.fnx.co.il/investors-relations-hebrew/kosherpiraon/**

**Minimum capital requirement (MCR)**

| | As of June 30, 2024 | As of December 31, 2023 |
|---|---|---|
| | Unaudited | Audited |
| | NIS thousand | |
| Minimum capital requirement (MCR) | 2,008,345 | 1,995,718 |
| Shareholders equity for MCR | 11,790,528 | 11,402,622 |

3.1.4.1. **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 in respect of 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 August 21, 2024, the Board of Directors of Phoenix Insurance 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.

Therefore, as of June 30, 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.

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.

3.1.4.2. **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 June 30, 2024 and December 31, 2023, this ratio is higher than the target set by the Board of Directors.

| | **As of June 30, 2024** | **As of December 31, 2023** |
|---|---|---|
| | **Unaudited** | **Audited** |
| | **NIS thousand** | |
| Shareholders equity in respect of SCR | 13,638,076 | 12,848,471 |
| Solvency capital requirement (SCR) | 8,271,422 | 8,434,457 |
| Surplus | 5,366,654 | 4,414,014 |
| **Economic solvency ratio (in %)** | **165%** | **152%** |
| **Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report:** | | |
| Redemption of capital instruments* | - | - |
| Shareholders equity in respect of SCR | 13,638,076 | 12,848,471 |
| Surplus | 5,366,654 | 4,414,014 |
| **Economic solvency ratio (in %)** | **165%** | **152%** |
| **Capital surplus after equity transactions in relation to the Board of Directors' target:** | | |
| Minimum solvency ratio target without applying the Provisions for the Transitional Period | **118%** | **115%** |
| **Excess capital over target** | **3,877,798** | **3,148,846** |

* Subsequent to the report date as of June 30, 2024, approx. NIS 298 million in Bonds (Series J) were redeemed (immediate report dated October 14, 2024, Ref. No.: 2024-01-610850). The redemption referred to above does not affect the solvency ratio as of June 30, 2024 without applying the Provisions for the Transitional Period 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).

### 3.1.5. Solvency ratio estimate as of September 30, 2024

In accordance with the undertakings of Phoenix Capital Raising (2009) Ltd. under the provisions of the deed of trust for Series PHONIX B12 Bonds which are part of Additional Tier 1 capital, and which it published on April 24, 2023, the Company made an estimate - which is not audited or reviewed by the independent auditor - of its economic solvency ratio as of September 30, 2024 (hereinafter - the "**Estimate**"). The calculation (of the Estimate) was carried out in accordance with the guidelines of the Solvency II-based Economic Solvency Regime, and 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**"), which was published on October 14, 2020. The Company carries out the Estimate and publishes this quarterly disclosure in addition to the publication of a mandatory solvency ratio reports as required under the Provisions of the Economic Solvency Regime. It should be noted that the scope of the controls executed by the Company for the purpose of publishing the Estimate is reduced compared to those executed for the purpose of publishing the Economic Solvency Ratio Report, which is published in accordance with the Commissioner's guidance. In accordance with the Estimate, Phoenix Insurance's economic solvency ratio as of September 30, 2024, is 189% (with the implementation of the Provisions for the Transitional Period for the Transitional Period, and after the effect of the distribution of a dividend in kind, see Section 1.3.19 above). The effect of this distribution is approx. 7% on the solvency ratio as of September 30, 2024. Concurrently with the abovementioned distribution, the Board approved the distribution of a dividend in kind, in respect of which the conditions precedent have not yet been fulfilled, and therefore it was not included in the results of the solvency ratio as of September 30, 2024 as detailed in Section 1.3.19 above. The distribution of these assets will have an approx. 6% effect on the solvency ratio; it will be taken into account in the calculation of the solvency ratio following the fulfillment date of the conditions precedent). The said Estimate of the solvency ratio as of September 30, 2024, does not include the changes and effects that took place since September 30, 2024, and through the publication date of this report, including the effect of the business activity of Phoenix Insurance, changes in the mix and amounts of investments and insurance liabilities, exogenous effects, inter alia changes in the risk-free interest rate curve, and regulatory changes affecting the business environment. The assessment is based, among other things, on forecasts 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.

3.1.6. **Equity transactions and significant updates in 2024:**

3.1.6.1. 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).

3.1.6.2. 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. This action was taken into account in the results of the solvency ratio as of June 30, 2024 as stated above.

3.1.6.3. Subsequent to the report date as of June 30, 2024, approx. NIS 298 million in Bonds (Series J) were redeemed (immediate report dated October 14, 2024, Ref. No.: 2024-01-610850). The redemption referred to above does not affect the solvency ratio as of June 30, 2024 without applying the Provisions for the Transitional Period in view of the surplus Tier 2 capital that the Company holds in excess of the quantitative limit.

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

3.1.6.4.1. 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.

3.1.6.4.2. To approve the distribution of assets totaling approx. NIS 1.4 billion as a dividend in kind. It is noted that as of the report publication date, Golden Mortgage Loans is the only asset distributed in kind by Phoenix Insurance to the Company.

For further details regarding the said Board of Directors decision, see immediate report of December 31, 2024 (Ref. No. 2024-01-628752) and Section 1.3.19 above.

3.1.7. **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:[4]**

| Range/years | | December 31, 2023 | December 31, 2024 | March 5, 2025 |
|---|---|---|---|---|
| **Short term** | **1-3** | Between 1.25% and 1.13% | Between 1.67% and 1.75% | Between 1.90% and 1.75% |
| **Mid-term** | **4-10** | Between 1.15% and 1.50% | Between 1.76% and 1.93% | Between 1.77% and 1.91% |
| **Mid-to-long term** | **11-15** | Between 1.53% and 1.63% | Between 1.95% and 1.97% | Between 1.94% and 1.99% |
| **Long term** | **16-25** | Between 1.64% and 1.76% | Between 1.97% and 2.02% | Between 1.99% and 2.05% |

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, 2023. The estimation resulted in a decrease of approx. 13% 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.

3.1.8. 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, 2023.

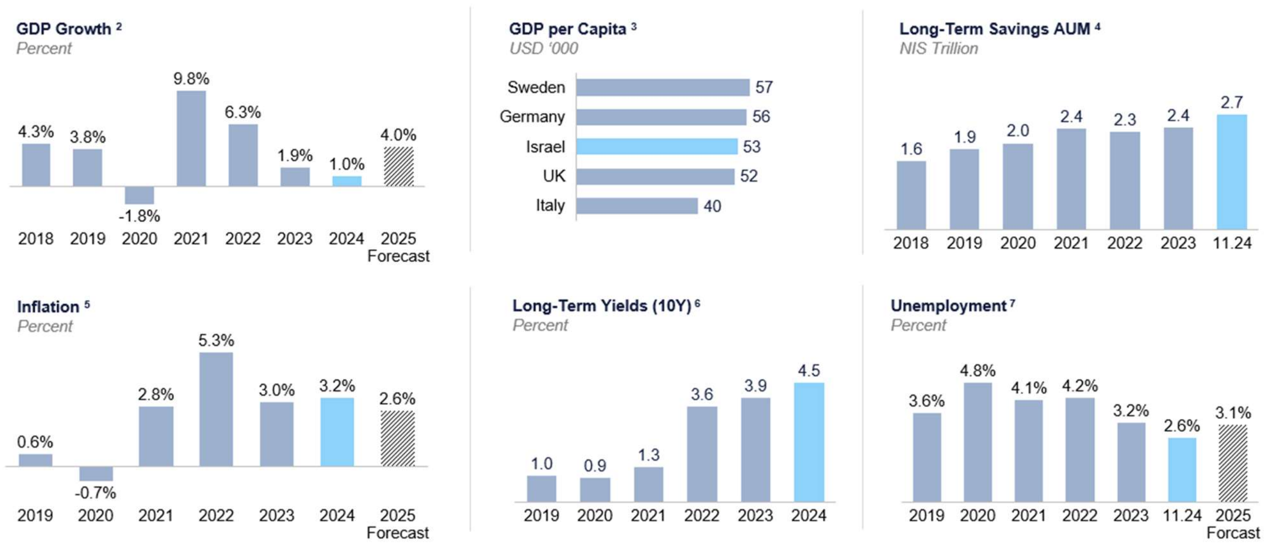
## 3.2. Arrangements in force

See Section 4.1.2. in the Report on the Corporation's Business

[4] 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.

# 4. Developments in the Macroeconomic Environment

## 4.1. Key macroeconomic data




(*) Publicly-available data as of January 17, 2025.
(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) Bloomberg. The data are annual inflation data for the past 12 months.

## 4.2. 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.

### 4.2.1. Financial markets in Israel

2024 was a challenging and tumultuous year, characterized by substantial security and economic challenges. Throughout the year, the Israeli economy has demonstrated resilience and robustness, even in light of the dramatic events that have befallen the country. The last quarter of the year was characterized by an escalation in the security situation, with an attack by Iran and an intensification of the fighting on the northern front. These events increased the uncertainty in the economy, but towards the end of November, the coming into effect of the ceasefire with Hezbollah contributed to a decrease in the risk premium - a trend that slightly increased stability at the end of the year. As of the end of the year, the price of 5-year CDS reached approx. 101 basis points, compared to 150 basis points at the end of the third quarter and 111 basis points at the end of 2023. Growth data for the last quarter of the year have not yet been published, but data regarding real economic activity in the Israel indicate that recovery continued in the last quarter of 2024, but such recovery was moderate; this is reflected in an improvement in various indicators, including credit card transactions data and a business trends survey. The supply constraints, which stem, among other things, from a shortage of non-Israeli employees and the absence of workers due to reserve service, continue to weigh on economic activity, even though they appear to be gradually subsiding. In the job market, as of November the unemployment rate reached 2.7%, and the number of vacancies remains relatively high at approx. 138.8 thousand. Inflation in Israel subsided slightly to an annual rate of 3.4%, and the November CPI saw a surprising monthly decline of 0.4%. Inflation expectations in the capital market have also recorded a decrease during the last quarter of the year, throughout the curve. According to Ministry of Finance data, the deficit in November reached 7.7% of GDP. The state budget for 2025 was approved in the Knesset, for a total of approx. NIS 609 billion with a deficit target of 4.4%, after the approval of budget adjustments totaling approx. NIS 37 billion. The budget must be approved by the Knesset until the end of March 2025.

In the capital market, despite a year of prolonged fighting, security uncertainty and economic challenges, the local market ended 2024 with inspiring performances. During the period under review, the TA 125 index increased by 14.6%. In the bonds market, yields on government bonds decreased along the entire curve during the period under review, with the 10-year yield decreasing by approx. 40 basis points to approx. 4.48%. In the corporate market, the Tel Bond 60 rose by 2.1%. In the foreign currency market - during the period under review, the NIS appreciated by approx. 2.3% against the USD, reaching a level of approx. NIS 3.63 per USD 1 and appreciating by approx. 9.2% against the EUR, reaching a level of NIS 3.76 per EUR 1.

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

The first quarter of 2025 started with a positive trend, both in the real economy, which has continued recovering since a ceasefire was agreed in the north at the end of November, and in the financial markets, which respond positively to geopolitical developments and to the decline in uncertainty as reflected in the risk premium metrics – led by the ceasefire agreement between Israel and Hamas and the release of hostages. Growth data for the last quarter of 2024 indicated growth of 2.5% following a growth of 5.3% in the previous quarter, with the Israeli economy growing by 1.0% in 2024. In January, the Consumer Price Index increased by 0.6%, following a series of price increases at the beginning of 2025 – VAT, municipal taxes, electricity, water and fuel. As a result, the annual inflation rate increased from 3.2% to 3.8%. In its interest decision of the beginning of January, the Bank of Israel left the interest rate unchanged at 4.50%, but noted the significant improvement in the macro environment, including the decrease in the risk premium. These improvements have led the Bank of Israel to give indication of one or two potential interest rate cuts in the forthcoming year. In addition, the 2025 growth forecast was revised upwards from 3.8% to 4.0%, and the inflation forecast was revised downward from 2.8% to 2.6%. In January 2025, the government deficit decreased from 6.9% to 5.8% of GDP, following an all-time tax collection record, with revenues totaling approx. NIS 62.5 billion. The Ministry of Finance recently revised upward the 2025 deficit target from 4.4% to 4.9% of GDP. In the markets, during the reviewed period The TA 125 Index increased by 3.7%, the yield on 10-year government bond was down by approx. 12 base points to

4.34%, the Tel Bond 60 Index was up by 1.0%, the NIS devalued by approx. 0.4% against the dollar, reaching a level of NIS 3.65 per USD 1, and weakened by approx. 5.8% against the euro reaching a level of NIS 3.99 per EUR 1.

### 4.2.2. Capital markets abroad

The US economy continued its positive growth momentum in the last quarter of 2024 as reflected in various indicators and in the Fed's growth model, which signaled growth of approx. 3.0%. In the labor market, the last quarter started with a particularly weak new vacancies growth in October, due to the impact of the hurricanes and the Boeing strike, but a month later there was a particularly rapid recovery, highlighting how strong the labor market still is, with an unemployment rate of 4.2%. The Consumer Price Index increased in November by 0.3% reaching an annual increase of 2.7%. In its last interest rate decision for 2024, the Federal Reserve has, indeed, cut its interest rate by 25 basis points to 4.25%-4.50%, in accordance with expectations, but substantively revised the outlook of the forecasts looking forward. The Federal Reserve believes that the interest rate will be cut twice during 2025, compared to four cuts it previously predicted. Furthermore, the growth forecast for 2025 was revised slightly upward and the inflation forecast was also revised upward. On November 5, the US presidential elections were held, ending in the victory of Donald Trump, who won every swing state; this led to the Republicans' gaining control of the Senate and House of Representatives.

In its interest rate decision made in December, the European Central Bank (hereinafter - "ECB") cut the interest rate again by 25 basis points to 3.0% (interest on deposits). The ECB argues that the disinflation process continues and slightly reduced its inflation expectations. The ECB expects average inflation of 2.4% in 2024 (compared to 2.5%), 2.1% on average in 2025 (compared to 2.2%), 1.9% in 2026 and 2.1% in 2027. In addition to the downward revision of inflation forecasts, growth forecasts were also revised downward from 1.3% to 1.1% in 2025, and from 1.5% to 1.4% in 2026.

During the last quarter of 2024, the S&P 500 rose by 2.1%. In the US bonds market, the yield on 10-year government bonds spiked by approx. 77 base points to approx. 4.58%. In Europe, the EURO-STOXX 600 index has decreased by 2.9%. In the fourth quarter, the EUR devalued by approx. 7.0% against the USD, reaching a level of 1.04.

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

The first quarter started with the inauguration of President Donald Trump, who immediately signed dozens of orders and declared two states of emergency – on immigrants and energy. The economy continues to look strong, with 2.8% growth in total in 2024, alongside employment reports that continue to point to a strong labor market. In January, monthly additional vacancies stood at 143 thousand; data for the two previous months (November-December) were revised upwards by approx. 100,000 vacancies. The unemployment rate in January declined from 4.1% to 4.0% and average salary reached an annual increase of 4.1%. The Consumer Price Index saw a surprising uplift in January with a monthly increase of 0.5%, and an annual increase from 2.9% percent to 3.0%. The Federal Reserve's latest interest rate decision, and Powell's various remarks, indicate that the Federal

Reserve is in no hurry to cut the interest rate. Towards the end of February, the growth forecast for the first quarter of 2025 was revised sharply downwards, as indicated by Atlanta Fed's GDPNow model, which indicates a contraction in GDP. Furthermore, Trump announced that the tariffs on Mexico and Canada will come into effect at the beginning of March, along with the imposition of a further tariff on China. Futures in the US bond market currently reflect almost 3 interest rate cuts compared to the Fed's forecast of 2 cuts.

In Europe, in early March, the European Central Bank (ECB) has cut the interest rate by 25 basis points to 2.50% (interest on deposits), and the ECB's Chair noted that the current interest rate environment is still in "tightening" territory. In January, the annual inflation rate in the Eurozone increased from 2.4% to 2.5%.In Germany, the chancellor-in-waiting, Merz, announced a substantial fiscal expansion, which surprised the markets and led to a sharp rise in yields in the bond market.

In China, government bond yields have reached historic lows in all tenors of the yield curve, against the backdrop of weak economic data indicating that China is still struggling to recover, in parallel with government plans to stimulate growth through increased credit supply.

In the USA, as of the end of the reviewed period, the 10-year yield was down by approx. 29 base points to 4.28%, and the S&P 500 was down by 5.3%. In Europe, the EURO-STOXX 600 index has risen by 5.8%, and the EUR has appreciated by 5.5% against the USD, reaching a rate of 1.09.

# 5. 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.**

## 5.1 Strategy

The Israeli market benefits from stable and 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 deepen competitive advantage; active management and people development; and capital and investment management.

### 5.1.1 Accelerated growth focusing on high returns:

Phoenix focuses its resources on growth in activities with a high return on capital, which do not require the holding of substantial capital, and which are based on high multiples, such as P&C Insurance products, the activity of the Investment House, and Distribution and Credit activities, and thereby accelerates the process of creating value in the group, while increasing income and improving the group's diverse business mix.

### 5.1.2 Innovation and efficiency:

The group invests in technological innovation to broaden the competitive advantage, increase profitability and improve the client and agent experience, through - among other things - data infrastructure, digitization, advancing automation, streamlining processes and using AI to improve operational efficiency and client experience; thus, for example, during the Reporting Year the group developed a group app, which serves as a one-stop-shop for group clients, who can view information and execute transactions pertaining to the group's range of products.

### 5.1.3 Active management and people development:

The Group seeks to strengthen its human capital as its leading resource, including development of skills, recruitment and retention of managers and employees, and performance-based compensation including equity compensation, which enhances managers' commitment to long-term value creation. Phoenix strives to foster a performance-based culture, which is based on the values of excellence, flexibility, transparency and collaboration. In this context, during the Reporting Year the Company and the subsidiaries continued with equity compensation plans for employees and officers in order to align interests and retain employees and officers. In addition, the Company proactively optimizes, from time to time, the structure of the group and adapts the organization to its strategy and processes for creating and unlocking value.

#### 5.1.4 Capital and investment management:

Phoenix works to manage and optimize capital sources and allocations and maximize investment performance in order to generate a high risk-adjusted return for the purpose of enhancing the Company's financial strength and liquidity and to generate value for its shareholders. Thus, for example, in the Reporting Year, Phoenix Insurance announced the distribution of a dividend in kind, one of the goals of which was to optimize the capital structure of Phoenix Insurance and other group companies.

The Company also improves its capital structure through steps including a semi-annual distribution of dividends in accordance with a predetermined policy and through share buybacks. The Company also uses the capital surplus to achieve organic growth and making acquisitions. The Company also works to improve the management of assets and liabilities, its hedging of risks, including interest rate risk, and optimization of old insurance portfolios.

### 5.2 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.

#### 5.2.1 Asset Management, Distribution and Credit:

In its Asset Management activity, 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, and focusing on efficiency and profitability in Retirement (Pension and Provident). In the Distribution (Agencies) Segment, 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 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.

#### 5.2.2 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.

### 5.2.3 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.

## 5.3 Targets:

The Company periodically reviews its plans and objectives in light of market trends and Company performance. In September 2024, the Company published strategic targets for 2027 as detailed below, which are based on the Company's strategy. The Company's targets are based on an assumption of real investment returns of 3%, and do not include the effects of IFRS 17 implementation. In this context, it is noted that upon the application of the new standards, the Company is expected to report core income as of the first quarter of 2025 assuming investment returns based on a nominal risk-free interest as of the beginning of the reporting period plus a 2.25% margin, which reflects the mix of Phoenix Insurance's Nostro investment portfolio (for further details, see Section 2 above).

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.

### 5.3.1 Primary targets for 2027:

Phoenix plans to grow core income to NIS 2 billion with a return on equity of 16-18% by 2027. Furthermore, the Company has set a target to distribute at least 50% of comprehensive income as dividends and buybacks.

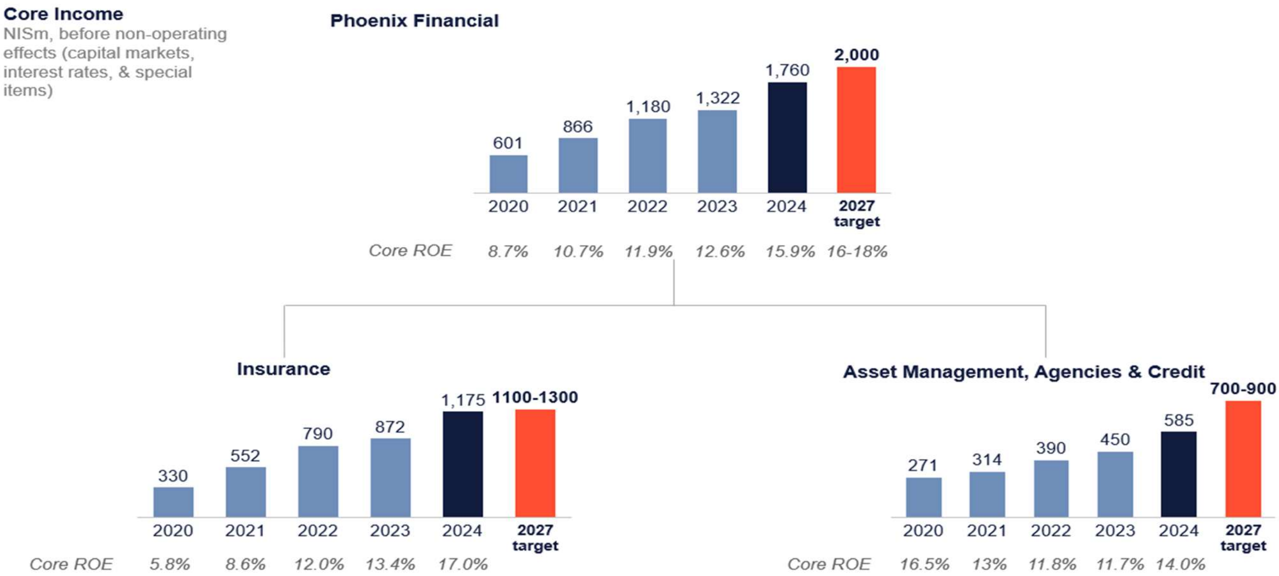
Strategic Goals for 2027


### 5.3.2 Activity targets:

In the Asset Management, Distribution and Credit Activity, the Company plans to grow core income to approx. NIS 700-900 million and group assets under management to approx. NIS 600-650 billion (including assets under management in insurance). In its areas of activity, the Company plans to grow to approx. NIS 300-400 million core income in the Asset Management activity (which includes the Investment House and Wealth Segment as well as the Retirement (Pension and

Provident Segment), NIS 250-350 million core income in the Distribution Segment (Phoenix Agencies) and approx. NIS 150-250 million in the Credit Segment (Phoenix Gama).

In the Insurance Activity, the Company plans to increase core income to approx. NIS 1,100-1,300 million and P&C Insurance premiums to approx. NIS 6 billion. Furthermore, the Company set targets to reduce the rate of general and administrative expenses and a long-term solvency ratio target of 150-170%.




## 5.3.3 Potential beyond the targets

The targets are based on multi-year work plans and an assumption of a 3% real returns on investments. Compared to the plan's objectives, actual results are based on the actual returns in Israeli and international capital markets, macroeconomic growth, the Company's results and other variables. For the Company's actual results taking into account a 3% return, see Sections 6.4-6.6.

Due to the implementation of IFRS 17 and IFRS 9 (hereinafter - the "**Standards**") and their positive effect on the Company's performance in the Insurance Activity and due to improved performance which were not taken into account in the targets published in September 2024, the Company believes that there is an additional potential core income totaling approx. NIS 400-600 million above the published income target. Of this amount, approx. NIS 300-400 million in additional potential core income is attributed to the Insurance Activity (as a result of the effect of the New Standards, less income from investment policies which will be reported under the Asset Management Activity rather than under the Insurance Activity starting 2025), and approx. NIS 100-200 million in additional potential core income is attributed to the Asset Management, Distribution (Agencies) and Credit Activity (due to, among other things, accelerated growth and the reporting of investment policies under the Asset Management Activity rather than the Insurance Activity).

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.

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

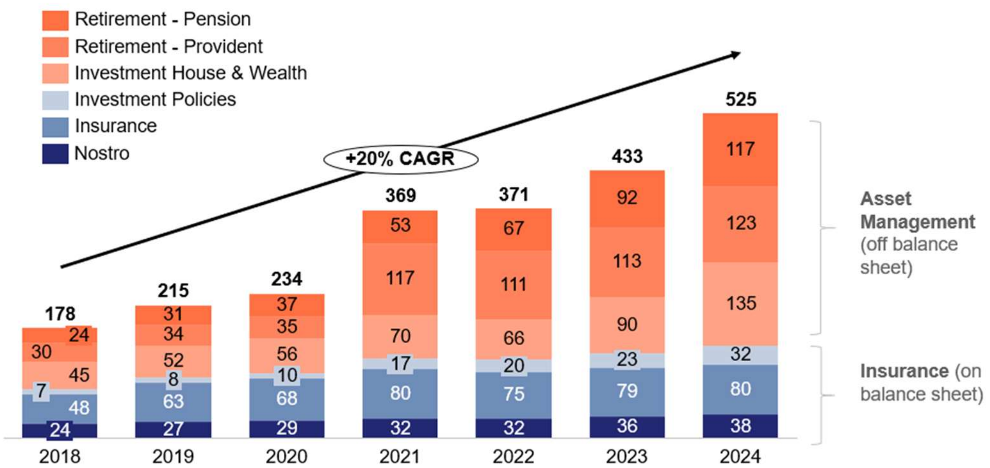
## 6.1. General

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.

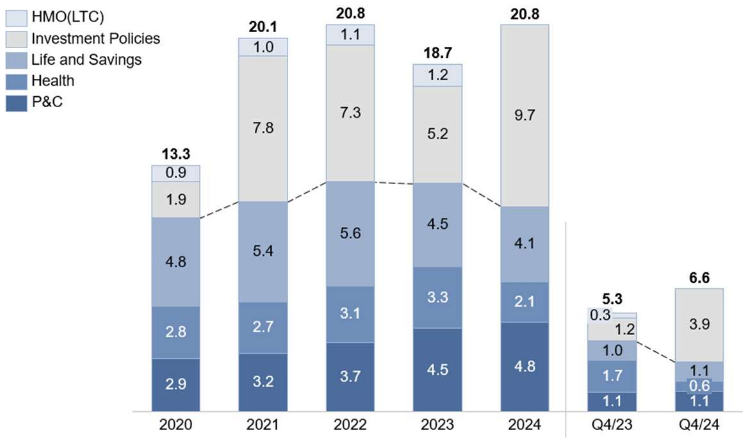
## 6.2. Assets under management, premiums and proceeds in respect of investment contracts

### Assets under management



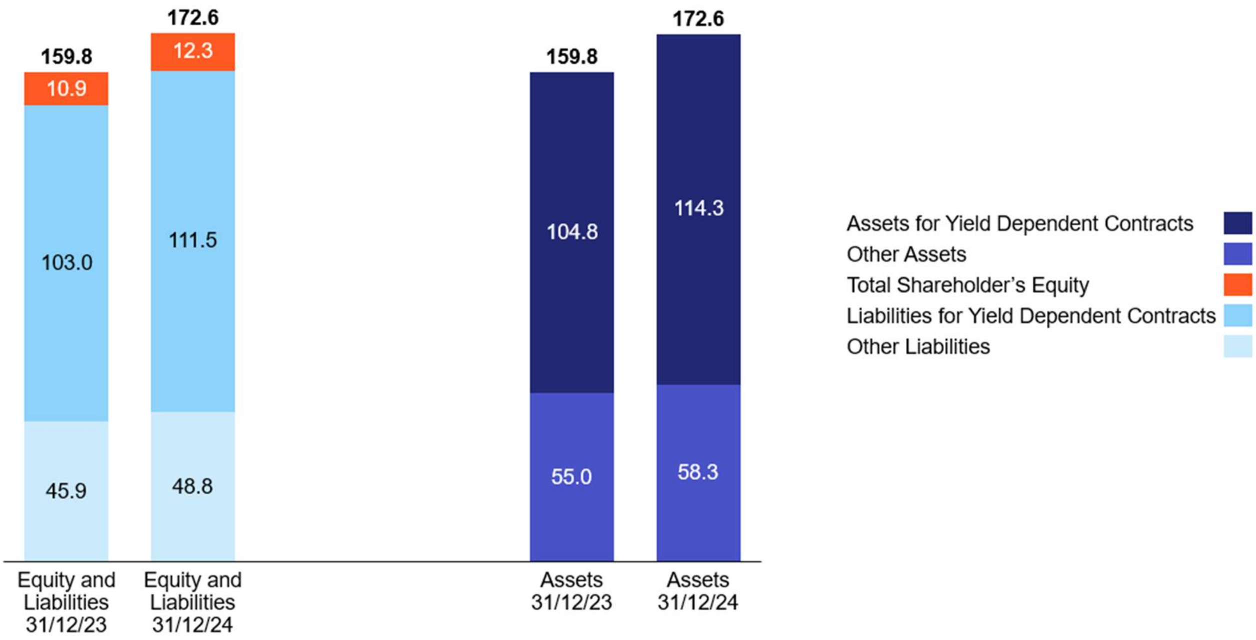

Total assets under management by provident funds, excluding guaranteed return provident fund tracks, pension funds, ETFs, and customers' investment portfolios are not included in the Financial Statements. Proceeds in respect of investment contracts are not included in the premiums line item; rather,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

### Premiums, gross and proceeds in respect of 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 in respect of yield-dependent contracts and cash and cash equivalents in respect of yield-dependent contracts as of December 31, 2024, amounted to approx. NIS 114.3 billion, compared to approx. NIS 104.8 billion as of December 31, 2023. Other assets totaled approx. NIS 58.3 billion as of December 31, 2024, compared with approx. NIS 55.0 billion as of December 31, 2023.

**Liabilities:**

Liabilities in respect of insurance contracts and yield-dependent investment contracts amounted to approx. NIS 111.5 billion as of December 31, 2024, compared to a total of approx. NIS 103.0 billion as of December 31, 2023. Other liabilities totaled approx. NIS 48.8 billion as of December 31, 2024, compared with approx. NIS 45.9 billion as of December 31, 2023.

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.

## 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 operating income, which assumes a real return of 3% net (less bonuses to employees and managers from excess returns) and gain from capital market effects above or below a real return of 3%, effects of interest and other special items as detailed below.

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, exceptional effects due to structural changes 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 based on a breakdown to underwriting income, which assumes a real return of 3% and earnings stemming from capital market effects (hereinafter - the "**underwriting income**"), which include Nostro investment income above or below a real return of 3%, the effect of the interest rate curve and other special items.

6.4.1.4. In the Life and Savings Segment, the profitability analysis is based on a breakdown to underwriting income - which assumes a real return of 3%, including revenue from variable management fees in the profit participating portfolio based on said rate, fixed management fees and a financial margin in guaranteed return policies, which assumes said return both for the free portion and non-free portion of the portfolio, investment income after offsetting return credited to policyholders and revenue arising from capital market effects, which include Nostro income and management fees calculated above or below a real return of 3%, the effect of the interest rate curve, including changes in the K factor and other special items.

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. The Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve (see Note 3 to the Financial Statements). This allocation may have an impact on investment income attributed to the various segments. Financial liabilities that serve the Company's capital requirements and finance expenses in respect thereof are not allocated to the operating segments. In the Other Equity Returns Segment, the financial margin arises from investment income, with a 3% real return assumption, net of actual finance expenses.

6.4.1.7. For details regarding an expected change in the analysis of income sources as from the application of IFRS 17 and IFRS 9, see Section 2 above.

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

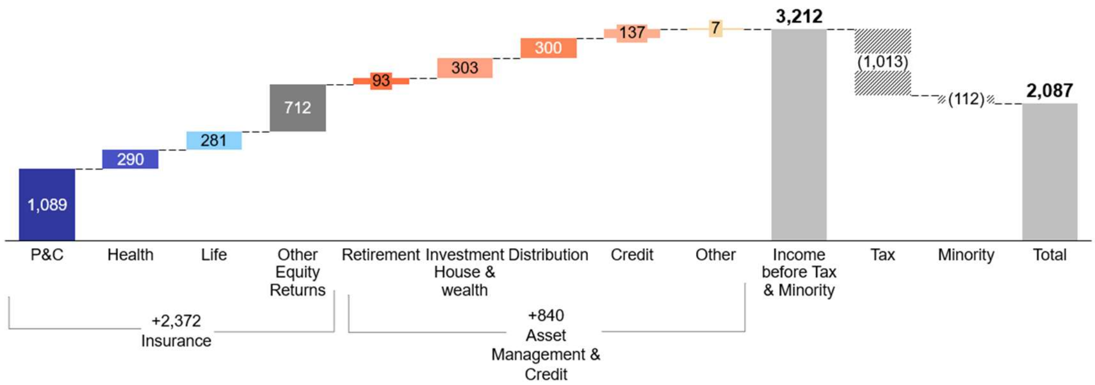
Insurance segments - N/A.

Retirement (Pension and Provident) - IFRS 16 adjustment and amortization of DAC and special items.

Distribution (Agencies), Investment House and Credit - IFRS 16 adjustment and special items.

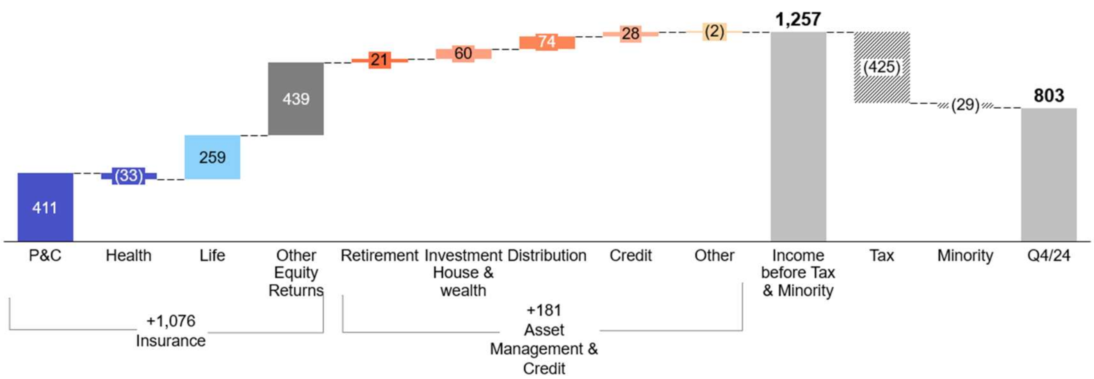
For further details regarding the calculation of the EBITDA, see Section 6.4.6 below.

6.4.2. **<u>Following is the composition of the Company's operating results by segment in the Reporting Year and their comparison to the corresponding period last year (in NIS million):</u>**




| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***2023*** | ***703*** | ***348*** | ***9*** | ***(153)*** | ***73*** | ***241*** | ***307*** | ***91*** | ***(6)*** | ***1,613*** | ***(413)*** | ***(107)*** | ***1,093*** |
| ***Difference*** | *386* | *(58)* | *272* | *865* | *20* | *62* | *(7)* | *46* | *13* | *1,599* | *(600)* | *(5)* | *994* |

**<u>Following is a composition of the Company's operating results by segments in the fourth quarter of 2024 compared with the corresponding quarter last year (in NIS million):</u>**




| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| ***Q4-23*** | ***443*** | ***53*** | ***46*** | ***221*** | ***9*** | ***65*** | ***66*** | ***14*** | ***(11)*** | ***906*** | ***(306)*** | ***(22)*** | ***578*** |
| ***Difference*** | *(32)* | *(86)* | *213* | *218* | *12* | *(5)* | *8* | *14* | *9* | *351* | *(119)* | *(7)* | *225* |

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

6.4.3. Following are the payment balances and changes in insurance liabilities:

| | 1-12/2024 | 1-12/2023 |
|---|---|---|
| | In NIS million | |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention in the statement of profit and loss | 21,518 | 17,623 |
| Net of amounts included in the above amounts: | | |
| Investment income (losses) in respect of yield-dependent policies(*) | 13,996 | 8,531 |
| Changes in interest | (220) | (379) |
| Special items in the insurance segment | (35) | (35) |
| Total investment income, changes in interest and special items | 13,741 | 8,117 |
| Total payments and change in liabilities in respect of yield-dependent policies, net of investment income, changes in interest and special items | **7,777** | **9,505** |

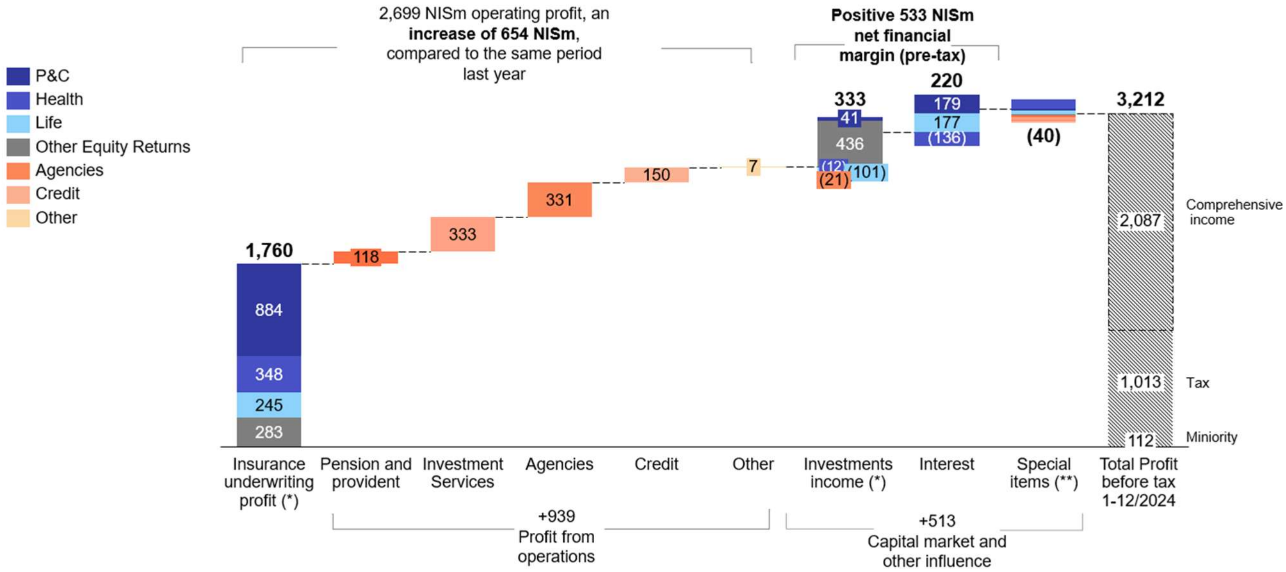
(*) Including health; for further details about the Life Insurance Subsegment, see Section 6.5.3.5 below.

6.4.4. Following is explanation regarding investment income in the Insurance Activity:

| | 1-12/2024 | 1-12/2023 |
|---|---|---|
| | In NIS million | |
| Items from the statement of profit and loss | | |
| Investment income | 16,570 | 9,910 |
| Equity gains | 103 | 42 |
| Other comprehensive income | 281 | 306 |
| Tax effect on comprehensive income | 171 | 147 |
| Total | 17,125 | 10,404 |
| Less: | | |
| Investment income (losses) in respect of yield-dependent policies | 13,996 | 8,531 |
| Income (losses) attributed to the Credit Segment and Investment House and Wealth Segment | 461 | 349 |
| | 14,457 | 8,881 |
| Total Nostro income | 2,668 | 1,526 |
| Nostro investment income at 3% yield | 2,335 | 2,291 |
| Nostro investment income at over 3% yield (*) | **333** | **(765)** |

(*) See Section 6.4.5 below.

6.4.5. **<u>Following is the composition of the sources of the Company's pre-tax income by operating income and income from capital market effects and special items for the year ended December 31, 2024 (in NIS million):</u>**




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***1-12/23*** | *1,314* | *89* | *259* | *290* | *103* | *(10)* | *(765)* | *379* | *(46)* | *1,613* |
| ***Difference*** | *446* | *29* | *74* | *41* | *47* | *17* | *1,098* | *(159)* | *6* | *1,599* |

(*) See Section 6.4.1.

(**) For details about the special items at the segment level, see Section 6.4.7 and segment-level results in Sections 6.5-6.6 below.

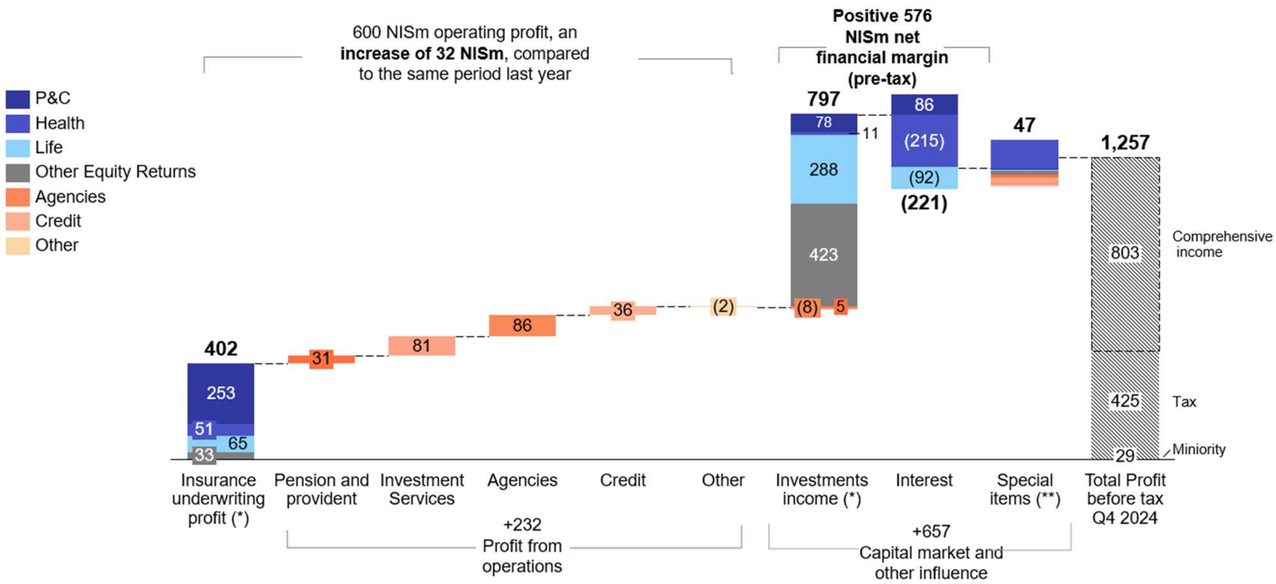
Operating income after deducting capital market effects, special items and interest increased by approx. NIS 654 million in the Reporting Year, compared with last year. For further details at the segment level, see Sections 6.5-6.6 below.

During the Reporting Year, annualized nominal return on Nostro investments stood at 7.9% and annualized real return stood at 4.3%; after transferring annual real return of 3%, the positive capital market effect after the said deduction is NIS 333 million, see Section 6.4.1 regarding the review of sources of earnings.

The change in investment income in excess of a real return of 3% in the Reporting Year compared with last year totaled approx. NIS 1,098 million. As of December 31, 2024, the effect of the increase in the planholders' asset portfolio resulted in the collection of variable management fees totaling approx. NIS 105 million, before tax. The change as a result of the effect of the risk-free interest rate curve and the change in the K factor (for further details see Section 6.5.3 below) in the Reporting Year compared to last year caused a decrease of approx. NIS 159 million in income in the Reporting Year compared to last year. The total net positive effect of the interest and capital market effects (in excess of a real return of 3%) in the Reporting Year amounted to approx. NIS 553 million before tax, as reflected in the above chart. In the Reporting Year, loss from special items decreased by approx. NIS 6 million compared to the corresponding period last year; most of the decrease was due to the recording of a loss in the Reporting Year as a result of the revision of the set of demographic assumptions (see Section 1.3.6 above) and the filing of claims as a result of the Iron Swords War in Life Insurance, and due to restructuring and one-time events in the Other Equity Returns Segment;

this loss was partially offset by the completion of an annuity take-up rate study (see Section 1.3.7 above) in the third quarter of the Reporting Year in Life Insurance and by a study on health insurance cancellations and expenses. In the corresponding period last year, loss was recorded due to model revisions, studies and provisions for class actions. For details regarding the effects on the results at the segment level, see details in Sections 6.5-6.6 below.

**<u>Following is the composition of the Company's sources of pre-tax income by operating income and income from capital market effects, interest rate and special items in the fourth quarter of 2024 (in NIS million):</u>**




| | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| ***Q4-23*** | ***394*** | ***17*** | ***68*** | ***69*** | ***19*** | ***1*** | ***232*** | ***204*** | ***(98)*** | ***906*** |
| ***Difference*** | *8* | *14* | *13* | *17* | *17* | *(3)* | *565* | *(425)* | *145* | *351* |

(*) See Section 6.4.1.

(**) For details about the special items at the segment level, see Section 6.4.8 and segment-level results in Sections 6.5-6.6 below.

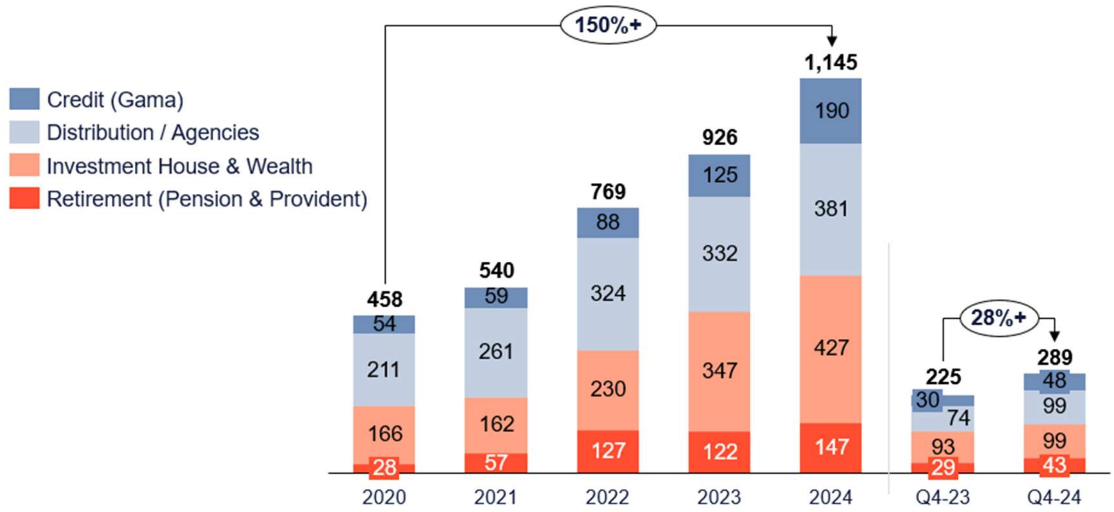
Operating income after deducting effects of the capital market, special items and interest increased by approx. NIS 32 million in the fourth quarter of the Reporting Year, compared with the corresponding quarter last year.

After transferring annual real return of 3%, and an amount in respect of variable management fees, which is calculated based on the real return, the positive capital market effect after the said deduction is NIS 797 million, see Section 6.4.1 regarding the review of sources of earnings. The increase in investment income in excess of a real return of 3% in the fourth quarter of the Reporting Year compared to the corresponding quarter last year totaled approx. NIS 565 million, in view of rallies in financial markets in Israel and across the world compared to last year.

The change as a result of the effect of the risk-free interest rate curve in the fourth quarter of the Reporting Year compared to the corresponding quarter last year caused a decrease of approx. NIS 425 million in income. The total net positive effect of the interest and capital market effects (in excess of a real return of 3%) in the fourth quarter of the Reporting Year amounted to a pre-tax income of approx. NIS 576 million as reflected in the above chart.

During the fourth quarter of the Reporting Year, income from special items increased by approx. NIS 145 million; most of the increase arose from recording a gain due to a cancellation study and expenses in the Health Insurance Segment in the fourth quarter of the Reporting Year, compared to recording a loss due to studies in the corresponding quarter last year.

6.4.6. **Below is the adjusted EBITDA for the 12-month period in the Reporting Year for the Asset Management, Distribution (Agencies) & Credit Activity (in NIS million):**

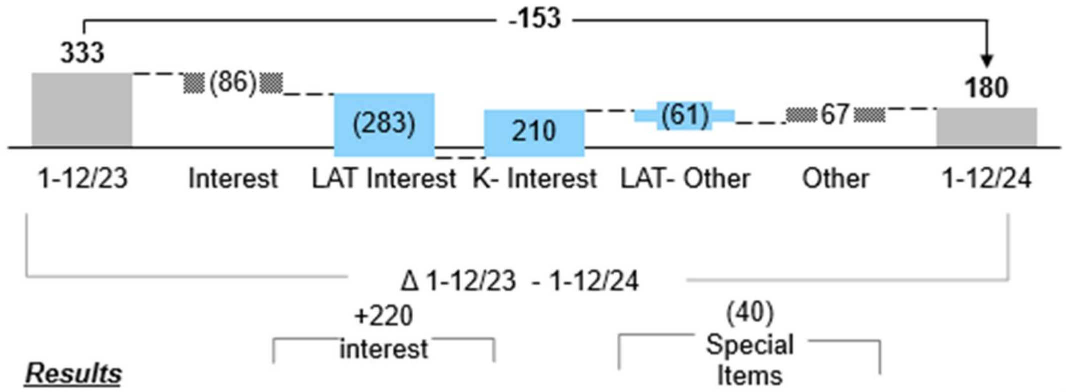



**1-12/24**
**In NIS million**

| | **Distribution (Agencies)** | **Asset Management** | **Retirement (Pension and Provident)** | **Credit** | **Total** |
|---|---|---|---|---|---|
| **Core income** | **141** | **229** | **91** | **115** | **576** |
| Minority income | 77 | 35 | - | - | 112 |
| Finance expenses, net | 22 | 21 | 35 | - | 78 |
| Equity loss (gain) | *(3)* | *(4)* | - | - | *(7)* |
| Income tax | 70 | 74 | 32 | 48 | 224 |
| Depreciation and amortization | 80 | 72 | 18 | 11 | 181 |
| Other expenses (revenues) (*) | *9* | (16) | *(24)* | 1 | *(30)* |
| **EBITDA - reported** | **396** | **411** | **152** | **175** | **1,134** |
| IFRS 16 | *(27)* | *(6)* | - | *(5)* | *(38)* |
| Equity compensation | 9 | 7 | - | 8 | 25 |
| One-time expenses (revenues), net | 3 | 15 | *(5)* | 12 | 24 |
| **EBITDA - Adjusted** | **381** | **427** | **147** | **190** | **1,145** |
| **Adjusted EBITDA - Minority shareholders** | 77 | 66 | - | - | 143 |
| **Adjusted EBITDA - Phoenix's share** | 304 | 361 | 147 | 190 | 1,002 |

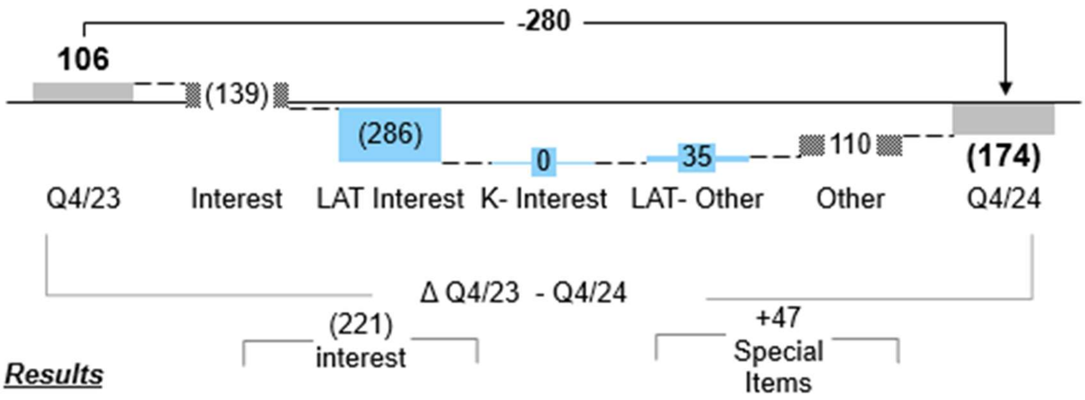
(*) Includes, among other things, adjustments in respect of consolidation entries.

6.4.7. **<u>Following is the composition of the differences between the interest rate effects and main special items effects on income as a result of the change in pre-tax insurance liabilities for the Reporting Year compared to the corresponding period last year (in NIS million):</u>**




| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **1-12/2024** | **146** | **(136)** | **210** | **-** | **(7)** | **-** | **(33)** | **180** |
| **P&C** | 179 | - | - | | - | - | (15) | **164** |
| **Health** | - | (136) | - | - | (7) | - | 97 | **(46)** |
| **Life** | (33) | - | 210 | - | - | - | (40) | **137** |
| **Other Equity Returns** | - | - | - | - | - | - | (7) | **(7)** |
| **Pension and provident** | - | - | - | - | - | - | (15) | **(15)** |
| **AM** | - | - | - | - | - | - | (30) | **(30)** |
| **Agencies** | - | - | - | - | - | - | (10) | **(10)** |
| **Credit** | - | - | - | - | - | - | (13) | **(13)** |
| **Other** | - | - | - | - | - | - | - | - |
| **1-12/2023** | **232** | **147** | **-** | **-** | **54** | **-** | **(100)** | **333** |
| **P&C** | 143 | - | - | | - | - | (22) | **121** |
| **Health** | - | 147 | - | - | 54 | - | (3) | **198** |
| **Life** | 89 | - | - | - | - | - | 6 | **95** |
| **Other Equity Returns** | - | - | - | - | - | - | (41) | **(41)** |
| **Pension and provident** | - | - | - | - | - | - | (7) | **(7)** |
| **AM** | - | - | - | - | - | - | (18) | **(18)** |
| **Agencies** | - | - | - | - | - | - | (7) | **(7)** |
| **Credit** | - | - | - | - | - | - | (12) | **(12)** |
| **Other** | - | - | - | - | - | - | 4 | **4** |

6.4.8. **Following is the composition of the differences between the interest rate effects and main special items effects on income as a result of the change in pre-tax insurance liabilities in the fourth quarter of 2024 compared with the corresponding quarter last year (in NIS million):**




***Results***

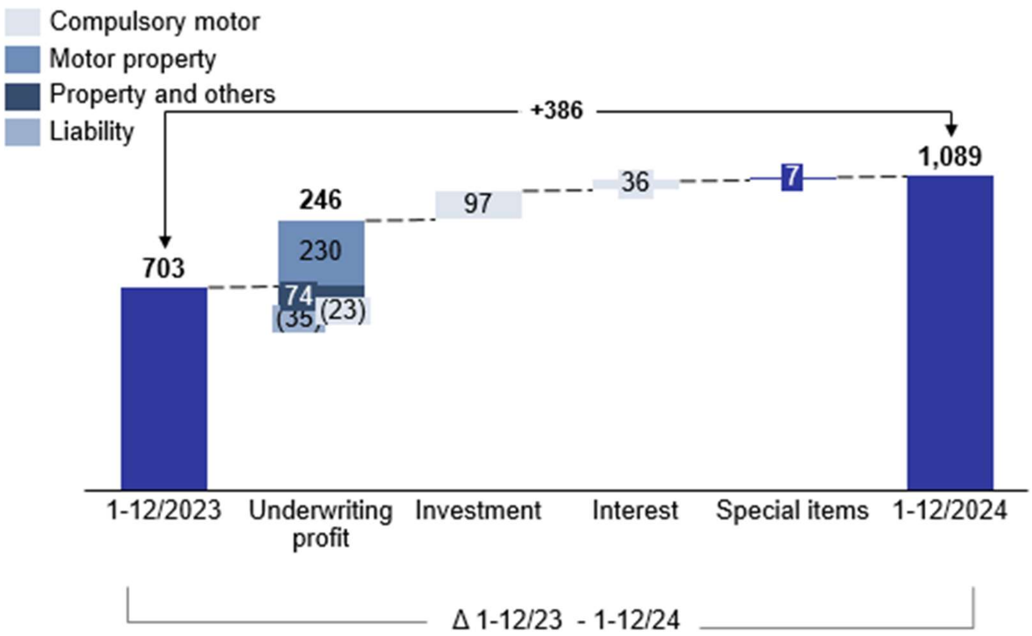
| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| ***Q4/2024*** | ***(6)*** | ***(215)*** | - | - | ***32*** | - | ***15*** | ***(174)*** |
| ***P&C*** | *86* | - | - | | - | - | *(6)* | ***80*** |
| ***Health*** | - | *(215)* | - | - | *32* | - | *88* | ***(95)*** |
| ***Life*** | *(92)* | - | - | - | - | - | *(2)* | ***(94)*** |
| ***Other Equity Returns*** | - | - | - | - | - | - | *(17)* | ***(17)*** |
| ***Pension and provident*** | - | - | - | - | - | - | *(15)* | ***(15)*** |
| ***AM*** | - | - | - | - | - | - | *(21)* | ***(21)*** |
| ***Agencies*** | - | - | - | - | - | - | *(4)* | ***(4)*** |
| ***Credit*** | - | - | - | - | - | - | *(8)* | ***(8)*** |
| ***Other*** | - | - | - | - | - | - | - | - |
| ***Q4/2023*** | ***133*** | ***71*** | - | - | ***(3)*** | - | ***(95)*** | ***106*** |
| ***P&C*** | *108* | - | - | | - | - | *(13)* | ***95*** |
| ***Health*** | - | *71* | - | - | *(3)* | - | *(11)* | ***57*** |
| ***Life*** | *25* | - | - | - | - | - | *(19)* | ***6*** |
| ***Other Equity Returns*** | - | - | - | - | - | - | *(22)* | ***(22)*** |
| ***Pension and provident*** | - | - | - | - | - | - | *(3)* | ***(3)*** |
| ***AM*** | - | - | - | - | - | - | *(3)* | ***(3)*** |
| ***Agencies*** | - | - | - | - | - | - | *(7)* | ***(7)*** |
| ***Credit*** | - | - | - | - | - | - | *(5)* | ***(5)*** |
| ***Other*** | - | - | - | - | - | - | *(12)* | ***(12)*** |

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

### 6.5. Description of developments in core areas - insurance

#### 6.5.1. Property and Casualty

**Following is a composition of the main effects and changes on the results of the Property and Casualty Segment for the Reporting Year compared to last year (in NIS million, before tax):**




***Results***

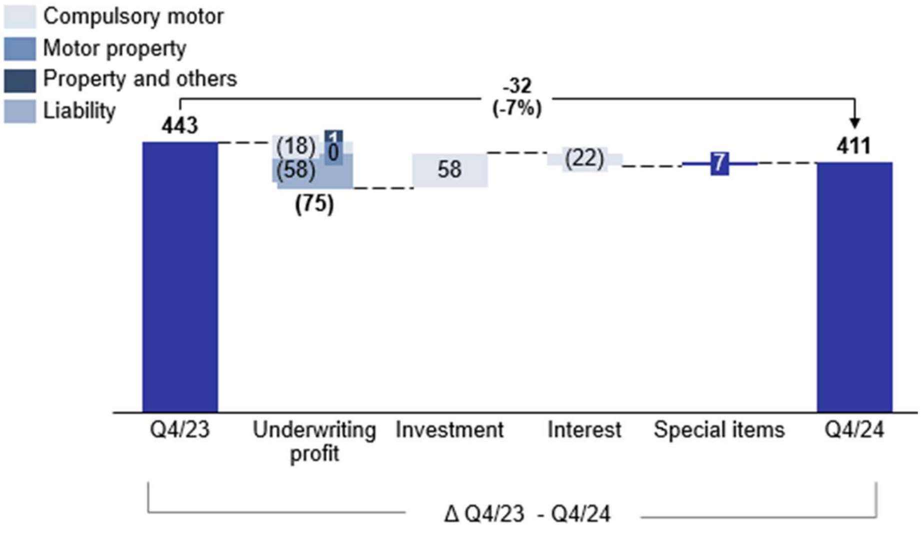
| | | | | | |
|---|---|---|---|---|---|
| ***1-12/2024*** | ***884*** | ***41*** | ***179*** | ***(15)*** | ***1,089*** |
| ***1-12/2023*** | *638* | *(56)* | *143* | *(22)* | *703* |

The increase of approx. NIS 246 million in underwriting income in the Reporting Year compared to the corresponding period last year stems mainly from the Motor Property Subsegments, Other Property Subsegments, offset against a decrease in profitability in the Compulsory Motor Subsegment and Other Liability Subsegments. For further details, see Section 6.5.1.1 below.

The higher income of approx. NIS 97 million in the Reporting Year compared to the corresponding period last year arose from a higher increase in financial markets in Israel and globally during the Reporting Year, compared to the corresponding period last year, with respect to the portfolio mix against the segment's liabilities.

The increase in interest income of approx. NIS 36 million in the Reporting Year compared to the corresponding period last year stems mainly from the effect of the increase in the excess value of illiquid assets and from reclassification of approx. NIS -18 million in excess value of illiquid assets in the first quarter in the Reporting Year from the Health Insurance Segment to the P&C Segment.

**Following is a composition of the main effects and changes on the results of the Property and Casualty Segment for the fourth quarter of 2024 compared to the corresponding quarter last year (in NIS million before tax):**

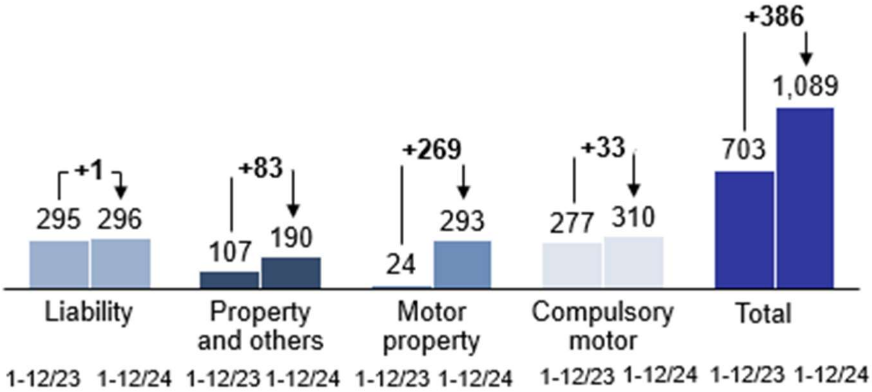



*Results*

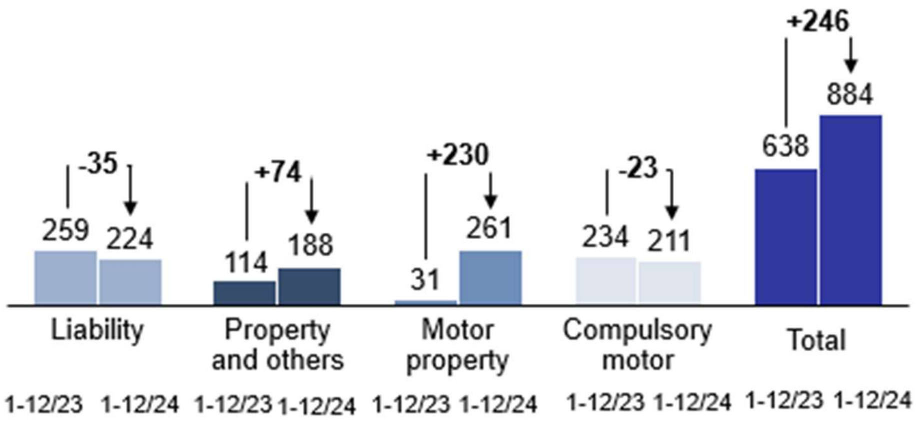
| | | | | | |
|---|---|---|---|---|---|
| ***Q4-24*** | ***253*** | ***78*** | ***86*** | ***(6)*** | ***411*** |
| ***Q4-23*** | *328* | *20* | *108* | *(13)* | *443* |

The approx. NIS 75 million decrease in underwriting income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises mainly from the compulsory motor subsegment and Other Liability Subsegments. For further details, see Section 6.5.1.3 below. The increase of approx. NIS 58 million in investment income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises from a rally in financial markets in Israel and globally during the fourth quarter of the Reporting Year, compared to the corresponding quarter last year, in relation to the portfolio mix against the segment's liabilities. The NIS 22 million decrease in income from interest rate changes in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises from the decrease in the excess value of illiquid assets, which was offset due to lower increase in the interest rate curve in the fourth quarter compared to the corresponding quarter last year.

6.5.1.1. **Following is the pre-tax comprehensive income in the various subsegments of Property and Casualty Insurance for the Reporting Year compared to last year (in NIS million):**

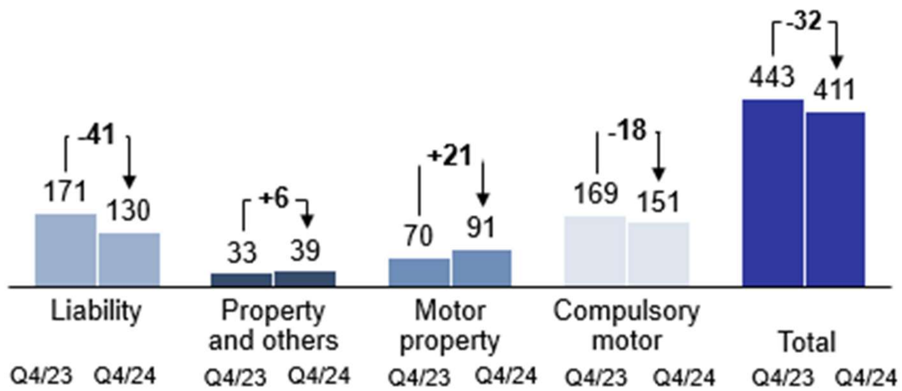


**Following is the pre-tax underwriting income in the various subsegments of Property and Casualty Insurance for the Reporting Year compared to last year (in NIS million):**

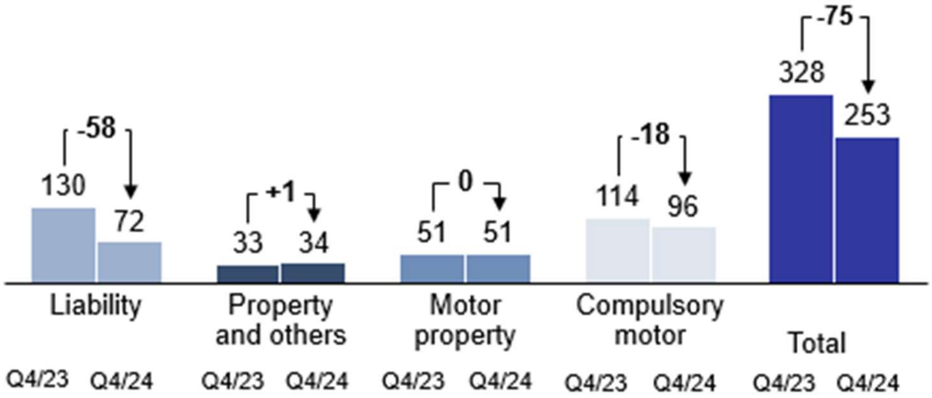



The increase in underwriting income in the Reporting Year compared to the corresponding period last year arises from the Motor Property Subsegment, as a result of an increase in the average premium and an improvement in the LR rate, from Other Property Subsegments as a result of an underwriting improvement across all subsegments, net of a decrease in profitability of the Compulsory Motor Subsegment as a result of lower releases in respect to previous years, and due to a decrease in insurance liabilities in the corresponding period last year in the Sales Law Guarantee Subsegment totaling approx. NIS 40 million.

6.5.1.2. **Following are the results of the (pre-tax) comprehensive income (loss) in the various subsegments of property and casualty insurance for the fourth quarter of 2024 compared with the corresponding quarter last year (in NIS million):**



6.5.1.3. **Following are the results of the (pre-tax) underwriting income (loss) in the various subsegments of property and casualty insurance for the fourth quarter of 2024 compared with the corresponding quarter last year (in NIS million):**




The decrease in underwriting income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises mainly from the Compulsory Motor and Liability Subsegments as a result of subsidence in releases with respect of previous years compared to last year in Other Liability Subsegments and the third-party liability subsegment.

6.5.1.4. **Following is the gross loss ratio and combined ratio, and retention loss ratio in the Motor Property and Property and Other Subsegments:**

| | Motor Property (*) In NIS million | | |
|---|---|---|---|
| | 1-12/2024 | 1-12/2023 | 1-12/2022 |
| Gross loss ratio | 67.3% | 79.2% | 91.0% |
| Retention loss ratio | 67.3% | 79.2% | 91.1% |
| Gross combined ratio | 89.3% | 101.6% | 116.6% |
| Retention combined ratio | 89.3% | 101.6% | 116.6% |

| | Property and Other Subsegments In NIS million | | |
|---|---|---|---|
| | 1-12/2024 | 1-12/2023 | 1-12/2022 |
| Gross loss ratio | 34.4% | 87.1%(**) | 31.4% |
| Retention loss ratio | 28.8% | 35.6% | 22.5% |
| Gross combined ratio | 60.2% | 114.7% | 58.9% |
| Retention combined ratio | 52.6% | 68.6% | 53.3% |

(*) Includes UGL (excess value of illiquid assets); for further details, see Section 6.5.1 above.

(**) The increase in the loss ratio and the gross combined ratio in the Property and Other subsegments arises mainly from a large claim, which is fully covered by reinsurance

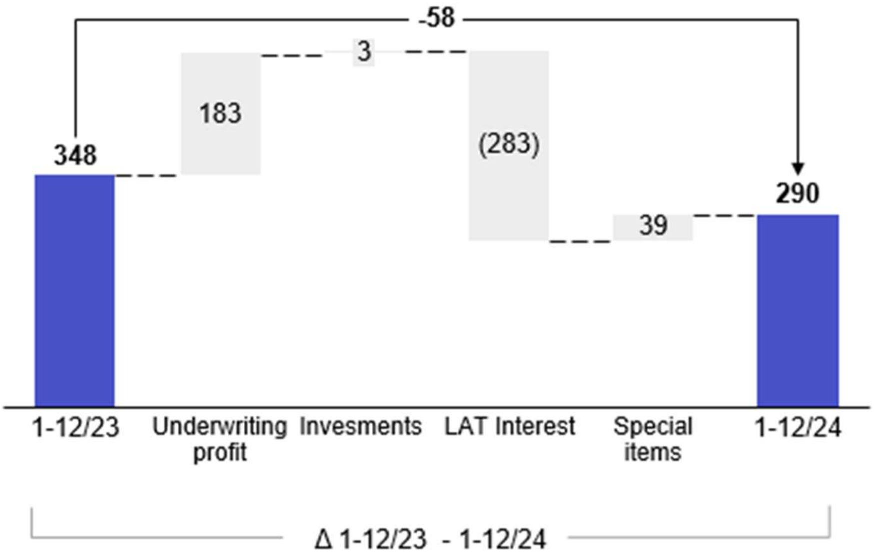
## 6.5.2. Health Insurance Segment

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.

The collective LTC insurance agreement for members of Maccabi Healthcare Services expired on December 31, 2023. For further details, see Section 2.3.1.4 to the Description of the Corporation's Business Report.

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 Reporting Year compared to the corresponding period last year (in NIS million):</u>**




***<u>Results</u>***

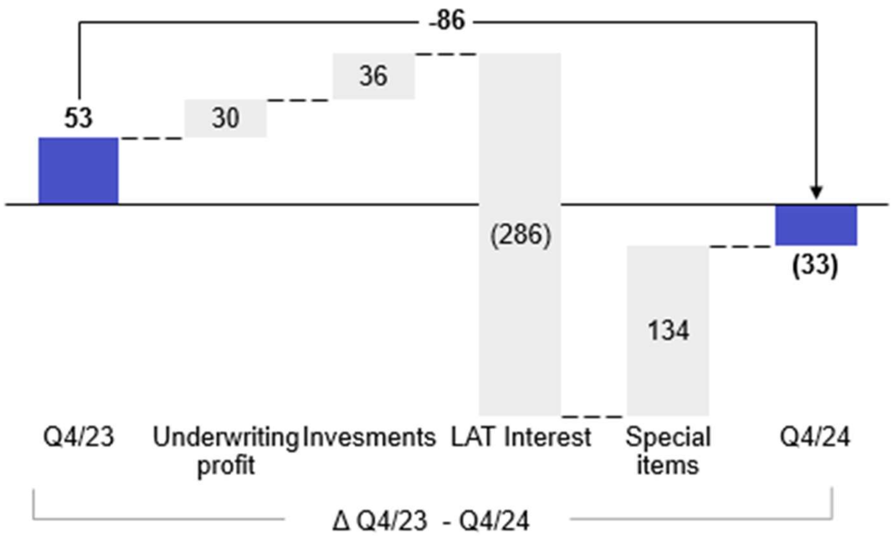
| | | | | | |
|---|---|---|---|---|---|
| ***1-12/2024*** | ***348*** | ***(12)*** | ***(136)*** | ***90*** | ***290*** |
| ***1-12/2023*** | *165* | *(15)* | *147* | *51* | *348* |

The increase in underwriting income in the Reporting Year compared to last year in the amount of approx. NIS 183 million is mainly due to an improvement in the LR rate, from an improvement in the individual health portfolio and improvement of the profitability of collectives.

The approx. NIS 283 million decrease in the interest income line item in the Reporting Year compared to last year arises from the decrease in the risk-free interest rate curve and the illiquidity premium, which increased the insurance liabilities compared to an increase in the interest rate curve and a decrease in insurance liabilities last year.

The approx. NIS 39 million increase in income from special items arises from an income of approx. NIS 110 million in the Reporting Year as a result of a study on the effects of cancellations and an income of approx. NIS 41 million as a result of an expenses study, which was partially offset by changes to assumptions, model revisions and others. The total effect of approx. NIS 90 million in the Reporting Year, compared to an income of approx. NIS 51 million mainly as a result of the recording of a capital gain from assuming control over FNX Private Partnership last year.

**Following is a composition of the main effects and changes on the results of the Health Insurance Segment for the fourth quarter of 2024 compared to the corresponding quarter last year (in NIS million):**

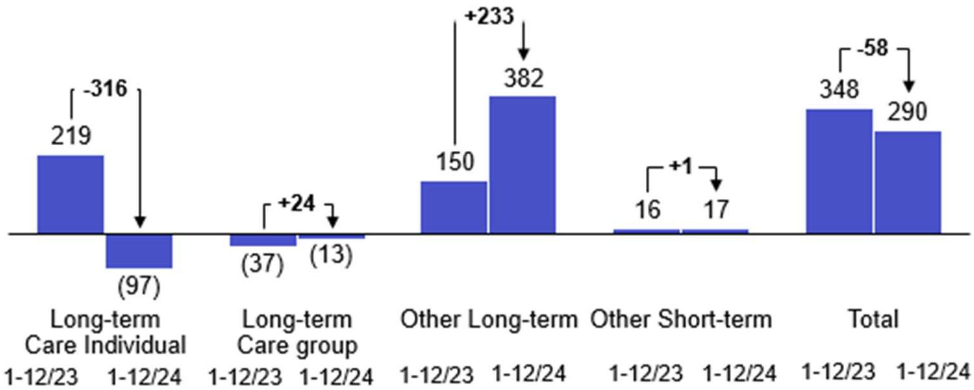



***Results***

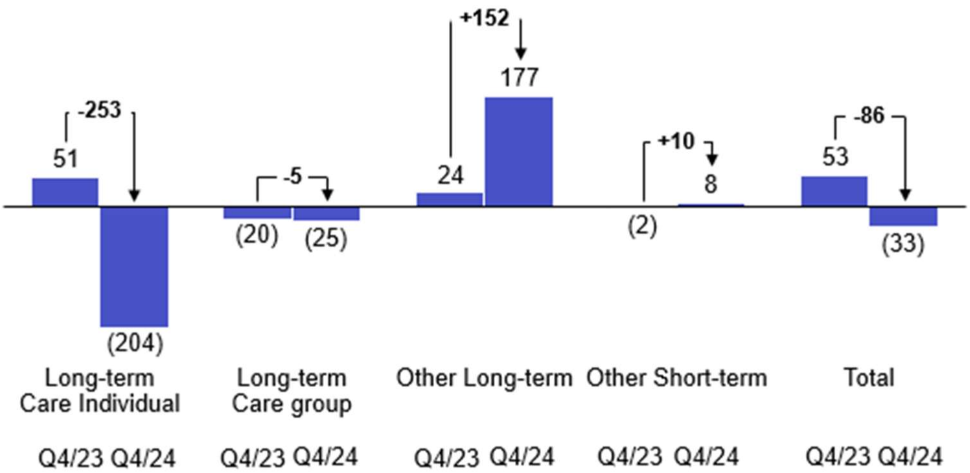
| | | | | | |
|---|---|---|---|---|---|
| **Q4-24** | **51** | **11** | **(215)** | **120** | **(33)** |
| **Q4-23** | 21 | (25) | 71 | (14) | 53 |

The increase in underwriting income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year in the amount of approx. NIS 30 million is mainly due to an improvement in the LR rate, from an improvement in the individual health portfolio and improvement in collectives' profitability and travel. The approx. NIS 36 million increase in investment income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises mainly from positive effects of financial markets in Israel and globally, compared to the corresponding period last year, with respect to the mix of the portfolio against the segment's liabilities. The NIS 286 million decrease in interest income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises from an increase in insurance liability due to the decrease in the risk-free interest rate curve. The approx. NIS 134 million increase in income from special items arises from an income of approx. NIS 110 million in the fourth quarter of the Reporting Year as a result of a study on the effects of cancellations and an income of approx. NIS 41 million as a result of an expenses study, which was partially offset by changes to assumptions, model revisions and others.

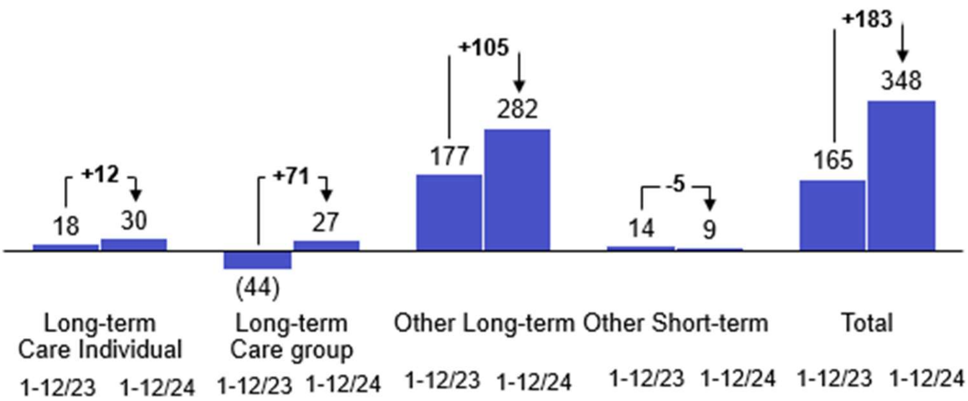
6.5.2.1. **Following is the pre-tax comprehensive income (loss) in the various Life Insurance subsegments for the Reporting Year compared to last year (in NIS million):**




6.5.2.2. **Following is the pre-tax comprehensive income (loss) in the various subsegments of Life Insurance subsegments in the fourth quarter of the Reporting Year compared with the corresponding quarter last year (in NIS million):**

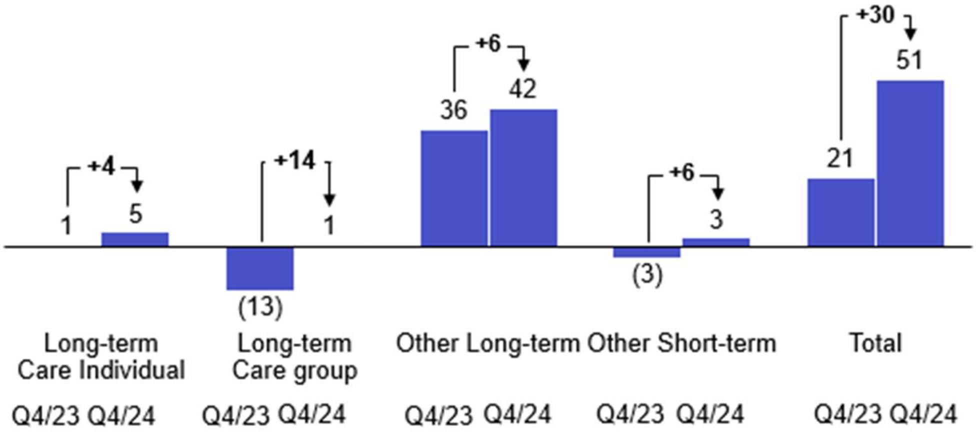



6.5.2.3. **Following is the pre-tax underwriting income (loss) in the various Health Insurance Subsegments for the Reporting Year compared to last year (in NIS million):**



The increase in underwriting income in the Reporting Year compared to last year in the amount of approx. NIS 183 million is mainly due to an improvement in the LR rate and from an improvement in the individual health portfolio in the Other Long-Term Subsegment and improvement of profitability of collectives, following the termination of the collective agreement with Maccabi Healthcare Services.

6.5.2.4. **Following is the pre-tax underwriting income (loss) in the various subsegments of Health Insurance in the fourth quarter of the Reporting Year compared with the corresponding quarter last year (in NIS million):**

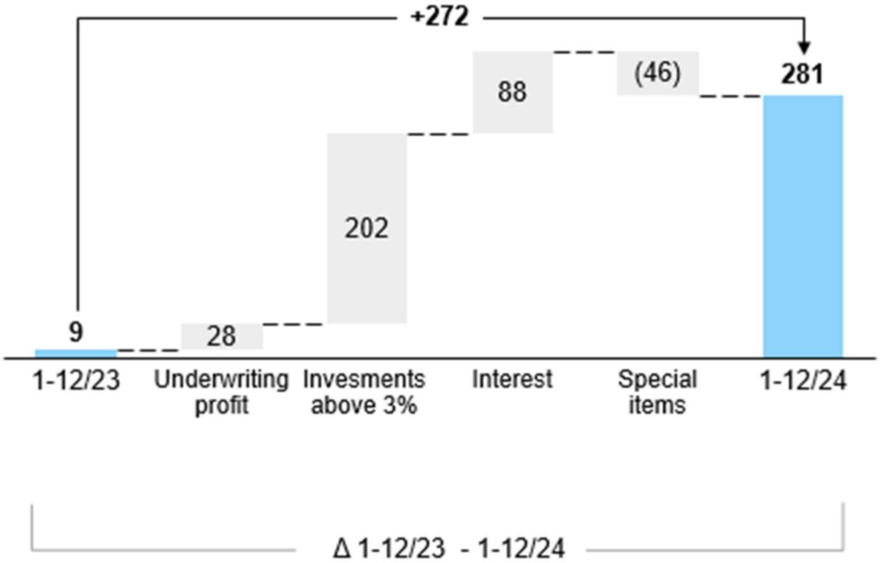



The increase in underwriting income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year in the amount of approx. NIS 30 million is mainly due to an improvement in the LR rate and from an improvement in the individual health portfolio in the Other Long-Term Subsegment and improvement of profitability of collectives, following the termination of the collective agreement with Maccabi Healthcare Services.

## 6.5.3. Life and Savings Segment

6.5.3.1. 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 income was carried to participating policies and has no direct effect on the Company's results.

**Following is a composition of the main effects and changes on the results of the Life Insurance Segment for the Reporting Year compared to last year (in NIS million):**




| *Results* | | | | | |
|---|---|---|---|---|---|
| ***1-12/2024*** | ***245*** | ***(101)*** | ***177*** | ***(40)*** | ***281*** |
| ***1-12/2023*** | *217* | *(303)* | *89* | *6* | *9* |

In the Reporting Year, the results - compared with last year - were primarily affected by a higher profit of approx. NIS 202 million from investment income in excess of a real return of 3%, which mainly arose from higher Nostro income.

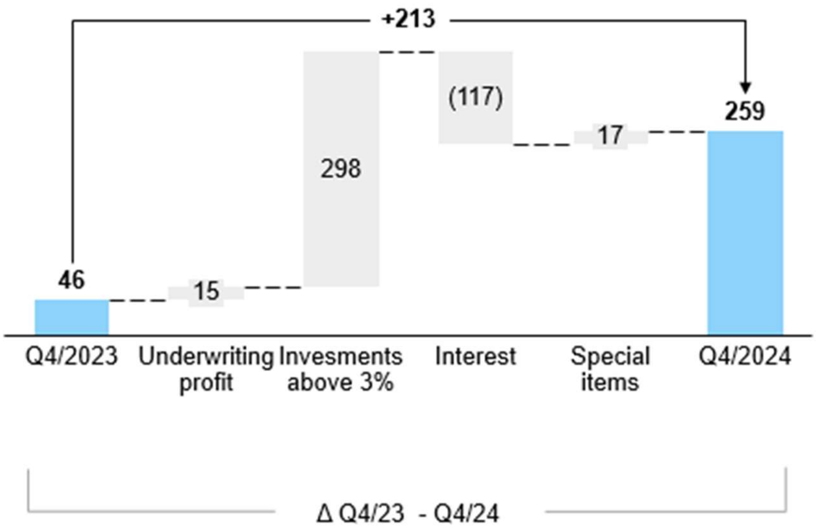
Additionally, the results were affected by an increase of approx. NIS 88 million in income due to the change in the discount rate and the increase in the expected return on the existing and expected asset portfolio, which led to revision of the assumptions as to the discount rates used to calculate the pension reserves, including the change in K factor.[5] This increase was partially offset against a decrease of approx. NIS 46 million in income in the special items line item compared to last year. During the Reporting Year, the special items line item was affected by the recording of a loss as a result of a revision of approx. NIS 168 million of the mortality table assumptions in the second quarter of the Reporting Year, the filing of claims in life and permanent health insurance due to the Iron Swords War totaling approx. NIS 34 million, and by the revision of assumptions, model revisions, and provisions for class actions for a total of approx. NIS 92 million. This loss was mostly offset against the recognition of an income of approx. NIS 254 million as a result of a study regarding the annuity take-up rate in the third quarter and its completion in the fourth quarter of the Reporting Year. Lat year, a one-time capital gain was recognized from assuming control in the FNX Private Partnerships, which was partially offset by a revision of assumptions, model revisions and provisions for class actions.

In addition, the results in the Reporting Year compared to last year were affected by an increase of approx. NIS 28 million in underwriting income, which arose mainly from beginning to collect variable

[5] The provision for the supplementary retirement pension reserve is made gradually using the K discount factor. For further details, see Note 41 to the Financial Statements.

management fees in 2024 as well as an increase in fixed management fees (as of December 31, 2024, the effect on the increase in the planholders' portfolio resulted in the collection of approx. NIS 105 million in variable management fees, before tax), which was partially offset against an increase in general and administrative expenses and a decrease in the profitability of individual life insurance. For further details regarding sensitivity to interest and CPI risks, see Note 41 to the Financial Statements.

**<u>Following is a composition of the main effects and changes on the results of the Life Insurance Subsegment for the fourth quarter of 2024 compared to the corresponding quarter last year (in NIS million):</u>**



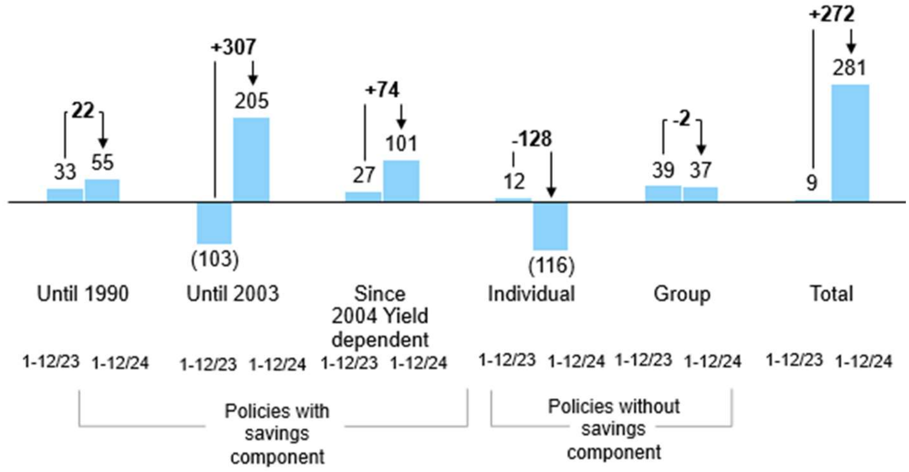

*Results*

| | | | | | |
|---|---|---|---|---|---|
| ***Q4-24*** | ***65*** | ***288*** | ***(92)*** | ***(2)*** | ***259*** |
| ***Q4-23*** | *50* | *(10)* | *25* | *(19)* | *46* |

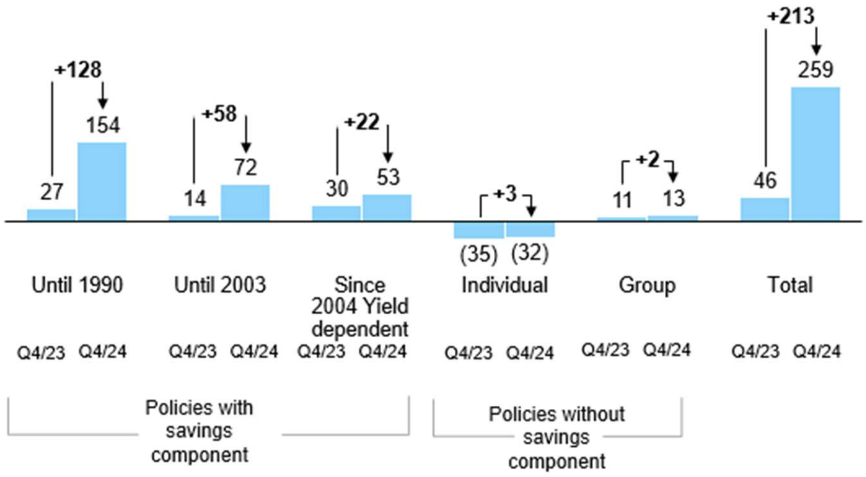
In the fourth quarter of the Reporting Year, the results - compared with the corresponding quarter last year - were primarily affected by a higher investment income of approx. NIS 298 million from investment income in excess of a real return of 3%, which mainly arose from higher Nostro income, from a decrease in income totaling NNIS 117 million due to the change in the risk-free interest rate curve during the Reporting Year compared to last year.
In addition, the results in the fourth quarter of the Reporting Year compared to the corresponding quarter last year were affected by an increase of approx. NIS 15 million in underwriting income, which arose mainly from an increase in fixed and variable management fees, which was partially offset against an increase in administrative expenses.

For further details regarding sensitivity to interest and CPI risks, see Note 41 to the Financial Statements.

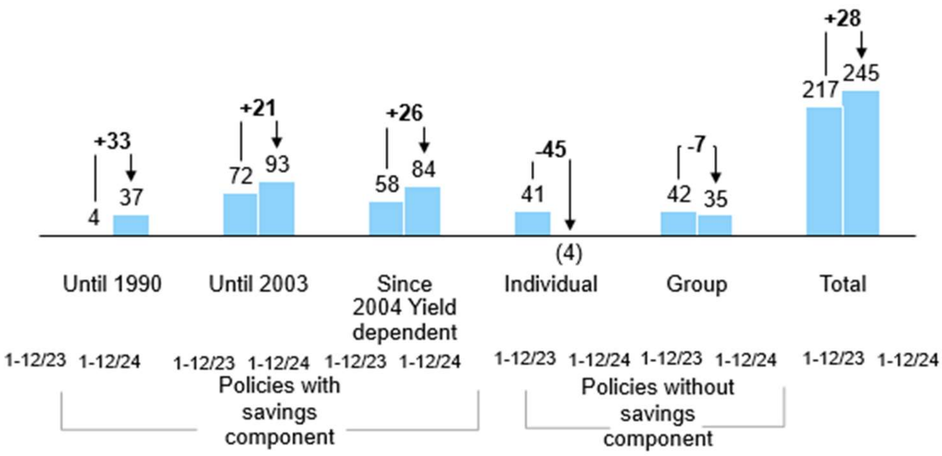
6.5.3.2. **Following is the pre-tax comprehensive income (loss) in the various Life Insurance Subsegments for the Reporting Year compared to last year (in NIS million):**




**Following is the pre-tax comprehensive income (loss) in the various subsegments of life insurance in the fourth quarter of the Reporting Year compared with the corresponding quarter last year (in NIS million):**

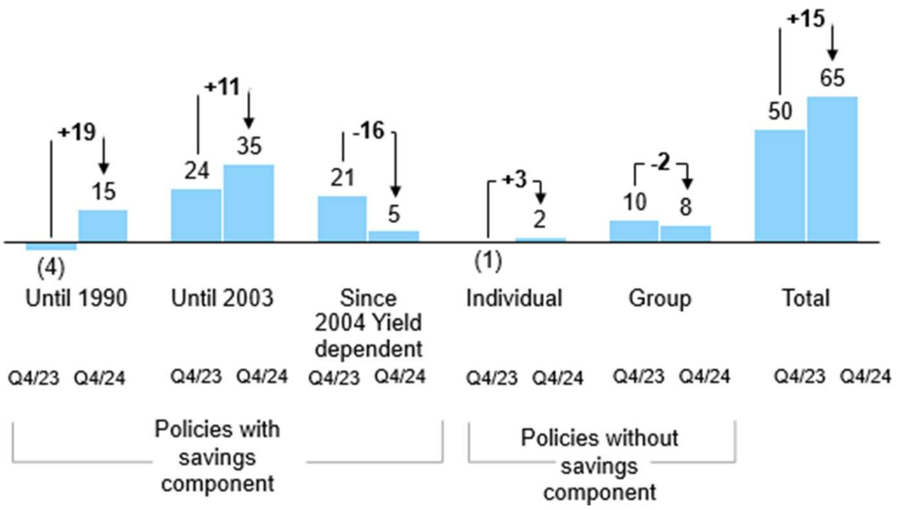



6.5.3.3. **Following is the pre-tax underwriting income (loss) in the various Life Insurance Subsegments for the Reporting Year compared to last year (in NIS million):**



The increase of approx. NIS 28 million in underwriting income in the Reporting Year, compared to last year is attributed mainly to the increase in underwriting income in policies issued through 1990 and policies until 2003, as a result of the effect of the decrease in expenses, and in policies of 2004 - as a result of the increase in profitability from fixed management fees and the effect of the decrease in expenses; this increase was partially offset by a decrease in income from individual life insurance policies, due to the increase in LR.

**Following is the pre-tax underwriting income (loss) in the various subsegments of Life Insurance in the fourth quarter of the Reporting Year compared with the corresponding quarter last year (in NIS million):**




The approx. NIS 15 million increase in underwriting income in the fourth quarter of the Reporting Year compared to the corresponding quarter last year arises mainly from policies issued until 1990 and policies issued until 2003 as a result of the effect of the expenses; this increase was partially offset by a decrease in income from policies issued from 2004 as a result of an increase in cancellations.

6.5.3.4. The rate of redemptions out of the average reserve (annualized) was approx. 7.14% compared with approx. 6.55% last year. The increase stems mainly from increase in cancellations of investment policies 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.

6.5.3.5. 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:

| | 1-12/ 2024 | 1-12/ 2023 | 1-12/ 2022 | 10-12/ 2024 | 10-12/ 2023 |
|---|---|---|---|---|---|
| | In NIS million | | | | |
| Investment income credited to policyholders net of variable management fees | 12,515 | 7,156 | (6,325) | 3,258 | 1,942 |
| Fixed management fees | 783 | 611 | 591 | 280 | 157 |

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

6.5.3.6. **Weighted returns on participating policies**

Following are the nominal returns on participating policies in respect of policies issued from 1992 to 2003:

| | Policies issued up to 2004 (Fund J) | | | | |
|---|---|---|---|---|---|
| | **1-12/ 2024** | **1-12/ 2023** | **1-12/ 2022** | **10-12/ 2024** | **10-12/ 2023** |
| Nominal returns before payment of management fees | 14.13% | 7.99% | (5.69%) | 4.27% | 2.22% |
| Nominal returns after payment of management fees | 13.54% | 7.39% | (6.29%) | 4.12% | 2.07% |
| Real returns before payment of management fees | 10.35% | 4.50% | (10.42%) | 4.37% | 2.12% |
| Real returns after payment of management fees | 9.78% | 3.92% | (10.99%) | 4.22% | 1.97% |

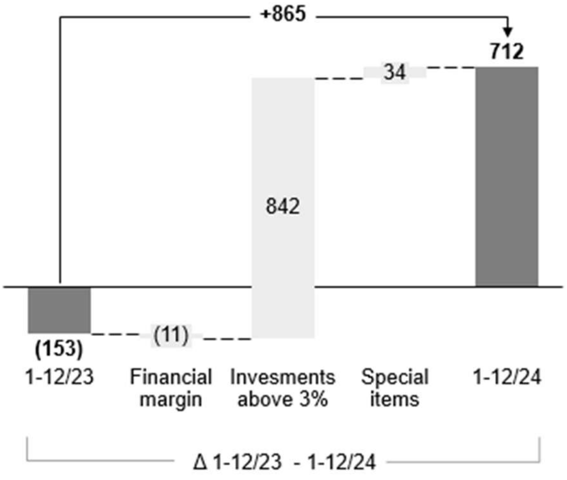
The volatility in these returns are a function of capital market returns in Israel and abroad, changes in the consumer price index, and changes in the exchange rate of the shekel against major currencies.

6.5.3.7. **Following are the nominal returns on yield-dependent insurance policies in respect of policies issued from 2004 and thereafter**

| | Policies issued from 2004 and thereafter | | | | |
|---|---|---|---|---|---|
| | **1-12/ 2024** | **1-12/ 2023** | **1-12/ 2022** | **10-12/ 2024** | **10-12/ 2023** |
| Nominal returns before payment of management fees | 13.95% | 8.70% | (6.64%) | 3.73% | 2.82% |
| Nominal returns after payment of management fees | 12.97% | 7.74% | (7.49%) | 3.51% | 2.60% |
| Real returns before payment of management fees | 10.18% | 5.18% | (11.32%) | 3.82% | 2.73% |
| Real returns after payment of management fees | 9.23% | 4.26% | (12.13%) | 3.61% | 2.50% |

### 6.5.4. Other Equity Returns

**<u>Following is a composition of the main effects and changes in Other Equity Returns for the Reporting Year compared to last year (in NIS million):</u>**

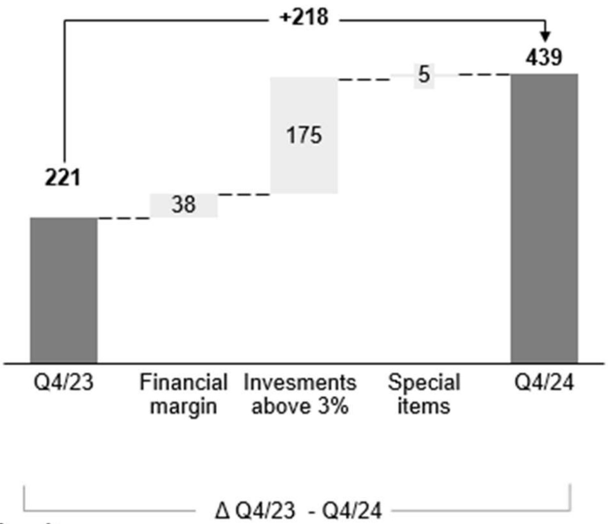



*Results*

| | | | | |
|---|---|---|---|---|
| ***1-12/2024*** | ***283*** | ***436*** | ***(7)*** | ***712*** |
| ***1-12/2023*** | *294* | *(406)* | *(41)* | *(153)* |

The increase in income in Other Equity Returns Segment in the Reporting Year, compared to last year, totaling approx. NIS 865 million, arises mainly from hikes in financial markets in Israel and globally compared with slumps last year.

**<u>Following is a composition of the main effects and changes in Other Equity Returns for the fourth quarter of 2024 compared to the corresponding quarter last year (in NIS million):</u>**




*Results*

| | | | | |
|---|---|---|---|---|
| ***Q4-24*** | ***33*** | ***423*** | ***(17)*** | ***439*** |
| ***Q4-23*** | *(5)* | *248* | *(22)* | *221* |

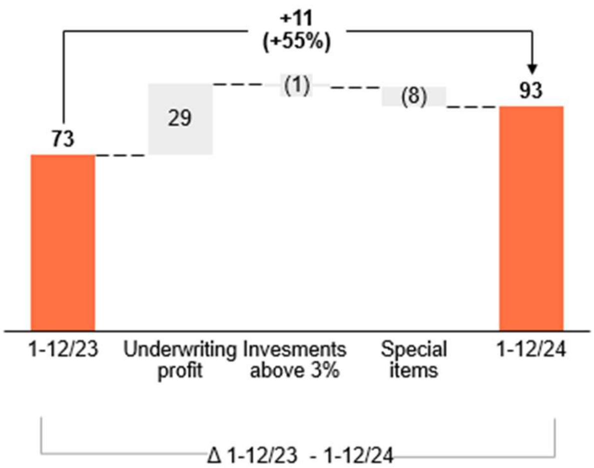
The results in the fourth quarter of the Reporting Year compared to the corresponding quarter last year were mainly affected by the increase in investment income in excess of 3%, which totaled approx. NIS 175 million, in view of the rallies in financial markets in Israel and across the world compared to the more moderate increases in the corresponding quarter last year.

## 6.6. Description of developments in other core activities

### 6.6.1. Asset Management - Retirement (Pension and Provident)

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 a composition of the main effects and changes on the results of the Asset Management - Retirement (Pension and Provident) Subsegment for the Reporting Year compared to last year (in NIS million):</u>**

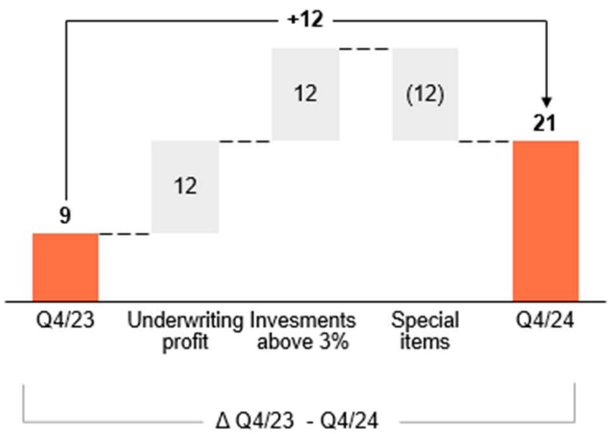



*Results*

| | | | | |
|---|---|---|---|---|
| **1-12/2024** | **118** | **(10)** | **(15)** | **93** |
| **1-12/2023** | 89 | (9) | (7) | 73 |

The increase in profitability in the Reporting Year compared to last year arises mainly from an increase of approx. NIS 29 million in operating income, as a result of an increase in total assets under management; this income was partially offset by a higher loss in the special items line item of approx. NIS 8 million as a result of an increase in the provision for a class action.

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




*Results*

| | | | | |
|---|---|---|---|---|
| **Q4-24** | **31** | **5** | **(15)** | **21** |
| **Q4-23** | 19 | (7) | (3) | 9 |

The increase in profitability in the fourth quarter of the Reporting Year compared to last year arises mainly from an increase of approx. NIS 12 million in operating income due to an increase in assets under management and approx. NIS 12 million in investment income; this income was partially offset by a loss in the special items line item of approx. NIS 12 million as a result of an increase in the provision for a class action.

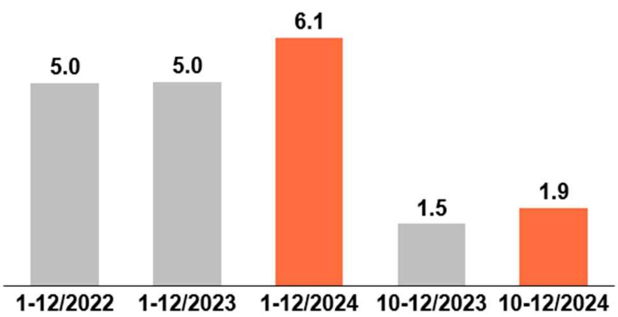
### 6.6.1.1. Provident Funds Subsegment

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.

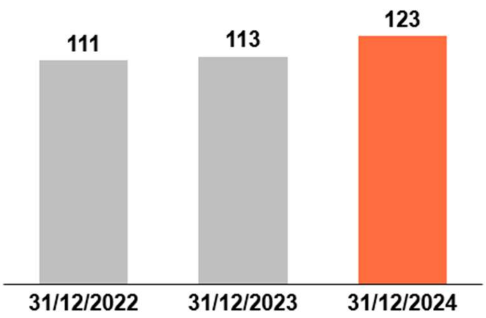
The pre-tax comprehensive income in the Reporting Period amounted to approx. NIS 68 million compared to approx. NIS 62 million in the corresponding period last year.The pre-tax comprehensive income in the fourth quarter in the Reporting Period amounted to approx. NIS 14 million compared to a loss of approx. NIS 9 million during the corresponding quarter 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,[5] aggregate contributions towards benefits in the Provident Funds Subsegment in 2024 totaled approx. NIS 62.1 billion, compared to a total of approx. NIS 51.4 billion last year, reflecting an increase of approx. 20%.According to Ministry of Finance data, as of December 31, 2024, total assets under management in the Provident Funds Subsegment amounted to a total of approx. NIS 850 billion, compared to approx. NIS 720 billion on December 31 2023, an increase of approx. 18%.

[5] Based on Gemel Net data.

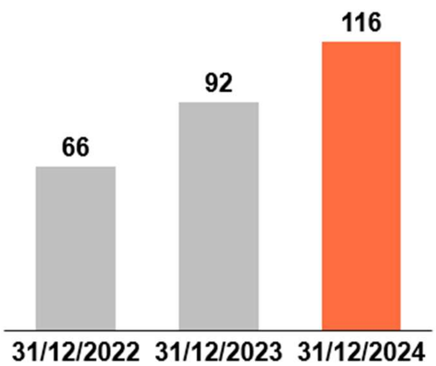
### 6.6.1.2. Pension Funds Subsegment

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

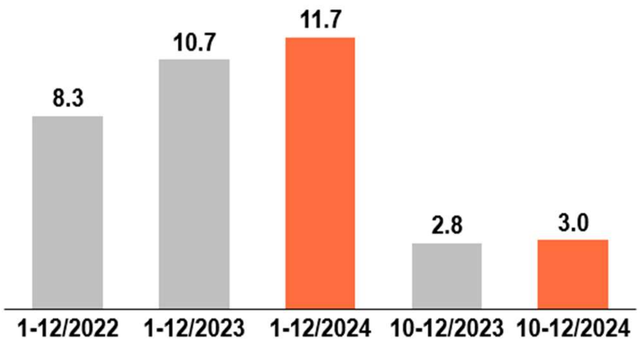
The pre-tax income in the Reporting Period amounted to approx. NIS 25 million compared with pre-tax income of approx. NIS 11 million in the corresponding period last year. The comprehensive income before tax in the fourth quarter of the Reporting Period increased by approx. NIS 8 million compared to the corresponding quarter 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 comprehensive Pension Funds Subsegment in 2024 totaled approx. NIS 74.9 billion, compared to a total of approx. NIS 67.4 billion in the corresponding period last year, reflecting an increase of approx. 11.1%.

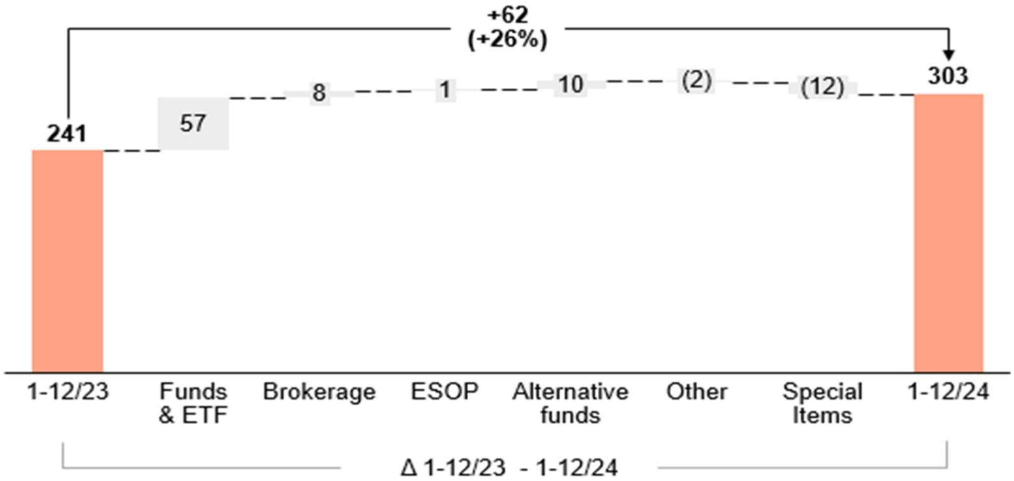
According to Ministry of Finance data, as of December 31, 2024, total assets under management in the new comprehensive pension funds subsegment amounted to a total of approx. NIS 899 billion, compared to approx. NIS 728 billion on December 31, 2023, an increase of approx. 23.5%.

## 6.6.2. Asset Management - Investment House and Wealth

The activity in this area is carried out mainly through Phoenix Investment House (formerly - Excellence Investments) through Phoenix Advanced Investments. For the restructuring of the Asset management Subsegment, see Section 1.3.8 above. For further details regarding the compensation plan and allocation of non-marketable options in Phoenix Capital Partners, see Section 1.3.22 above.

[6] Based on Pension Net data.

**Following is the composition of the main effects and changes on the results of Investment House and Wealth Segment for the Reporting Year compared to last year (in NIS million):**




*Results*

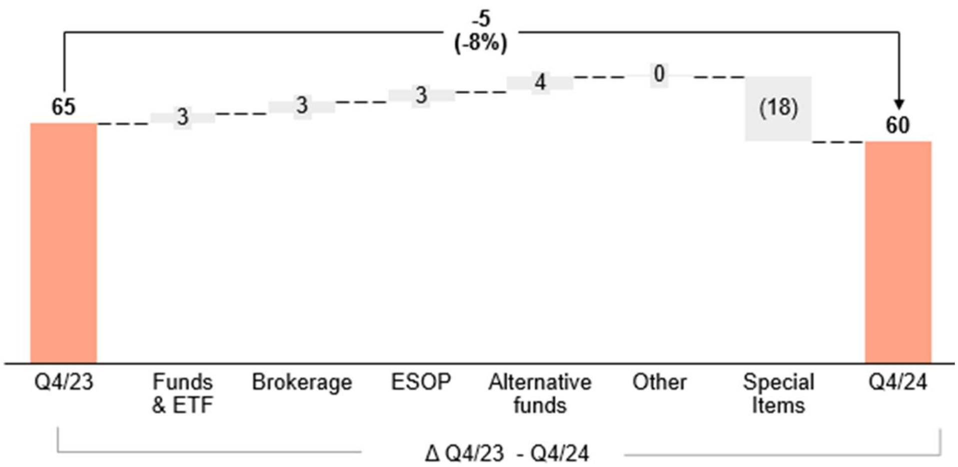
| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***1-12/24*** | ***104*** | ***184*** | ***17*** | ***20*** | ***8*** | ***(30)*** | ***303*** |
| ***1-12/23*** | *47* | *176* | *16* | *10* | *10* | *(18)* | *241* |

The approx. NIS 62 million increase in profitability in the Reporting Year compared to last year arises mainly from an improvement of approx. NIS 57 million in the income in the Funds & Portfolios Subsegment, mainly as a result of the acquisition of Psagot's activity at the end of 2023, which was reflected in the Reporting Period.

For further details regarding the changes to agreements with the partners in the Investment House, see Section 1.3.12 above.

In August 2024 Phoenix Advanced Investments increased its share in the Wealth Subsegment by acquiring ownership interests from several partners in various companies operating in the area of Wealth and IRA.

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



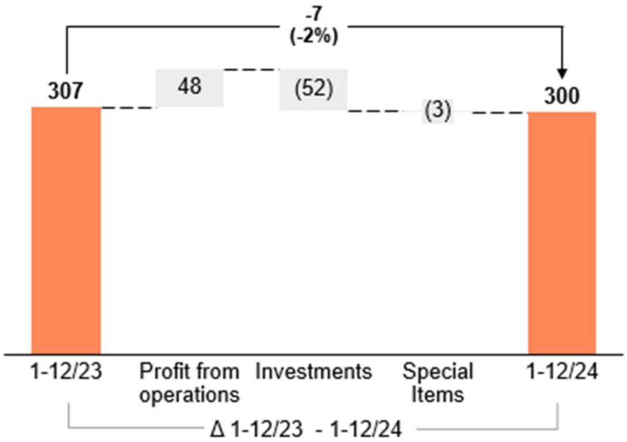

*Results*

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ***Q4-24*** | ***17*** | ***52*** | ***6*** | ***4*** | ***2*** | ***(21)*** | ***60*** |
| ***Q4-23*** | *14* | *49* | *3* | *0* | *2* | *(3)* | *65* |

### 6.6.3. Distribution (Agencies)

For further details regarding the restructuring of Phoenix Agencies and Oren Mizrach, see Section 1.3.15 above. For further details regarding the compensation plan and allocation of non-marketable options in Phoenix Agencies, see Section 1.3.22 above.

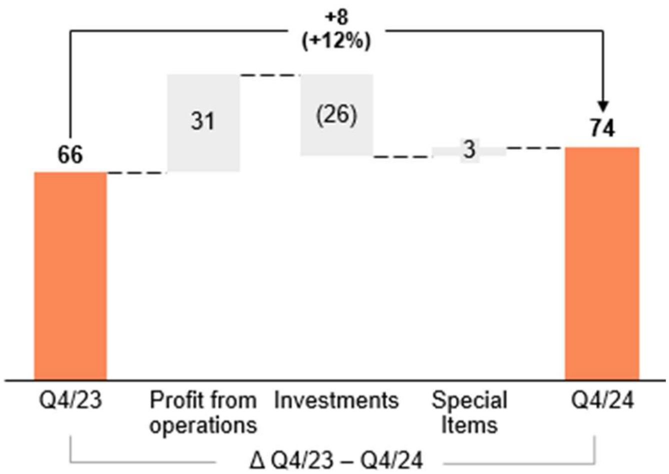
**Following is the composition of the main effects and changes on the results of the Distribution (Agencies) Segment for the Reporting Year compared to last year (in NIS million):**




*Results*

| | | | | |
|---|---|---|---|---|
| ***1-12/24*** | ***331*** | ***(21)*** | ***(10)*** | ***300*** |
| ***1-12/23*** | *283* | *31* | *(7)* | *307* |

**Following is a composition of the main effects and changes on the results of the Distribution (Agencies) Segment for the fourth quarter of the Reporting Year compared to the corresponding quarter last year (in NIS million):**




*Results*

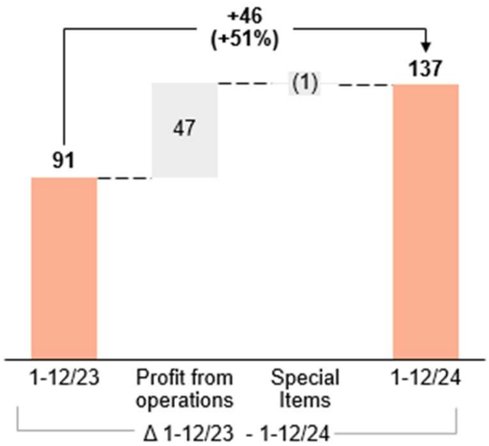
| | | | | |
|---|---|---|---|---|
| ***Q4-24*** | ***93*** | ***(15)*** | ***(4)*** | ***74*** |
| ***Q4-23*** | *62* | *11* | *(7)* | *66* |

The increase in income in the Reporting Year and in the fourth quarter arises mainly from an increase in the volume of activity, which was offset against the effect of the decrease in net investment income, due to the increase in finance expenses as a result of the streamlining of the capital structure in the Reporting Year and the fourth quarter.

## 6.6.4. Credit Segment

In August 2023, Phoenix Investments executed a full tender offer in respect of Gama's shares; after the acquisition of all the offerees' shares, Gama became a privately-held company (reporting corporation), which is wholly-owned by Phoenix Investments as of the report date.For the restructuring of the Credit Segment, see Section 1.3.9 above.

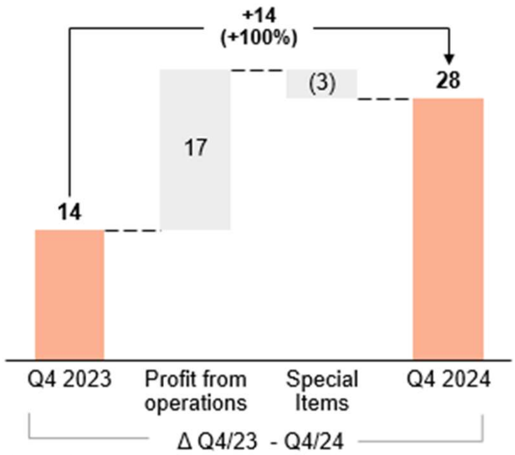
**Following is the composition of the main effects and changes on the results of Credit Segment for the Reporting Year compared to last year (in NIS million):**




*Results*

| | | | |
|---|---|---|---|
| **1-12/24** | **150** | **(13)** | **137** |
| **1-12/23** | 103 | (12) | 91 |

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




*Results*

| | | | |
|---|---|---|---|
| **Q4-24** | **36** | **(8)** | **28** |
| **Q4-23** | 19 | (5) | 14 |

The increase in operating income in the Reporting Year and the fourth quarter compared to the corresponding periods last year arises mainly from the consolidation - in Gama - of the results of the activity of Phoenix Construction Financing as from January 1, 2024, and from an increase in credit spreads in the Reporting Period compared to the corresponding period last year.

In the Reporting Period, Gama experienced a further decline in demand for credit by businesses and developers.

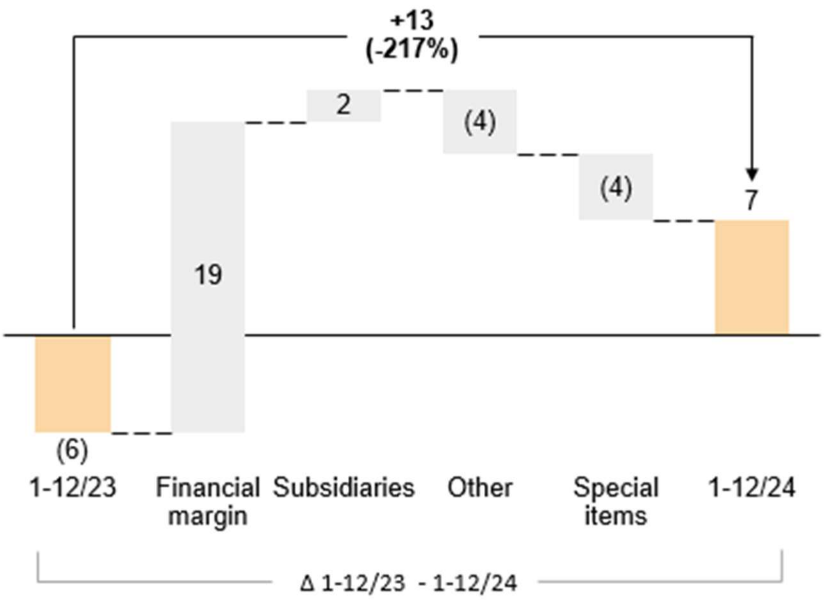
On April 16, 2024, Mr. Ariel Genut ceased serving as a director and CEO in Gama (for further details, see the Company's immediate reports dated April 16, 2024 (Ref. No. 2024-01-038563). On April 10, 2024, Gama announced the appointment of a Company CEO - Mr. Adiri Ben Zion - as from July 1, 2024.

Regarding the restructuring in the Phoenix group and the transfer of the consumer credit company to Gama’s control, see Section 1.3.9 above.

For further details regarding the compensation plan and allocation of non-marketable options in Phoenix Gama, see Section 1.3.22 above.

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

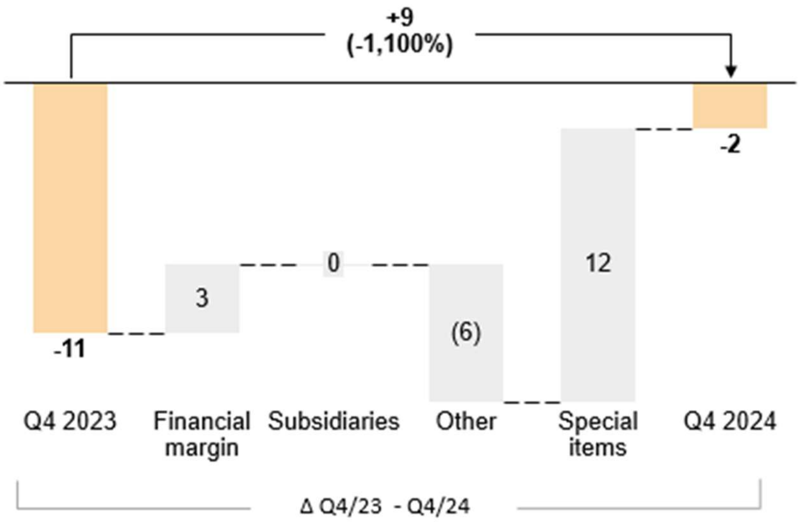
**<u>Following is a composition of the main effects and changes on the results of the Other Segment and activity that is not attributed to operating segments in the Reporting Year compared to last year (in NIS million, before tax):</u>**




***Results***

| | | | | | |
|---|---|---|---|---|---|
| ***1-12/2024*** | ***32*** | ***-*** | ***(25)*** | ***-*** | ***7*** |
| ***1-12/2023*** | *13* | *(2)* | *(21)* | *4* | *(6)* |

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




*Results*

| | | | | | |
|---|---|---|---|---|---|
| **Q4-24** | **5** | **-** | **(7)** | **-** | **(2)** |
| **Q4-23** | 2 | - | (1) | (12) | (11) |

The results in the Reporting Year and in the fourth quarter compared to the corresponding periods last year were mainly affected by an increase in the financial margin of approx. NIS 19 million and approx. NIS 3 million, respectively.

## 6.7. Analysis of cash flow development

### 6.7.1. Cash flow in 2024

The consolidated cash flows used for operating activities in the Reporting Period amounted to approx. NIS 701 million. The consolidated cash flows used for investing activities in the Reporting Period amounted to approx. NIS 1,298 million and included mainly a total of approx. NIS 536 million used to purchase intangible assets and to capitalize costs of intangible assets, approx. NIS 115 million used to acquire the non-controlling interests in associates, a total of approx. NIS 637 million used to invest in associates and a total of approx. NIS 359 million used to purchase property, plant, and equipment.

The consolidated cash flow provided by financing activities in the Reporting Period amounted to approx. NIS 109 million and included, among other things, a total of NIS 1,874 million used to repay financial liabilities, a total of approx. NIS 2,624 million arising from issuing financial liabilities, a total of approx. NIS 535 million used for a dividend distribution to the Company's shareholders and a total of approx. NIS 183 million used for a share buyback.

The Group's cash and cash-equivalent balances decreased from a total of approximately NIS 22,357 million at the beginning of the Reporting Year to approximately NIS 20,466 million at the end of the Reporting Year.

### 6.7.2. Sources of financing and liquidity

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.

For the purpose of making a conservative assessment of 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.

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 the Company's dividend policy.

B. Phoenix Investments (as from January 1, 2025, Phoenix Capital Partners Ltd.) - the Company presents the net financial assets of Phoenix Investments as part of its net financial assets. The Company assumes a payment of dividend by Investment House and Gama to Phoenix Investments in accordance with the work plan. For details regarding the restructuring of the Asset Management Activity, see Section 1.3.8 above.

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

Following is a table providing a breakdown of the net financial debt (the table includes the following companies: the Company, Phoenix Investments, and does not include Phoenix Insurance, Phoenix Pension and Provident, which are subject to Regulatory Restrictions in addition to the distribution restrictions set out in the Companies Law, 1999, Phoenix Agencies and Phoenix Gama):

| | As of December 31 2024 | As of December 31 2023 |
|---|---|---|
| | NIS thousand | |
| **Financial assets** | | |
| Cash and cash equivalents | 157 | 525 |
| Associates(3) | 232 | - |
| Dividend receivable(4) | 574 | - |
| Other financial investments(1) | 1,442 | 1,447 |
| **Total assets** | 2,404 | 1,971 |
| Less current maturities | | |
| Current financial liabilities | 173 | 68 |
| **Current financial assets net of current maturities** | **2,231** | **1,903** |
| **Non-current financial liabilities** | | |
| Non-current financial liabilities | 1,734 | 1,829 |
| Other liabilities | - | - |
| **Total liabilities** | 1,734 | 1,829 |
| **Net financial asset (debt)** | **497** | **74** |
| **Declared dividend** | 565 | 265 |
| **Net financial debt after declared dividend** | **(68)** | **(191)** |
| **LTV) 2)** | **1%** | **2%** |

(1) Other financial investments include an investment in a Restricted Tier 1 capital instrument of Phoenix Insurance, which is traded on the Tel Bond Index, amounting to NIS 1,247 million, after the sale of approx. NIS 141 million in par value (fair value as of September 30, 2024 - approx. NIS 1,229 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 December 31, 2024. 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 42 to the Financial Statements.

(4) For further details regarding a dividend distribution from Phoenix Insurance, see Section 1.3.19.4 above.

## 7. Disclosure on Exposure to Market Risks and Management Thereof

The Group's risk management activities are designed to support and protect the Group against unexpected losses, which may prevent it from achieving its business objectives. The existing risk management system is based on fundamental principles of risk management and controls, which include, inter alia, proper involvement and understanding of risk management by the Board of Directors, providing tools for assessing and measuring risk, and putting in place supervision and control measures in respect of those risks. The following chapter presents exposure to market risks; position data and sensitivity tests do not include the insurance company, which accounts for most of the activity in the consolidated company (for a description of the corporation's risks and risk management policies and supervision thereof, see Note 41 to the Financial Statements).

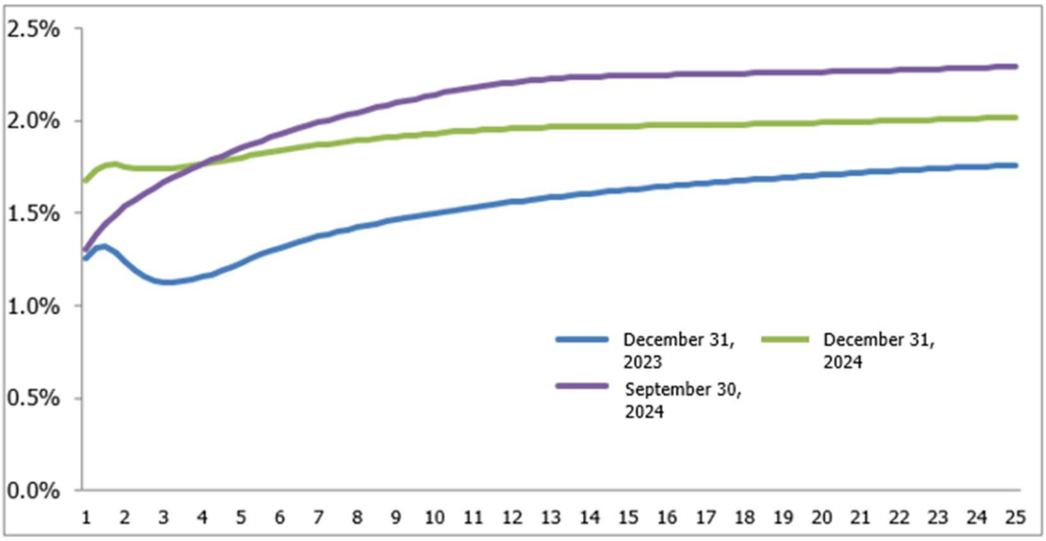
**Definitions for this section:**

1. The "**Group**" - Phoenix Financial, including its consolidated companies, with the exception of Phoenix Insurance.
2. "**Nostro assets**" - financial assets held by the Group.
3. "**Nostro liabilities**" - the Group's financial liabilities.

**The person in charge of market risk management in the corporation:**

The person in charge of market risk management in the Group is Mr. Amit Netanel. The Chief Risk Officer received the full cooperation of the Company's management and Board of Directors in all matters required to fulfill his duties.

**Following is the linked risk-free interest rate curve ("spot")**



The following tables summarize the results of sensitivity tests for the Nostro assets (as defined above) on comprehensive income before tax, as of December 31, 2024. The results are presented in NIS million, and do not include the insurance company:

**Risk factor – CPI-linked interest rate**

| Type of instrument | Profit (loss) from changes in the risk factor | | | Fair value | Profit (loss) from changes in the risk factor | | |
|---|---|---|---|---|---|---|---|
| | Absolute increase of 2% | 10% increase | 5% increase | | 5% decrease | 10% decrease | Absolute decrease of 2% |
| Government bonds | (6.4) | (0.5) | (0.3) | 147.7 | 0.3 | 0.5 | 6.4 |
| Corporate bonds | (7.0) | (0.6) | (0.3) | 105.8 | 0.3 | 0.6 | 7.0 |
| Capital note to the insurance company | (147.5) | (14.4) | (7.2) | 1,235.5 | 7.3 | 14.6 | 172.4 |
| **Total assets** | **(160.8)** | **(15.5)** | **(7.8)** | **1,489.0** | **7.8** | **15.7** | **185.8** |
| Phoenix bonds* | 46.5 | 4.2 | 2.1 | (897.9) | (2.1) | (4.2) | (51.2) |
| **Total liabilities** | **46.5** | **4.2** | **2.1** | **(897.9)** | **(2.1)** | **(4.2)** | **(51.2)** |
| **Total** | **(114.4)** | **(11.3)** | **(5.7)** | **591.0** | **5.7** | **11.5** | **134.6** |

(*) The fair value of Phoenix bonds was calculated according to the model described in the "assumptions underlying the calculations" section.

**Risk factor - NIS interest rate**

| Type of instrument | Profit (loss) from changes in the risk factor | | | Fair value | Profit (loss) from changes in the risk factor | | |
|---|---|---|---|---|---|---|---|
| | Absolute increase of 2% | 10% increase | 5% increase | | 5% decrease | 10% decrease | Absolute decrease of 2% |
| Government bonds | (1.3) | (0.3) | (0.1) | 35.4 | 0.1 | 0.3 | 1.3 |
| Corporate bonds | (1.9) | (0.3) | (0.2) | 277.5 | 0.2 | 0.3 | 1.9 |
| **Total assets** | **(3.2)** | **(0.6)** | **(0.3)** | **312.9** | **0.3** | **0.6** | **3.2** |
| Loans from banking corporations | - | - | - | (1,234.9) | - | - | - |
| Phoenix bonds* | 40.9 | 9.2 | 4.6 | (935.5) | (4.7) | (9.5) | (46.3) |
| **Total liabilities** | **40.9** | **9.2** | **4.6** | **(2,170.4)** | **(4.7)** | **(9.5)** | **(46.3)** |
| **Total** | **37.7** | **8.6** | **4.3** | **(1,857.4)** | **(4.4)** | **(8.9)** | **(43.0)** |

(*) The fair value of Phoenix bonds was calculated according to the model described in the "assumptions underlying the calculations" section.

**Risk factor - foreign interest rate**

| Type of instrument | Profit (loss) from changes in the risk factor | | | Fair value | Profit (loss) from changes in the risk factor | | |
|---|---|---|---|---|---|---|---|
| | Absolute increase of 2% | 10% increase | 5% increase | | 5% decrease | 10% decrease | Absolute decrease of 2% |
| Corporate bonds | (6.9) | (1.5) | (0.7) | 89.3 | 0.7 | 1.5 | 6.9 |
| **Total assets** | **(6.9)** | **(1.5)** | **(0.7)** | **89.3** | **0.7** | **1.5** | **6.9** |
| **Total** | **(6.9)** | **(1.5)** | **(0.7)** | **89.3** | **0.7** | **1.5** | **6.9** |

**Risk factor - foreign currency (basis risk)***

| Type of instrument | Profit (loss) from changes in the risk factor | | Fair value | Profit (loss) from changes in the risk factor | |
|---|---|---|---|---|---|
| | 10% increase | 5% increase | | 5% decrease | 10% decrease |
| Corporate bonds | 8.9 | 4.5 | 89.3 | (4.5) | (8.9) |
| Cash in foreign currency | 1.2 | 0.6 | 12.1 | (0.6) | (1.2) |
| Forwards | (4.0) | (2.0) | (39.7) | 2.0 | 4.0 |
| Foreign stocks | (0.6) | (0.3) | (5.8) | 0.3 | 0.6 |
| **Total assets** | **5.6** | **2.8** | **55.9** | **(2.8)** | **(5.6)** |
| **Total** | **5.6** | **2.8** | **55.9** | **(2.8)** | **(5.6)** |

(*) The maximum daily increases and decreases observed were less than 10% in absolute value terms in the past 10 years across all relevant share indices.

**Risk factor - Israeli shares (basis risk)***

| Type of instrument | Profit (loss) from changes in the risk factor | | Fair value | Profit (loss) from changes in the risk factor | |
|---|---|---|---|---|---|
| | 10% increase | 5% increase | | 5% decrease | 10% decrease |
| Israeli shares | 49.5 | 70.7 | 35.3 | **706.8** | (35.3) |
| **Total assets** | **49.5** | **70.7** | **35.3** | **706.8** | **(35.3)** |
| **Total** | **49.5** | **70.7** | **35.3** | **706.8** | **(35.3)** |

(*) The maximum daily increases and decreases observed were less than 10% in absolute value terms in the past 10 years across all relevant share indices.

**Risk factor - foreign shares***

| Type of instrument | Profit (loss) from changes in the risk factor | | | Fair value | Profit (loss) from changes in the risk factor | | |
|---|---|---|---|---|---|---|---|
| | Maximum increase | 10% increase | 5% increase | | 5% decrease | 10% decrease | Maximum decrease |
| Foreign shares | 0.7 | (0.6) | (0.3) | (5.8) | 0.3 | 0.6 | (0.7) |
| **Total assets** | **0.7** | **(0.6)** | **(0.3)** | **(5.8)** | **0.3** | **0.6** | **(0.7)** |
| **Total** | **0.7** | **(0.6)** | **(0.3)** | **(5.8)** | **0.3** | **0.6** | **(0.7)** |

(*) The maximum daily increases and decreases observed were 12% in absolute value terms in the past 10 years across all relevant share indices.

**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. Market interest rate data was taken from the database that feeds Phoenix's risk management system, and risk premium data (credit spreads) were taken from Fair Spread.

Scenarios: Daily historical changes in the past ten years were tested for each of the relevant risk factors (such as exchange rates and shares). The maximum and minimum daily changes were calculated for each risk factor, excluding interest rate risk, for which the calculation was based on a 2% absolute increase/decrease during a single 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. These changes served as scenarios for potential changes in each of the risk factors. Scenario outcomes were calculated at the single asset level, so as to avoid distorting results by aggregating different instruments.

**Gama Management and Clearing Ltd.**

The market risks to which Gama is exposed include, among other things, interest rate hikes, credit risks, financing sources, liquidity and collection risks. For a description of the risks to which Gama is exposed, see section 2.6 to Gama's Report on the Company's Business and Note 41 to the financial statements.

# 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. 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.

- **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 December 31, 2024, 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 managers' 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 5.6 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.

## 8.3. Company policies regarding donations/corporate social responsibility

For information regarding donations and corporate social responsibility, see Part F, Section 6.3.1 to the Report on the Corporation's Business.

## 8.4. Company's policy regarding negligible transactions

For details regarding the Company's policy regarding negligible transactions, see Note 42 to the Financial Statements.

## 8.5. Internal auditor

For information on the internal auditor, see Part E, Section 5.5 to the Report on the Corporation's Business.

## 8.6. Independent Auditor

For information regarding the Company's independent auditor, see Part E, Section 5.5.9 to Report on the Corporation's Business.

# 9. Disclosure Provisions Relating to the Corporation's Financial Reporting

## 9.1. Events subsequent to the balance sheet date

Regarding events subsequent to the balance sheet date, see Note 44 to the Financial Statements.

## 9.2. 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 957,578,000 | NIS 737,650,000 |
| 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 853 million | NIS 589 million |
| CPI-linked nominal p.v. as of December 31, 2024 | NIS 398 million | NIS 981 million | NIS 589 million |
| Carrying value of the bonds' outstanding balances as of December 31, 2024 | Approx. NIS 397 million | Approx. NIS 950 million | Approx. NIS 527 million |
| Carrying value of interest payable as of December 31, 2024 | Approx. NIS 3.8 million | Approx. NIS 0.7 million | - |
| Market value as of December 31, 2024 (1) | Approx. NIS 407 million | Approx. NIS 900 million | Approx. NIS 522 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 1.3.23 above.

As of balance sheet date, the Company complies with the financial covenants described above. The net financial debt ratio as of December 31, 2024 was approx. 2.91% (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 December 31, 2024, was approx. NIS 11,909 million, which is higher than the above required shareholders' equity.

For further details – see Note 27 to the Company's Financial Statements as of December 31, 2024.

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

| | |
|---|---|
| **Benjamin Gabbay**<br>**Chairman of the Board of Directors** | **Eyal Ben Simon**<br>**CEO** |

**March 12, 2025**

# Part 3

## Consolidated Financial Statements

Yohanan Simon, Working in the Field, ca. 1939, Oil on canvas, Phoenix Collection

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**Auditors' report to the shareholders**
**of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.)**
**about the audit of components of internal controls over financial reporting**

**in accordance with section 9B(c) of the Securities Regulations**

**(Periodic and Immediate Reports), 1970**

We have audited components of internal controls over the financial reporting of The Phoenix Financial Ltd. (formerly Phoenix Holdings Ltd.) and its subsidiaries (together: "the Company") as of December 31, 2024. The controls components were determined as explained in the following paragraph. The Company's board of directors and management are responsible for maintaining effective internal control over the financial reporting and for their assessment of the effectiveness of these internal control components over the financial reports attached to the periodic report at this date. Our responsibility is to express an opinion on the Company's internal control components over financial reporting based on our audit.

The internal control components over financial reporting which were audited by us, were determined in accordance with Audit Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal control components over Financial Reporting" ("audit standard (Israel) 911"). These components are: (1) entity-level controls, including controls over the process for preparation and closing of financial reports and information technology general controls (ITGC); (2) process controls which are very material to the financial reporting and disclosure of The Phoenix Insurance Company Ltd. and other major subsidiaries ("the Audited Controls").

We conducted our audit in accordance with Audit Standard (Israel) 911, which requires us to plan and perform the audit to identify the Audited control components and to obtain reasonable assurance about whether these control components were effective in all material respects. Our audit included obtaining an understanding of the internal control components over financial reporting, identifying the Audited control components, assessing the risk for material weaknesses in the Audited control components, and testing and evaluating the effectiveness of the planning and implementation of these control components based on the assessed risk. Our audit, regarding these control components, included performing other procedures, as we considered necessary in the circumstances. Our audit referred only to the Audited control components, as opposed to internal control over all the significant processes regarding financial reporting, therefore our opinion refers to the Audited control components only. Additionally, our audit did not refer to the reciprocal effects between the Audited control components and those that are unaudited, therefore, our opinion does not take into account such possible effects. We believe that our audit provide a reasonable basis for our opinion in respect of the aforesaid.

Due to inherent limitations, internal control over financial reporting in general, and internal control components in particular, may not prevent or disclose misstatement. Moreover, drawing forward-looking conclusions based on any present assessment of effectiveness involves risks that the controls may become inadequate due to changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, based on our audit, the Company has implemented effectively, in all material aspects, the Audited control components as of December 31, 2024.

We have also audited, in accordance with generally accepted auditing standards in Israel, the Company's consolidated financial statements as of December 31, 2024 and 2023 and for each of the three years of which ended in December 31, 2024, 2023, 2022 and our report, dated March 12, 2025, included an unqualified opinion of these financial statements, with reference to the contents of Note 43 to the consolidated financial statements regarding exposure to contingent liabilities.

| | |
|---|---|
| Tel Aviv, | **Kost Forer Gabbay & Kasierer** |
| March 12, 2025 | **Certified Public Accountants** |

## Auditors' report

## to the shareholders of The Phoenix Financial Ltd.

## (Formerly: Phoenix Holdings Ltd.)

We have audited the accompanying consolidated statements of financial position of The Phoenix Financial Ltd. (formerly Phoenix Holdings Ltd.) and subsidiaries ("the Company") as of December 31, 2024, and 2023 the related consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2024. These financial statements are the responsibility of the Company's board of directors and management. Our responsibility is to express an opinion on these financial statements based on our audit.

We did not audit the financial statements of certain subsidiaries, whose assets included in consolidation constitute approximately 3% and 2.4% of a total consolidated assets as of December 31, 2024, and 2023, respectively, and whose revenues included in consolidation constitute approximately 1.9%, 1.8% and 2.9% of total consolidated revenues for the years ended December 31, 2024, 2023 and 2022, respectively. Furthermore, we did not audit the financial statements of certain companies accounted for at equity, The investment in which at equity, amounted to approximately ILS 867,639 thousand and ILS 750,356 thousand as of December 31, 2024 and 2023, respectively, and the Company's share of their earnings amounted to approximately ILS 35,658 thousand, ILS 34,477 thousand and ILS 42,717 thousand for the years ended December 31, 2024, 2023 and 2022, respectively. The financial statements of those companies were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to amounts included for those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel, including standards prescribed by the Auditor's Regulations (Auditor's Mode of Performance), 1973. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, Based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its subsidiaries as of December 31, 2024 and 2023, and the results of their operations, changes in equity and their cash flows for each of the three years the latest of which ended on December 31, 2024, In accordance with the provisions of the Securities Regulations (Annual Financial Statements) 2010, which relate to the holding companies of an insurers, as described in Note 2a.
Without qualifying our opinion, we draw attention to Note 43 to the financial statements with respect to exposure to contingent liabilities.

**Key Audit Matters:**

The key audit matters described below are those matters that were communicated, or should have been communicated, to the Company's Board of Directors and that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. These matters include, among others, any matter: (1) which relates, or may relate, to significant accounts or disclosures in the financial statements and (2) that involved our professional judgment that was challenging, subjective or especially complex. These matters were addressed in the context of our audit of the consolidated financial statements as a whole and in forming our opinion thereon. The communication of these matters below does not change our opinion on the consolidated financial statements as a whole nor do we provide through such communication a separate opinion on these matters or on the accounts or disclosures.

1. **Measurement of liabilities for life and health insurance contracts:**

The financial statements as of December 31, 2024 include material liabilities in respect of non yield dependent life and health insurance contracts at the total amount of ILS 17,291 million, and material liabilities in respect of yield dependent life and health insurance contracts at the total amount of ILS 79,061 million, as described in Notes 17 and 18 to the consolidated financial statements.

As described in Notes 2G and 41 (5.1) to the consolidated financial statements, the liabilities in respect of yield dependent and non yield dependent life and health insurance contracts are measured in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (Regulations and Circulars), in accordance with the requirements of IFRS 4 regarding "Insurance Contracts " and accepted actuarial methods. The liabilities for life and health insurance contracts are measured, among other things, on the basis of an actuarial assessment, performed by the actuary in charge of a consolidated insurance company in accordance with the relevant coverage data, such as: age and gender of the insured, length of coverage, type of insurance, amount of insurance, etc.

A significant part of the reserves for life and health insurance contracts is based on actuarial estimates and various assumptions, and therefore involve inherent uncertainty. These reserves mainly include:

- Supplementary reserve for pension.
- LAT reserve (Liability Adequacy Test).
- Reserve for paid benefits and ongoing paid claims in long-term care insurance and disability insurance (loss of working capacity).

The main assumptions used in the measurement process of the above liabilities include cancellation assumptions, operating expenses, yield, interest rates, illiquidity premium, mortality, disability, pension take up rates and morbidity. The assumptions are examined by the actuary in charge of the Company every year based on examinations, past experience and other relevant studies.

Due to the inherent uncertainty in the estimates used to measure liabilities for life and health insurance contracts, we determined that the measurement of liabilities for life and health insurance contracts is a key audit matter.

**The audit procedures performed in response to the key audit matter**

The audit procedures we performed regarding the examination of the measurement of liabilities for life and health insurance contracts included the following procedures:

- We examined the planning and implementation of internal controls related to the measurement process of liabilities for life and health insurance contracts and performed procedures to test the effectiveness of those internal controls including the main controls in the environment of the information systems used for data processing and the flow of information for financial reporting purposes.
- We examined that the methodology for measuring the liabilities for life and health insurance contracts is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts" and the requirements established by the Commissioner for the Capital Market, Insurance and Savings.
- We examined, with the help of actuarial experts on our behalf, on a sampling basis and based on our risk assessment, the reasonableness of the assumptions and the main data that served as a basis for the models that were applied for the purpose of measuring the liabilities for life and health insurance contracts.
- We applied analytical procedures in order to identify and analyze unusual material changes.
- We examined, with the help of actuarial experts on our behalf, on a sample basis and based on our risk assessment, material studies carried out by the consolidated insurance company during the reporting period and their application in the calculation of reserves.

In addition, we assessed the adequacy of the main disclosures about liabilities for life and health insurance contracts in the consolidated financial statements.

**2. Measurement of liabilities in respect of insurance contracts in property and casualty insurance:**

The financial statements as of December 31, 2024, include material liabilities for general insurance contracts in the amount of ILS 7,816 million, as described in Note 19 to the consolidated financial statements.

As described in Note 2G and 41 (5.2) to the consolidated financial statements, these liabilities are measured according to the estimated cost of settling the insurance claims and include the expected cost of the claims that have occurred and been reported, claims that have incurred but not reported or incurred but not enough reported (IBNR and IBNER), provision for a premium that has not yet been earned, a provision for premium deficiency and direct and indirect expenses for settlement of claims.

The measurement of liabilities for insurance contracts in general insurance is mainly based on actuarial estimates. The actuarial assessment is based on statistical estimates that include an element of uncertainty. The statistical estimates are based on various assumptions, which may not necessarily materialize. The assumptions used in the actuarial forecast affect the measurement of the provision. The actual cost of claims may be higher or lower than the statistical estimates.

In some branches of insurance, the inherent uncertainty is higher, especially in motor act and liability claims characterized by a "long tail", where sometimes, a long time passes from the date of the incident to the date of the final settlement of the claim. Note 19 to the financial statements shows the development of the assessment of the liabilities in the motor act and liability.

Due to the inherent uncertainty in the estimates used to measure liabilities for insurance contracts in general insurance, we determined that the measurement of liabilities for insurance contracts in general insurance is a key audit matter.

**The audit procedures carried out in response to the key audit matter**

The audit procedures we performed regarding the examination of the measurement of liabilities for insurance contracts in general insurance included the following procedures:

- We examined the planning and implementation of internal controls related to the measurement process of liabilities for insurance contracts in general insurance and performed procedures to test the effectiveness of those internal controls, including the controls in the environment of the information systems used for data processing and the flow of information for financial reporting purposes.
- We examined that the methodology for measuring the liabilities for insurance contracts in general insurance is implemented in accordance with the requirements of IFRS 4 regarding "Insurance Contracts" and in accordance with the requirements established by the Commissioner for the Capital Market, Insurance and Savings.
- We examined, with the help of actuarial experts on our behalf, on a sampling basis and based on our risk assessment, the reasonableness of the assumptions and the main data that served as a basis in the models that were applied for the purpose of measuring the liabilities for insurance contracts in general insurance.
- We applied analytical procedures in order to identify and analyze unusual material changes.

In addition, we assessed the adequacy of the main disclosures in the financial statements about liabilities for insurance contracts in general insurance.

3. **Measurement of fair value of unquoted investments:**

As described in Notes 9, 13 and 14 to the consolidated financial statements, the balance of unquoted investments and the balance of investment property as of December 31, 2024, amount to approximately ILS 57,758 million and approximately ILS 3,749 million, respectively.

The fair value of unquoted debt assets measured at fair value as well as of unquoted debt assets, for which information regarding the fair value is provided for disclosure purposes only, are determined by discounting the estimated cash flows expected for them. The interest rates used for capitalization are determined by the Fair Spread Ltd.

The fair value of investments in unquoted shares is mainly based on external valuations, and in investment and hedge funds it is mainly based on the fair value of the underlying assets or valuations and is determined in accordance with the fund's reports. Valuation techniques are subjective in nature and incorporate various assumptions and the use of estimates that significantly affect the fair value.

The fair value of investment property is based on valuations performed by external appraisers, and include estimates and assumptions such as estimated rental prices and discount rates.

In some unquoted investments, in particular those classified as level 3 in the fair value scale in accordance with IFRS 13, such as unquoted shares, investment funds and investment property, the inherent uncertainty in fair value measurement is high, since this measurement includes data which are not based on observable market data.

Changes in the estimates, assumptions or estimates used in the valuations may have a significant impact on the determination of the fair value of the unquoted assets.

In addition, the fair value measurement has an effect on the allocation of the gap between the book value and the fair value of the assets that are not measured in the statement of financial position at fair value ("UGL"), for the purpose of calculating the Liability Adequacy Test ("LAT").

Due to the inherent uncertainty regarding the estimates, assumptions and evaluations as mentioned above, we determined that the measurement of the fair value of the unquoted investments is a key audit matter.

**The audit procedures carried out in response to the key audit matter:**

The audit procedures we performed regarding the examination of the measurement of the fair value of unquoted investments included the following procedures:

- We examined the design and implementation of internal controls related to the process of determining the fair value of unquoted investments and performed procedures to test the effectiveness of those internal controls, including controls regarding the adequacy of the data and assumptions used in the valuations and the reasonableness of the valuations.
- Examining the methodology for measuring the fair value of unquoted investments applied by the Group companies.
- Conducting inquiries with the financiers and officials in the Group's investment department for the purpose of obtaining an understanding regarding transactions, developments, and material revaluations for the period as well as regarding material changes, as far as they occurred, in the data, assumptions and models compared to those used in the previous year.
- For certain valuations, we were assisted by experts on our behalf to examine the reasonableness of the estimates and the main assumptions underlying the valuations.
- We performed a sample examination of the fair value of the unquoted investments in the consolidated financial statements against the valuations received by the Group companies from external experts, against the quotations of Fair Spread Ltd and against the consolidated financial statements and the reports of the investment funds, as appropriate.
- We performed a sample examination of the database that was used for obtaining a quote from the Fair Spread Ltd against loan agreements.

## 4. Disclosure of the expected effects of adopting IFRS 17 – “Insurance Contracts” and IFRS 9 – “Financial Instruments” (see Note 45)

**Description of the key audit matter**

For the periods commencing on January 1, 2025, For the initial time the Company will implement International Financial Reporting Standard 17 – "Insurance Contracts" (hereinafter:" IFRS 17") which affects the recognition, measurement, presentation and disclosure in connection with insurance contracts, replacing the existing provisions on the subject under International Financial Reporting Standard 4 - "Insurance Contracts" (hereinafter:" IFRS 4") and the instructions of the Capital Market, Insurance and Savings Authority (hereinafter: the" Authority"). In addition, on that date, (for the initial time) the Company will implement International Financial Reporting Standard 9- "Financial Instruments" (hereinafter: "IFRS 9") which replaces International Accounting Standard 39 – "Financial Instruments" (hereinafter: "IAS 39").

As required in accordance with the provisions of International Accounting Standard 8 - "Accounting Policies, Changes in Accounting Estimates and Errors" (hereinafter: "IAS 8") the Company included a disclosure regarding the expected effects of the adoption of IFRS 17 and IFRS 9 within the framework of Note 45. In accordance with the provisions of IAS 8 and the implementation guidelines of the Authority included in the roadmap published on January 26, 2025, the Company presents, in the framework of the Note, a pro forma balance sheet held in accordance with IFRS 17 and IFRS 9 on January 1, 2024 (the transition date for the re-adoption of IFRS including the aforementioned standards; hereinafter: "Transition Date") and disclosure to the amount of contractual service margin (hereinafter:" CSM") and the amount of risk adjustment for non-financial risk (hereinafter:" RA") for each of the operating segments.
In addition, the Company includes disclosure in the framework of the aforementioned note regarding supplemental qualitative information that relates, among others, to the major changes in the accounting policy that the Company intends to implement under the implementation of IFRS 17 and IFRS 9 and information about significant considerations that were exercised by it in the process of implementing this accounting policy. The information also includes a breakdown of the substantive issues in the implementation of the said Standards and the expected impact of the Standards on the financial statements, information on how the transition provisions of the said Standards are implemented and additional information according to the Roadmap requirements (hereinafter: "Initial Implementation Disclosure").

It should be noted that the Authority has established, in the framework of a number of circulars, significant provisions relating to the manner of implementation of IFRS 17 and IFRS 9, including: transition provisions, discount rates, risk margin, division into portfolios and groups, contract limits, and more.

Due to the significant changes in the Company's accounting policies regarding the handling of insurance contracts, which are expected to apply following the initial implementation of IFRS 17, which include the use of new judgment and estimates in relation to those required at the time of the implementation of IFRS 4, and since the implications of IFRS 17 on the financial statements may be significant and of importance to the users of the Company's financial statements, we determined that the disclosure provided by the Company as part of the initial implementation is a key audit matter.

**Audit procedures performed in response to the key audit matter**

The audit procedures we performed regarding the examination of the initial implementation disclosure:

- We examined the design and implementation of internal controls related to the process of measuring the liabilities and assets in respect of insurance contracts, which are addressed by IFRS 17, and the process of determining the fair value of designated bonds " life-linked " as of the transition date, and we performed procedures to test the effectiveness of those internal controls in relation to the quantitative information as of the transition date that appears in the Note on initial implementation.

- We examined whether the judgments exercised by the Company's management in selecting accounting policies on material matters relating to the implementation of IFRS 17 and IFRS 9 are in accordance with the provisions of the aforementioned standards and the provisions of the Authority.

- We examined, with the assistance of actuarial experts on our behalf, whether the methodology, models, and assumptions used by the Company for the purpose of determining the CSM, the RA, the fair value of liabilities or assets for insurance contracts, the Best Estimate of cash flows for insurance contracts, and the fair value of designated " life-linked " bonds, as of the transition date, are in accordance with the provisions of IFRS 17 and IFRS 9, on the aforementioned subjects, the provisions of the Authority, and generally accepted practices. This examination also included on a sample basis and based our risk assessment, the adequacy of the data and assumptions that served as a basis in the models that were applied for the purpose of measuring the various balances as of the transition date, as well as an examination of the judgments exercised by management, or experts on its behalf, in the relevant cases.

- We examined, with the assistance of our actuarial experts, on a sample basis and based on our risk assessment, the various calculation processes performed by the Company to measure the various balances relating to the insurance contracts as of the transition date.

- We examined the adequacy of the various disclosures provided by the Company as part of the initial implementation disclosure.

We also audited, in accordance with Audit Standard (Israel) 911 of the Israel Institute of Certified Public Accountants "Audit of Internal Control Components over Financial Reporting" internal control components over financial reporting of the Company as of December 31, 2024, and our report dated March 12, 2025 included an unqualified opinion about the existence of those components effectively.

Tel-Aviv, Israel
March 12, 2025

KOST FORER GABBAY & KASIERER
Certified Public Accountants

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<u>Key audit procedures implemented to address the key audit matter</u>

The audit procedures we carried out regarding the assessment of the disclosure provided under the First-Time Application Note:

- We assessed the design and implementation of internal controls relating to the measurement of liabilities and assets in respect of insurance contracts, which fall within the scope of IFRS 17, and the process of determining the fair value of designated Hetz bonds as of the transition date and conducted procedures to test the effectiveness of those internal controls with regard to the quantitative information as of the transition date, which is included in the First-Time Application Note.
- We assessed whether the judgments exercised by the Company's management in selecting the accounting policies on the material topics relating to the application of IFRS 17 and IFRS 9 as of the transition date are in accordance with the provisions of the abovementioned standards and the directives of the Authority.
- We assessed, with the assistance of actuary experts on our behalf, whether the methodology, models, and assumptions used by the Company to determine the CSM, the RA, the fair value of liabilities or assets in respect of insurance contracts, the best estimate of cash flows in respect of insurance contracts and the fair value of designated Hetz bonds as of the transition date, are in accordance with the provisions of IFRS 17 and IFRS 9 on the abovementioned topics, the directives of the Authority and generally accepted practices. This assessment also included testing, on a sample basis and based on our risk assessment, the appropriateness of the data and assumptions used as the basis for the models implemented to measure the various balances as of the transition date and an assessment of the judgments exercised by management or experts on its behalf in the relevant cases.
- We tested, with the assistance of actuary experts on our behalf, on a sample basis and based on our risk assessment, the various calculation processes carried out by the Company to measure the various balances relating to the insurance contracts as of the transition date.
- We assessed the appropriateness of the various disclosures provided by the Company under the First-Time Application Note.

We have also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel "Audit of the Components of the Internal Control over Financial Reporting", components of internal control over financial reporting of the Company as of December 31, 2024, and our report of March 12, 2025 included an unqualified opinion on the effectiveness of these components.

Tel Aviv,
March 12, 2025

Kost Forer Gabbay & Kasierer
Certified Public Accountants

| Assets | Note | As of December 31<br>2024 | <br>2023 |
|---|---|---|---|
| | | NIS thousand | |
| Intangible assets | 5 | 3,832,394 | 3,597,868 |
| Deferred tax assets | 23 | 101,984 | 109,330 |
| Deferred acquisition costs | 6 | 2,847,963 | 2,686,270 |
| Property, plant & equipment | 7 | 1,775,512 | 1,460,392 |
| Investments in associates | 8 | 2,002,294 | 1,651,832 |
| Investment property in respect of yield-dependent contracts | 9 | 2,425,542 | 2,283,063 |
| Investment property - other | 9 | 1,323,367 | 1,238,524 |
| Reinsurance assets | 17,18 | 3,917,402 | 4,028,261 |
| Credit for purchase of securities | 10 | 1,022,000 | 717,000 |
| Current tax assets | | 32,686 | 157,662 |
| Receivables and debit balances | 11 | 1,334,092 | 1,047,092 |
| Premiums collectible | 12 | 825,140 | 998,295 |
| Financial investments in respect of yield-dependent contracts | 13 | 93,777,952 | 82,817,937 |
| Financial investments for holders of deposit certificates and structured bonds | 13A, 26 | 110,000 | 173,000 |
| Credit assets in respect of factoring, clearing and financing | 14 | 4,970,234 | 3,700,349 |
| Other financial investments: | | | |
| Liquid debt assets | 14 | 6,414,692 | 5,773,437 |
| Illiquid debt assets | 14 | 15,905,040 | 16,593,921 |
| Shares | 14 | 3,006,488 | 2,287,592 |
| Other | 14 | 6,479,275 | 6,116,334 |
| **Total other financial investments** | | 31,805,495 | 30,771,284 |
| Cash and cash equivalents in respect of yield-dependent contracts | 15A | 17,724,306 | 19,303,547 |
| Other cash and cash equivalents | 15B | 2,742,027 | 3,053,023 |
| **Total assets** | | 172,570,390 | 159,794,729 |
| **Total assets for yield-dependent contracts** | 13 | 114,264,373 | 104,769,512 |

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

| | Note | As of December 31 2024 | 2023 |
|---|---|---|---|
| | | NIS thousand | |
| **Equity** | **16** | | |
| Share capital | | **315,764** | **313,340** |
| Premium and capital reserves in respect of shares | | **899,856** | **860,345** |
| Treasury shares | | **(376,885)** | **(193,866)** |
| Capital reserves | | **1,284,710** | **1,101,414** |
| Retained earnings | | **9,785,999** | **8,499,062** |
| **Total equity attributable to the Company's shareholders** | | **11,909,444** | **10,580,295** |
| Non-controlling interests | | **342,967** | **314,737** |
| **Total equity** | | **12,252,411** | **10,895,032** |
| **Liabilities** | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | **17** | **26,208,621** | **25,597,196** |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | **18** | **111,483,901** | **102,973,291** |
| Liabilities in respect of deferred taxes | **23** | **975,977** | **764,322** |
| Liability for employee benefits, net | **24** | **84,733** | **74,406** |
| Liability in respect of current taxes | | **112,141** | **74,408** |
| Payables and credit balances | **25** | **4,129,300** | **3,669,165** |
| Liabilities in respect of structured products | **26** | **134,000** | **171,000** |
| Financial liabilities | **27** | **17,189,306** | **15,575,909** |
| **Total liabilities** | | **160,317,979** | **148,899,697** |
| **Total equity and liabilities** | | **172,570,390** | **159,794,729** |

| Benjamin Gabbay | Eyal Ben Simon | Eli Schwartz |
|---|---|---|
| **Chairman of the Board** | **CEO** | **Executive Vice President, CFO** |

Approval date of the financial statements - March 12, 2025

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

| | | For the year ended December 31 | | |
|---|---|---|---|---|
| | | 2024 | 2023 | 2022 |
| | Note | | NIS thousand | |
| Premiums earned, gross | 28 | 10,868,714 | 11,988,386 | 12,137,231 |
| Premiums earned by reinsurers | 28 | 1,661,159 | 1,632,527 | 1,570,094 |
| Premiums earned - retention | 28 | 9,207,555 | 10,355,859 | 10,567,137 |
| Investment income (losses), net and finance income | 29 | 16,569,691 | 9,910,316 | (5,554,831) |
| Revenues from management fees | 30 | 2,126,348 | 1,721,616 | 1,547,728 |
| Revenues from fees and commissions | 31 | 1,007,958 | 887,730 | 835,912 |
| Revenues from other financial services | 32 | 393,000 | 329,000 | 223,000 |
| Revenues from factoring and clearing | 33A | 188,608 | 178,784 | 142,754 |
| Other revenues | 33B | 27,736 | 156,137 | 144,780 |
| **Total revenues** | | 29,520,896 | 23,539,442 | 7,906,480 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts, gross | | 22,430,215 | 19,296,717 | 2,988,830 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | | 912,513 | 1,673,990 | 1,023,801 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 34 | 21,517,702 | 17,622,727 | 1,965,029 |
| Fees and commissions, marketing expenses and other purchase expenses | 35 | 2,325,672 | 2,175,699 | 1,933,805 |
| General and administrative expenses | 36 | 2,313,296 | 2,105,868 | 1,805,284 |
| Other expenses | 38 | 143,635 | 136,160 | 91,096 |
| Finance expenses | 39 | 547,439 | 393,717 | 318,534 |
| **Total expenses** | | 26,847,744 | 22,434,171 | 6,113,748 |
| Share in profits of equity-accounted investees | 8 | 103,254 | 42,413 | 61,548 |
| Net income before income tax | | 2,776,406 | 1,147,684 | 1,854,280 |
| Income tax | 23 | 846,190 | 262,747 | 504,336 |
| **Net income for the year** | | 1,930,216 | 884,937 | 1,349,944 |
| **Attributable to:** | | | | |
| Company's shareholders | | 1,817,826 | 777,403 | 1,257,124 |
| Non-controlling interests | | 112,390 | 107,534 | 92,820 |
| **Net income for the year** | | 1,930,216 | 884,937 | 1,349,944 |
| **Earnings per share attributable to the Company's shareholders (in NIS):** | 40 | | | |
| **Basic earnings per share** | | | | |
| Earnings per ordinary share of NIS 1 par value (in NIS) | | 7.21 | 3.07 | 5.00 |
| **Diluted earnings per share** | | | | |
| Earnings per ordinary share of NIS 1 par value (in NIS) | | 7.15 | 3.04 | 4.91 |

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

| | Note | For the year ended December 31 2024 | 2023 | 2022 |
|---|---|---|---|---|
| | | NIS thousand | | |
| **Net income for the year** | | **1,930,216** | **884,937** | **1,349,944** |
| **Other comprehensive income:** | | | | |
| **Amounts that will be or that have been reclassified to profit or loss when specific conditions are met** | | | | |
| Net change in fair value of financial assets classified as available for sale, carried to capital reserves | | **763,548** | **245,739** | **(685,971)** |
| Net change in fair value of financial assets classified as available for sale, carried to the income statement | | **(505,378)** | **(290,390)** | **(318,278)** |
| Gain on impairment of financial assets classified as available for sale, carried to the income statement | | **203,697** | **476,005** | **612,492** |
| Company's share in other comprehensive income (loss), net of equity-accounted companies | | **(10,029)** | **22,476** | **27,511** |
| Tax effect | 23 | **(170,532)** | **(147,481)** | **133,322** |
| Total components of net other comprehensive income (loss) subsequently reclassified to profit or loss | | **281,306** | **306,349** | **(230,924)** |
| **Amounts that shall not be subsequently reclassified to profit or loss** | | | | |
| Revaluation of property, plant, and equipment | 7 | **(16,279)** | **11,558** | **124,168** |
| Actuarial gain (loss) in respect of defined benefit plans | 24 | **239** | **291** | **3,684** |
| Tax effect | | **3,702** | **(2,754)** | **(29,602)** |
| Total components of other comprehensive income that shall not be subsequently reclassified to profit or loss | | **(12,338)** | **9,095** | **98,250** |
| **Total other comprehensive income (loss), net** | | **268,968** | **315,444** | **(132,674)** |
| **Total comprehensive income for the year** | | **2,199,184** | **1,200,381** | **1,217,270** |
| **Attributable to:** | | | | |
| Company's shareholders | | **2,086,822** | **1,092,824** | **1,123,907** |
| Non-controlling interests | | **112,362** | **107,557** | **93,363** |
| **Comprehensive income for the year** | | **2,199,184** | **1,200,381** | **1,217,270** |

The accompanying notes are an integral part of the Consolidated 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 | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| **Balance as of January 1, 2024** | 313,340 | 860,345 | (193,866) | 8,499,062 | (395,095) | 11,000 | 69,507 | 228,941 | 8,041 | 1,179,020 | 10,580,295 | 314,737 | 10,895,032 |
| Net income | - | - | - | 1,817,826 | - | - | - | - | - | - | 1,817,826 | 112,390 | 1,930,216 |
| Other comprehensive income (loss) | - | - | - | 225 | - | - | - | (12,535) | (10,029) | 291,335 | 268,996 | (28) | 268,968 |
| Total comprehensive income (loss) | - | - | - | 1,818,051 | - | - | - | (12,535) | (10,029) | 291,335 | 2,086,822 | 112,362 | 2,199,184 |
| 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 (see Note 16D) | - | - | (183,019) | - | - | - | - | - | - | - | (183,019) | - | (183,019) |
| Commencement of consolidation (Note 4) | - | - | - | - | - | - | - | - | - | - | - | 17,995 | 17,995 |
| Exercise of employee options (see Note 16) | 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 (Note 16) | - | - | - | (535,000) | - | - | - | - | - | - | (535,000) | - | (535,000) |
| Transaction with minority interest (Note 8E(1),(2)) | - | - | - | - | 10,670 | - | - | - | - | - | 10,670 | 16,819 | 27,489 |
| Allocation of shares of a consolidated subsidiary to minority interests | - | - | - | - | - | - | - | - | - | - | - | 24,148 | 24,148 |
| Acquisition of non-controlling interests (Note 8E(3)) | - | - | - | - | (83,394) | - | - | - | - | - | (83,394) | (31,135) | (114,529) |
| **Balance as of December 31, 2024** | 315,764 | 899,856 | (376,885) | 9,785,999 | (467,819) | 11,000 | 60,642 | 212,520 | (1,988) | 1,470,355 | 11,909,444 | 342,967 | 12,252,411 |

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 | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| Balance as of January 1, 2023 | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 | 388,640 | 10,533,398 |
| Effect of first-time application of IFRS 9 | - | - | - | 1,522 | - | - | - | - | - | (1,522) | - | - | - |
| Balance as of January 1, 2023 after first-time application of IFRS 9 | 311,640 | 851,918 | (155,628) | 8,014,645 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 895,147 | 10,144,758 | 388,640 | 10,533,398 |
| Net income | - | - | - | 777,403 | - | - | - | - | - | - | 777,403 | 107,534 | 884,937 |
| Other comprehensive income | - | - | - | 172 | - | - | - | 8,900 | 22,476 | 283,873 | 315,421 | 23 | 315,444 |
| Total comprehensive income | - | - | - | 777,575 | - | - | - | 8,900 | 22,476 | 283,873 | 1,092,824 | 107,557 | 1,200,381 |
| Share-based payment | - | 493 | - | - | - | | 16,221 | - | - | - | 16,714 | - | 16,714 |
| Dividend paid to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (214,488) | (214,488) |
| Acquisition of treasury shares | - | - | (38,238) | - | - | - | - | - | - | - | (38,238) | - | (38,238) |
| Commencement of consolidation | - | - | - | - | - | - | - | - | - | - | - | 38,687 | 38,687 |
| Sale of previously-consolidated company | - | - | - | - | - | - | - | - | - | - | - | 5,228 | 5,228 |
| Exercise of employee options | 1,700 | 7,934 | - | - | - | - | (9,634) | - | - | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 4,013 | - | - | - | (4,013) | - | - | - | - | - |
| Dividend | - | - | - | (297,171) | - | - | - | - | - | - | (297,171) | - | (297,171) |
| Allocation of shares of a consolidated company to minority interests | - | - | - | - | (2,184) | - | - | - | - | - | (2,184) | 6,781 | 4,597 |
| Transaction with minority interest | - | - | - | - | (199,605) | - | - | - | - | - | (199,605) | 196,512 | (3,093) |
| Acquisition of non-controlling interests | - | - | - | - | (136,803) | - | - | - | - | - | (136,803) | (214,180) | (350,983) |
| Balance as of December 31, 2023 | 313,340 | 860,345 | (193,866) | 8,499,062 | (395,095) | 11,000 | 69,507 | 228,941 | 8,041 | 1,179,020 | 10,580,295 | 314,737 | 10,895,032 |

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-con-trolling interests | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total | Non-controlling interests | Total equity |
| | NIS thousand | | | | | | | | | | | | |
| **Balance as of January 1, 2022** | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 | 269,725 | 9,923,089 |
| Net income | - | - | - | 1,257,124 | - | - | - | - | - | - | 1,257,124 | 92,820 | 1,349,944 |
| Other comprehensive income (loss) | - | - | - | 2,097 | - | - | - | 95,610 | 27,511 | (258,435) | (133,217) | 543 | (132,674) |
| Total comprehensive income (loss) | - | - | - | 1,259,221 | - | - | - | 95,610 | 27,511 | (258,435) | 1,123,907 | 93,363 | 1,217,270 |
| Share-based payment | - | (2,362) | - | - | - | - | 17,556 | - | - | - | 15,194 | - | 15,194 |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) | - | (55,859) |
| Dividend to non-controlling interests | - | - | - | - | - | - | - | - | - | - | - | (74,665) | (74,665) |
| Commencement of consolidation | - | - | - | - | - | - | - | - | - | - | - | 53,886 | 53,886 |
| Exercise of employee options | 1,317 | 4,971 | - | - | - | - | (6,288) | - | - | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 2,910 | - | - | - | (2,910) | - | - | - | - | - |
| Dividend (see Note 15) | - | - | - | (581,000) | - | - | - | - | - | - | (581,000) | - | (581,000) |
| Allocation of shares of a consolidated company to minority interests | - | - | - | - | 3,587 | - | - | - | - | - | 3,587 | 49,713 | 53,300 |
| Acquisition of non-controlling interests | - | - | - | - | (14,435) | - | - | - | - | - | (14,435) | (3,382) | (17,817) |
| **Balance as of December 31, 2022** | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 | 388,640 | 10,533,398 |

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

| | Appendix | For the year ended December 31 2024 | 2023 | 2022 |
|---|---|---|---|---|
| | | NIS thousand | | |
| Cash flows from operating activities | | | | |
| Net income for the year | | 1,930,216 | 884,937 | 1,349,944 |
| Adjustments required to present cash flows from operating activities | (a) | (2,631,757) | 1,296,692 | 1,379,463 |
| Net cash provided by operating activities | | (701,541) | 2,181,629 | 2,729,407 |
| Cash flows used for investing activities | | | | |
| Purchase of property, plant and equipment | | (359,431) | (389,181) | (190,135) |
| Proceeds from disposal of property, plant and equipment | | 1,750 | 1,032 | 342 |
| Investment in associates (see Note 8D(4)) | | (637,401) | (115,865) | (160,281) |
| Dividend from associates | | 24,276 | 23,497 | 41,580 |
| Change in loans granted to associates | | 5,066 | (290) | (3,688) |
| Acquisition of consolidated companies consolidated for the first time | (b) | (76,771) | (90,340) | (9,775) |
| Proceeds from the sale of pension funds, provident funds, and fees and commissions portfolios | | 3,220 | 1,723 | 30,372 |
| Acquisition of minority interest in a consolidated company | | (114,529) | (344,202) | (17,817) |
| Proceeds from disposal of investment in associate (see Note 8D(4)) | | 391,657 | 101,258 | 108,158 |
| Acquisition and capitalization of intangible assets costs | | (535,721) | (648,882) | (334,726) |
| Sale of previously-consolidated company | (c) | - | (828) | - |
| Net cash used for investing activities | | (1,297,884) | (1,462,078) | (535,970) |
| Cash flows from financing activities | | | | |
| Issuance of shares to non-controlling interests in a consolidated company | | 50,000 | - | 49,713 |
| Acquisition of Company shares | | (183,019) | (38,238) | (55,859) |
| Short term credit from banks, net | | 239,792 | (408,000) | 420,000 |
| Repayment of financial liabilities | | (1,873,547) | (751,162) | (651,637) |
| Dividend to shareholders | | (535,000) | (297,171) | (581,000) |
| Repayment of lease liability principal | | (54,212) | (54,467) | (50,082) |
| Issuance of financial liabilities | | 2,623,761 | 2,440,322 | 1,910,320 |
| Change in liability for REPO, net | | (30,756) | 1,161,948 | 708,302 |
| Dividend paid to non-controlling interests | | (111,959) | (214,488) | (74,665) |
| Repayment of contingent liability in respect of a put option to non-controlling interests | | (15,872) | - | (10,000) |
| Net cash provided by financing activities | | 109,188 | 1,838,744 | 1,665,092 |
| Increase in cash and cash equivalents | | (1,890,237) | 2,558,295 | 3,858,529 |
| Balance of cash and cash equivalents at beginning of year | (d) | 22,356,570 | 19,798,275 | 15,939,746 |
| Cash and cash equivalents balance as of the end of the year | (d) | 20,466,333 | 22,356,570 | 19,798,275 |

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

| | | For the year ended December 31 | | |
|---|---|---|---|---|
| | | 2024 | 2023 | 2022 |
| | | NIS thousand | | |
| a. | Adjustments required to present cash flows from operating activities: (1) (2) | | | |
| | Items not involving cash flows | | | |
| | Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contract | (13,008,517) | (7,714,268) | 7,404,308 |
| | Change in fair value of investment property in respect of yield-dependent contracts | (37,216) | (20,609) | (199,182) |
| | Net (gains) losses on other financial investments | | | |
| | Liquid debt assets | (171,166) | (29,270) | 137,976 |
| | Illiquid debt assets | (1,498,389) | (1,510,938) | (1,449,128) |
| | Shares | (241,259) | 26,296 | (155,913) |
| | Other | (574,004) | 143,072 | 691,349 |
| | Depreciation and amortization | 562,147 | 499,147 | 408,658 |
| | Loss (gain) on disposal of property, plant, and equipment | (606) | 3 | - |
| | Profit from sale of provident funds | - | - | (14,185) |
| | Change in fair value of investment property | (5,098) | (14,513) | (96,200) |
| | Gain on notional disposal as a result of assuming control of an investee and other capital gains | 966 | (128,989) | (109,586) |
| | Change in financial liabilities | 628,772 | (29,749) | 1,899,625 |
| | Income tax expenses | 876,742 | 262,747 | 504,336 |
| | Company's share of income in subsidiaries, net | (103,254) | (42,413) | (61,548) |
| | Payroll expenses in respect of share-based payment | 44,908 | 31,480(*) | 23,473(*) |
| | Changes in other balance sheet line items, net: | | | |
| | Change in liabilities in respect of non-yield-dependent insurance contracts | 611,425 | 1,449,555 | 64,082 |
| | Change in liabilities in respect of yield-dependent contracts | 12,765,544 | 7,620,343 | (1,305,063) |
| | Change in liabilities for notes, ETFs | (37,000) | (29,698) | (4,302) |
| | Change in financial investments for holders of ETFs, certificates of deposit | 63,000 | 28,000 | 5,000 |
| | Change in credit assets in respect of factoring, clearing and financing | (677,880) | (257,012) | (892,945) |
| | Change in deferred acquisition costs | (161,693) | (232,887) | (442,735) |
| | Change in reinsurance assets | 110,859 | (856,012) | (365,703) |
| | Change in liabilities for employee benefits, net | 9,293 | 7,014 | (2,469) |
| | Change in receivables and debit balances and collectible premiums | (125,465) | (565,939) | (123,460) |
| | Change in payables and credit balances | 381,318 | 236,573(*) | 500,627(*) |
| | Change in credit for purchase of securities | (305,000) | 48,000 | (268,000) |
| | Change in loans granted to associates | (1,129) | (1,148) | (1,100) |
| | Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts: | | | |
| | Acquisition of real estate properties | (105,263) | (120,380) | (99,874) |
| | Proceeds on sale of real estate properties | - | - | 219,844 |
| | Sales (acquisitions), net of financial investments | (2,206,432) | 2,290,602 | (3,699,920) |
| | Financial investments and other investment property: | | | |
| | Sales (acquisitions), net of financial investments | 1,305,856 | 573,770 | (540,903) |
| | Proceeds on sale of real estate properties | - | - | 119,054 |
| | Acquisition of real estate properties | (79,745) | (76,112) | (58,419) |
| | Cash paid and received during the year for: | | | |
| | Taxes paid | (804,415) | (357,754) | (765,600) |
| | Taxes received | 150,944 | 67,781 | 57,366 |
| | Total cash flows provided by operating activities | (2,631,757) | 1,296,692 | 1,379,463 |

(1) Cash flows from operating activities include cash flows in respect of acquisition and sale, net of financial investments and investment property arising from insurance contracts and investment contracts activities.

(2) Cash flows from operating activities include cash flows in respect of dividend and interest received, as described in this appendix.

(*) Reclassified.

| | | For the year ended December 31 | | |
|---|---|---|---|---|
| | | 2024 | 2023 | 2022 |
| | | NIS thousand | | |
| b. | Acquisition of consolidated companies consolidated for the | | | |

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

| | | For the year ended December 31 | | |
|---|---|---|---|---|
| | | 2024 | 2023 | 2022 |
| | | NIS thousand | | |
| | first time | | | |
| | Assets and liabilities of the consolidated companies as of acquisition date: | | | |
| | Working capital (excluding cash and cash equivalents) | 22,264 | (5,078) | 27,944 |
| | Property, plant and equipment, net | (4,539) | (685) | (877) |
| | Goodwill arising from acquisition | (57,241) | (156,520) | (79,216) |
| | Intangible assets | (82,958) | (161,439) | (111,217) |
| | Deferred taxes | 18,398 | 53,943 | 23,020 |
| | Minority interests | 17,995 | 38,687 | 53,886 |
| | Investments in investees | - | - | (72,109) |
| | Disposal of investment in an associate | - | 129,030 | 115,627 |
| | Financial liabilities | 7,719 | - | 8,614 |
| | Liability for payment in respect of acquisition of an investee | - | 10,706 | 24,134 |
| | Liabilities for employee benefits | 1,273 | 1,016 | 419 |
| | Financial assets | (3,907) | - | - |
| | Loan from parent company | 4,225 | - | - |
| | | (76,771) | (90,340) | (9,775) |
| c. | Sale of previously-consolidated company | | | |
| | Working capital (excluding cash and cash equivalents) | - | (6,056) | - |
| | Minority interests | - | 5,228 | - |
| | | - | (828) | - |
| d. | Cash and cash equivalents | | | |
| | Balance of cash and cash equivalents at beginning of year: | | | |
| | Cash and cash equivalents | 3,053,023 | 3,439,766 | 2,154,153 |
| | Cash and cash equivalents in respect of yield-dependent contracts | 19,303,547 | 16,358,509 | 13,785,593 |
| | | 22,356,570 | 19,798,275 | 15,939,746 |
| | Balance of cash and cash equivalents as of the end of year: | | | |
| | Cash and cash equivalents | 2,742,027 | 3,053,023 | 3,439,766 |
| | Cash and cash equivalents in respect of yield-dependent contracts | 17,724,306 | 19,303,547 | 16,358,509 |
| | | 20,466,333 | 22,356,570 | 19,798,275 |
| e. | Significant non-cash activities | | | |
| | Recognition of right-of-use asset against a lease liability | (127,351) | (90,780) | (52,319) |
| | Purchase of intangible assets | - | (8,161) | - |
| f. | Breakdown of amounts included in operating activities | | | |
| | Interest paid | 429,465 | 280,810 | 178,990 |
| | Interest received | 1,329,157 | 1,224,477 | 957,447 |
| | Dividend received | 61,812 | 49,193 | 47,571 |

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

# NOTE 1 - GENERAL

## A. Activity of the Reporting Entity

Phoenix Financial Ltd., formerly Phoenix Holdings Ltd. (hereinafter - the "**Company**") is an Israeli resident company incorporated in Israel, whose official address is 53 Derech Hashalom St., Givatayim, Israel. The Company's consolidated financial statements as of December 31, 2024 include the financial statements of the Company and its subsidiaries and investments in associates (hereinafter, jointly – the "**Group**"). The Group mainly engages in the areas of insurance, Retirement (Pension And Provident), Distribution (Agencies), Credit, and Investment House and Wealth. The securities of the Company are listed for trading on the Tel Aviv Stock Exchange.

## B. A change to the Company's name

On August 14, 2024, the Company's General Meeting approved the change of its name from Phoenix Holdings Ltd. to Phoenix Financial Ltd., such that it shall reflect all of the Group's diverse activities: Insurance, Asset Management, Distribution (Agencies) and Credit.
On August 19, 2024 the Registrar of Companies approved the name change.

## C. Company without a control core

On April 21, 2024, Belenus Lux S.a.r.l. (hereinafter - "**Belenus**"), which is indirectly held by CCP III Cayman GP Ltd., Matthew Botein, Lewis (Lee) Sachs - the Company's controlling shareholders (hereinafter - the "Former Controlling Shareholders"), informed the Company that the Capital Market, Insurance and Savings Authority awarded the Former Controlling Shareholders a permit to hold means of control in the Company and in Phoenix Insurance at a rate of up to 10% of the Company's means of control (hereinafter - the "**New Holding Permit**").
During the third quarter of 2024, the Company's Former Controlling Shareholders sold shares, such that as from July 17, 2024, the Company no longer has a controlling core. Immediately prior to the sale of the shares, the controlling shareholder held approx. 31% of the Company's shares.
Following the Company's becoming a company without a controlling core, it set up an appointments committee, which will recommend new directors to the Company following the resignation of directors, who served on behalf of the controlling shareholders, in accordance with guidelines set by the Company's Board. Further to the above, the general meeting of the Company approved the appointment of four new directors.
For further details, see the immediate reports dated April 21, 2024, July 16, 2024, August 8, 2024, October 14, 2024 and December 2, 2024 (Ref. Nos.: 2024-01-044958, 2024-01-074239, 2024-01-085306, 2024-01-610485 and 2024-01-621184, respectively).

## D. Restructuring in Asset Management and Credit

As part of the implementation of the strategic plan regarding the Asset Management and Credit Activity, and the Company's wish to concentrate each of activities under separate arms, in July 2024, the Company's Board of Directors passed an in-principle resolution regarding a restructuring, which will include statutory mergers in accordance with the Eighth Part of the Companies Law, and the transfer of activities and assets of various group companies, as follows:

1. First stage - the merger of Phoenix Investments and Platinum into the Company

   The Company's Board of Directors approved that statutory mergers will be carried out between the Company and Phoenix Investments and between the Company and Platinum. As a result of the mergers all of the assets and liabilities of Phoenix Investments and Platinum into the Company, and they will cease to exist as separate companies.
   The completion of the mergers will be conditional, among other things, on the fulfillment of all of the following conditions: (a) Receipt of the Israel Tax Authority's approval for a restructuring and merger, which is exempted from corporate income tax in respect of each of the mergers, in accordance with Section 103I to the Income Tax Ordinance; and (b) the execution of the actions required to complete each of the mergers in accordance with the Companies Law and Companies Regulations (Merger), 2000.

## NOTE 1 - GENERAL (cont.)

### D. <u>Restructuring in Asset Management and Credit</u> (cont.)

1. <u>First stage - the merger of Phoenix Investments and Platinum into the Company</u> (cont.)

   As of the report publication date, the Israel Tax Authority and Registrar of Companies approved the merger. In addition, the Company completed the actions required to finalize each of the mergers.

2. Second stage - in March 2025, after completing the first stage, the Company transferred to Phoenix Capital Partners Ltd. (hereinafter - "**Phoenix Capital Partners**") - a new privately-held subsidiary established by it, which is wholly-owned by the Company - Phoenix Investments' entire investment management activity prior to the merger date its holdings in all of Phoenix Advanced Investment's shares and its 19.9% stake in Phoenix Underwriting Ltd. The investment in the shares of Tehuda Management Service 1999 Ltd. and Safra Ltd. were transferred to Phoenix Advanced Investments.

3. Third stage - after the completion of the second stage, the Company will transfer to Phoenix Gama all shares of Phoenix Retail Credit Ltd.

### E. <u>The Iron Swords War</u>

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. Based on published data, as of the report publication date, more than 1,800 Israeli citizens, soldiers and members of the defense and rescue forces were killed in the line of duty or murdered as part of the War, 59 citizens and soldiers are held as hostages in the Gaza Strip, and thousands have sustained various injuries. 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.

Towards the end of the reporting year, ceasefire agreements were signed in Lebanon and Gaza, which are being complied with as of the report publication date; under the abovementioned agreements, some of the hostages were released.

Due to the War, on February 9, 2024, it downgraded the State of Israel's credit rating to A2 with a negative outlook. On September 27, 2024, Moody's rating agency announced that it was once again downgrading the State of Israel's rating to Baa1 with a negative outlook.

On April 18, 2024, S&P announced it was downgrading the State of Israel's rating from AA- to A+, with a negative outlook. On October 1, 2024, S&P announced that it was again downgrading the State of Israel's rating to A with a negative outlook, among other things, due to the continuation and escalation of the fighting on the northern front.

Fitch rating agency announced on August 12, 2024 it was downgrading the State of Israel's rating from A+ to A with a negative outlook.

Following the downgrade of the State of Israel's credit rating, in October 2024, Moody's announced that it was downgrading the international credit rating of Phoenix Insurance from A2 to Baa1 with a negative outlook, while Moody's noted that the independent financial strength of Phoenix Insurance remained at A2.

Due to its activity, the Phoenix group is exposed to changes on 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 41.

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.

The effects of the War on the Company's results in 2024 in the life insurance segment totaling approx. NIS 34 million (retention) which were assessed and arose from life and permanent health insurance.

# NOTE 1 - GENERAL (cont.)

## F. Definitions

In these financial statements –

| | |
|---|---|
| **The Company** | Phoenix Financial Ltd. (Formerly: Phoenix Holdings 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 subsequent to the balance sheet date, see Section D above. |
| **Phoenix Investments** | Phoenix Investments and Finances Ltd., a wholly-owned subsidiary of the Company; for details regarding the restructuring subsequent to the balance sheet date, see Section D above. |
| **Phoenix Investment House** | Phoenix Investment House Ltd., a subsidiary of Phoenix Investments. |
| **Hadar Green** | Hadar Green Company Properties and Investments Ltd., a wholly-owned subsidiary of Phoenix Insurance. |
| **Phoenix Mortgages (Gold)** | Phoenix Mortgages (Gold) Ltd., a wholly-owned subsidiary of Phoenix Insurance. |
| **Phoenix Capital Raising** | Phoenix Capital Raising (2009) Ltd., a wholly-owned subsidiary of Phoenix Insurance. |
| **Phoenix Pension and Provident Fund** | Phoenix Pension and Provident Funds Ltd., a wholly-owned subsidiary of the Company. |
| **Phoenix Advanced Investments** | Phoenix Advanced Investments Ltd., a wholly-owned subsidiary of Phoenix Investments. |
| **Phoenix Agencies** | Phoenix Insurance Agencies 1989 Ltd. - a company under the Company's control. |
| **Oren Mizrach** | Oren Mizrach Insurance Agency Ltd., a subsidiary in which Phoenix Agencies is a controlling shareholder. |
| **NIS** | Shekel Insurance Agency Ltd., a subsidiary wholly-owned by Phoenix Agencies. |
| **Agam Leaderim** | Agam Leaderim Insurance Agency (2003) Ltd., a subsidiary wholly-owned by Phoenix Agencies. |
| **Quality** | Quality Pension Insurance Agency (2017) Ltd. - a subsidiary under Phoenix Agencies' control. |
| **Gama** | Gama Management and Clearing Ltd., a subsidiary wholly-owned by Phoenix Investments. |
| **Phoeniclass** | Phoeniclass Ltd., an investee of Phoenix Investments and Phoenix Insurance. |
| **Phoenix Construction Financing** | Phoenix Construction Financing and Guarantees Ltd. is a wholly-owned subsidiary of Gama. For further details, see Note 8E. |
| **Platinum** | Platinum Finance & Factoring Ltd., a wholly-owned subsidiary of the Company; for details regarding the restructuring subsequent to the balance sheet date, see Section D above. |
| **Phoenix Retail Credit** | Phoenix Retail Credit Ltd., a wholly-owned subsidiary of Platinum; for details regarding the restructuring subsequent to the balance sheet date, see Section D above. |

## NOTE 1 - GENERAL (cont.)

### F. Definitions (cont.)

In these financial statements – (cont.)

| | |
|---|---|
| **Belenus Lux S.a.r.l** | The controlling shareholder until July 17, 2024, held indirectly by Centerbridge Partners LP and Gallatin Point Capital LLC (hereinafter - the "**Funds**"). Centerbridge Partners LP is controlled by CCP III Cayman GP Ltd. and Gallatin Point Capital LLC is controlled by Matthew Botein, Lewis (Lee) Sachs (for further details, see Section 1C). |
| **Consolidated companies/ subsidiaries** | Companies or partnerships whose financial statements are consolidated, directly or indirectly, with the financial statements of the Company. |
| **Associates** | Companies over the financial and operating policies of which the Company has significant influence, but not control, and the Company's investment in which is presented in the Company's consolidated financial statements based on the equity method. |
| **Investees** | Consolidated companies, and companies or partnerships, the Company's investments in which are included in the financial statements based on the equity method. |
| **Related parties** | As defined by IAS 24, Related Parties. |
| **Interested parties and controlling shareholder** | As defined in the Securities Regulations (Annual Financial Statements), 2010. (For further details, see Section 1C). |
| **The Supervisor or Commissioner** | The Commissioner of the Capital Market, Insurance and Savings. |
| **The Supervision Law** | Financial Services Supervision Law (Insurance), 1981. |
| **The Capital Regulations** | Supervision of Financial Services Regulations (Insurance) (Minimum Capital Required of an Insurer), 1998, including amendments thereto. |
| **Investment Rules** | Supervision of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and the circular entitled Investment Rules Applicable to Institutional Entities. |
| **Reporting Information Regulations** | Supervision of Insurance Business Regulations (Reporting), 1998, and amendments thereto. |
| **Insurance contracts** | A contract under which one party (the insurer) assumes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. |
| **Investment contracts** | Policies that do not constitute insurance contracts. |
| **Yield-dependent contracts** | Insurance contracts and investment contracts in the life and health insurance segments in which the liabilities for the savings or risk components are linked to the returns on the investment portfolio (participating policies), or are derived from such contracts. |
| **Assets for yield-dependent contracts** | Total assets against liabilities arising from yield-dependent contracts. |
| **Reinsurance assets** | Reinsurers' share in insurance reserves and contingent claims. |
| **Liabilities in respect of insurance contracts** | Insurance reserves and contingent claims in the life insurance, property and casualty insurance and health insurance operating segments. |
| **Premiums** | Premiums including fees. |
| **Premiums earned** | Premiums relating to the reporting period. |

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

## A. Basis of presentation

The financial statements of the Company have been prepared on a cost basis, except for investment property, a class of land and buildings included in property, plant and equipment, available-for-sale financial assets, financial assets and liabilities (including derivative instruments), presented at fair value through profit or loss, provisions, assets and liabilities for employee benefits, investments in associates, and insurance liabilities.

Statement of compliance with International Financial Reporting Standards

Through December 31, 2022, the Group's consolidated financial statements were drawn up in accordance with 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.
As from January 1, 2023, the consolidated financial statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010. In accordance with these provisions, those 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, are drawn up in accordance with the requirements set by the Commissioner in accordance with the Financial Services Supervision Law (Insurance), 1981.
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). Consequently, during the periods through the date of first-time application in Israel, those data in the financial statements that relate to the subsidiary, as stated above, continue to be drawn up in accordance with IFRS 4 regarding Insurance Contracts, and IAS 39, Financial Instruments (of 2017).
With regard to the other issues, including with respect to financial statements data, which do not relate to the said subsidiary, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter - "**IFRS**").
In addition, the financial statements were prepared in accordance with the provisions of the Securities Regulations (Annual Reports), 2010, insofar as these regulations apply to a corporation consolidating an insurance company.
For details regarding the effect of first-time application of IFRS 17 and IFRS 9 as of the transition date (January 1, 2024), see Note 45.

## B. Significant considerations, estimates and assumptions used in the preparation of the financial statements

**The considerations**

In applying the Group's significant accounting policies, management took into account the following issues, which have the most material effect on the amounts recognized in the financial statements:

1. Classification of insurance contracts and investment contracts

   Insurance contracts are contracts in which the insurer assumes a significant insurance risk from another party. For each contract, or group of similar contracts, management considers whether they embody a significant insurance risk and should therefore be classified as either insurance contracts or investment contracts.

2. Classification and designation of financial investments

   The Group's management exercised judgment in classifying and designating the financial investments into the following classes:
   - Financial assets measured at fair value through profit and loss.
   - Held-to-maturity investments.
   - Loans and receivables.
   - Available-for-sale financial assets.

   See Note 2H below.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)**

3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital

The financial liability is measured at amortized cost if it contains an embedded derivative. Where there is an embedded derivative, the entire liability will be measured at fair value, or alternatively, bifurcated into a derivative that will be measured at fair value and the remaining liability will be measured at amortized cost. The Company checked whether an embedded derivative exists, but in view of the fact that the triggers for writing-off the reserve are triggers which are not defined as financial triggers in accordance with the Company’s accounting policies (since they are impacted by the solvency ratio and the existence of a going concern emphasis of matter), the Company reached the conclusion that there is no embedded derivative, and therefore the letter of undertaking will be measured at amortized cost. For further details, see Note 27.

**Estimates and assumptions**

Preparation of the financial statements requires management to use estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, revenues and expenses.
The estimates and assumptions underlying the ongoing review of changes in the accounting estimates are charged in the period in which the change of estimate is made.
When formulating accounting and actuarial estimates used in the preparation of the Group's financial statements, the Group's management is required to make assumptions regarding circumstances and events involving considerable uncertainty. When exercising its judgment to determine the estimates, the Group's management relies on past experience, various facts, external circumstances, and reasonable assumptions, including expectations as to the future, where it is possible to formulate such expectations, according to the relevant circumstances of each estimate.
It is clarified that actual results may differ from these estimates, inter alia due to regulatory changes published or expected to be published in the areas of insurance and Retirement (Pension and Provident), and there is uncertainty as to the manner of their materialization and implications.
Following are the main assumptions used in the financial statements concerning uncertainties as of the balance sheet date, and key estimates calculated by the Group. Significant changes in those estimates and assumptions may change the value of assets and liabilities in the financial statements in the subsequent year:

1. Liabilities in respect of insurance contracts

These liabilities are based on actuarial valuation methods and on estimates as to demographic and economic variables. The various actuarial valuations and the assumptions are mainly derived from past experience and are based on the fact that past behavior patterns and claims represent what will happen in the future. Changes in risk factors, prevalence or severity of events, as well as changes in the legal situation could have a material effect on the amounts of liabilities in respect of insurance contracts. For further details, see Note 41.
For information about changes in principal assumptions used to calculate insurance liabilities in life insurance, see Note 41.

2. Contingent liabilities

Several lawsuits and motions to certify lawsuits as class actions are pending against the Group. When assessing the chances lawsuits filed against the Company and its investees, the companies relied on the opinions of their legal counsel. These opinions are issued based on the best of the legal counsels’ professional judgment and take into account the current stage of the proceedings as well as legal experience gained on various matters. Since the outcomes of the lawsuits will ultimately be determined in the courts, these outcomes may differ from those assessments; the potential consequences are changes to the amount of the provision in respect of the lawsuit or making no provision for the lawsuit. For further details, see Note 43.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**B. <u>Significant considerations, estimates and assumptions used in the preparation of the financial statements</u> (cont.)**

3. <u>Measurement of a letter of undertaking in respect of Additional Tier 1 capital</u> (cont.)

2. <u>Contingent liabilities</u> (cont.)

In addition to the aforesaid claims, the Company is exposed claims/lawsuits that have not yet been claimed/filed, where, among other things, there is doubt as to the interpretation of an agreement and/or the provisions of the law and/or the manner of their implementation. This exposure is brought to the attention of the Company and its investees in several ways, including through customers' contacting the Group's functions, in particular the Group's ombudsman, through customers' complaints to the Public Enquiries Unit in the Commissioner's office, and through lawsuits (other than class action lawsuits) filed with the courts. These issues are brought to the attention of the Group's management to the extent the relevant functions identify that the claims may have wide-ranging implications. When assessing the risk arising from claims/lawsuits that have not yet been filed, Group companies rely on internal assessments of the relevant parties and management, which assess the chances that a lawsuit will be filed and the prospects of its success if filed. The assessment is based on experience gained with respect to the filing of lawsuits and an analysis of each claim on its on merit. In view of the preliminary stage of the legal proceedings, the actual outcome could differ from the assessment made before the lawsuit was filed; the potential consequences are changes to the amount of the provision in respect of the lawsuit or making no provision for the lawsuit.

3. <u>Determining the fair value of illiquid debt assets</u>

The fair value of illiquid bonds, loans and deposits 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.

4. <u>Impairment of financial investments</u>

When there is objective evidence of impairment loss of loans and receivables presented at amortized cost, or where the value of available-for-sale financial assets is impaired, the amount of the loss is recognized in the income statement; see Note 14. At each balance sheet date, the Group reviews whether there is objective evidence as described above.

5. <u>Investment property</u>

Investment property that can be measured reliably is presented at fair value at the reporting date with fair value changes carried to profit or loss in the period in which they were created. The fair value is usually determined by external and independent appraisers based on economic valuations, which include the use of valuation techniques and assumptions as to estimates of projected future cash flows from the property and an estimated discount rate adequate for these cash flows. Where possible, fair value is determined in relation to recent real estate transactions involving properties with characteristics and locations similar to those of the assessed property. When measuring the fair value of investment property, the Company's appraisers and management use certain assumptions as to rates of return required in respect of the Group's properties, future rental prices, occupancy rates, contract rates, probability of leasing vacant spaces, operating expenses for the properties, the tenants' financial strength and the consequences arising from investments requiring future development, in order to assess the future cash flows from the properties. Changes in assumptions used to measure investment properties may result in a change in fair value. see Note 9.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)**

3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital (cont.)

6. Reliable measurement of investment property under construction

To assess whether the fair value of an investment property under construction may be reliably measured, the Group takes into account, inter alia, the following relevant criteria:

1. Whether the properties under construction is located in an area where the market is developed and liquid.
2. Price quote from recent transactions or previous assessments, for acquisition or sale purposes, of properties in a similar condition and location.
3. Signing a construction agreement with a construction contractor.
4. Obtaining building permits.
5. Percentage of land designated for rent has been leased in advance to tenants.
6. A reliable estimate of construction costs.
7. A reliable estimate of the value of the finished property.
8. When an assessment of the above criteria shows that the fair value of an investment property under construction can be reliably measured, the property is measured at its fair value in accordance with the Group's policy regarding investment property. When reliable measurement is impossible, investment property under construction is measured at cost less impairment loss, if any.

7. Impairment of goodwill

The Group tests goodwill for impairment at least once a year. This requires management to estimate the expected future cash flows from continued use of the cash-generating unit to which goodwill has been allocated. Management is also required to estimate the appropriate discount rate for these cash flows. The potential consequence is the recognition of impairment losses in profit or loss in the period in which they were incurred. For further details, see Note 5.

8. Determining recoverability of deferred acquisition costs

The recoverability of deferred acquisition costs is reviewed once a year using assumptions as to cancellation, mortality and morbidity rates and other variables. If there is no recoverability under these assumptions, the Group may need to accelerate the amortization or even write-off the deferred acquisition costs. For further details, see Note 6.

9. Pension benefits and other post-employment benefits

Liability in respect of post-employment defined benefit plans is set using actuarial estimation techniques. The calculation of the liability involves making assumptions regarding, among other things, discount rates, expected rates of return on assets, pay rise rates, and the rates of employee turnover. The balance of the liability may be significantly affected by changes in those estimates.

10. Revaluation of property, plant and equipment

The Group measures buildings and land constituting property, plant and equipment at revalued amounts, and fair value changes are recognized in other comprehensive income. The Group contracted an independent external appraiser to estimate fair value as of December 31, 2024. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets. For further details, see Note 7.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**B. Significant considerations, estimates and assumptions used in the preparation of the financial statements (cont.)**

3. Measurement of a letter of undertaking in respect of Additional Tier 1 capital (cont.)

11. Deferred tax assets

Deferred tax assets are recognized in respect of carryforward losses for tax purposes and temporary differences which have not yet been utilized, provided that a future taxable income is expected against which they can be utilized. An estimate by management is required in order to determine the recognizable deferred tax asset amount, that is based on the timing and taxable income amount expected and on the tax planning strategy. In accordance with the changes in these assumptions, the Company will recognize a deferred tax asset or reverse such recognition.

12. Determining the fair value of share-based payment transactions

The fair value of share-based payment transactions is determined upon initial recognition, using an accepted option pricing model. The model is based on share price and exercise price inputs and on assumptions regarding expected volatility, expected life and expected dividend. For further details, see Note 37.

**C. Financial statements structure and operating cycle period**

The Group's ordinary operating cycle generally exceeds one year, in particular for life insurance and long-term savings, long-term care, illnesses and hospitalization insurance, and property and casualty insurance in the liability and compulsory motor insurance sectors. The consolidated statements of financial position, which include mainly the assets and liabilities of the consolidated insurance company, were presented according to liquidity, with no distinction made between current and non-current assets. This presentation, which provides more relevant information, is consistent with IAS 1, Presentation of Financial Statements.

**D. Functional currency, presentation currency and foreign currency**

These financial statements are presented in NIS, which is the Company's functional currency, rounded to the nearest thousand. This currency best reflects the economic environment in which the Company operates.

**E. Measurement of non-controlling interests on the business combination date**

Non-controlling interests in subsidiaries represent that portion of the subsidiaries' equity that cannot be attributed to the parent company, whether directly or indirectly. Non-controlling interests are presented separately under the Company's equity and are measured at fair value on the business combination date, or according to their proportionate share in the identified assets and liabilities of the acquiree, on a transaction-by-transaction basis.

Implementing this accounting policies is not allowed for other instruments that meet the definition of non-controlling interests (such as options for ordinary shares). These instruments are measured at fair value.

**F. Investment in associates**

Associates are companies over which the Group - including investments in the investment portfolios of participating policies - has significant influence, but not control, over the monetary and operating policies.
An investment in an associate, with the exception of an investment included in the investment portfolios of participating policies - see Note 2H(5) - presented on the basis of the equity method.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### G. Insurance contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policies it applied prior to the transition date to IFRS reporting in respect of insurance contracts that it issues (including related acquisition costs and related intangible assets) and reinsurance contracts that it acquires.
Following is a summary of the accounting policies applied to insurance contracts:

1. Life insurance and long-term savings

a) Revenue recognition - see Section Q below.

b) Liabilities for life insurance contracts:

Liabilities for life insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc. Liabilities for life insurance contracts are determined on the basis of actuarial valuations performed by the actuarial supervisor at Phoenix Insurance Ltd., Mr. Mark Rabaev, who is an employee of Phoenix Insurance. The reinsurers' share in liabilities for life insurance contracts is based on the terms and conditions of the relevant contracts. Liabilities for CPI-linked life insurance contracts and CPI-linked investments used to cover these liabilities were included in the financial statements according to the last CPI published prior to the balance sheet date, including liabilities for life insurance contracts for policies with semi-annual linkage.

c) Commissioner's directives regarding liabilities for annuities:

Circulars issued by the Commissioner, regarding the calculation of the liabilities for annuities in life insurance policies, set instructions on how to calculate the provisions as a result of the improvement rate in life expectancy requiring monitoring the adequacy of the liabilities for life insurance contracts to ensure that annuities are received and properly supplemented. For further details, see Note 41.

d) Deferred acquisition costs:

(1) Deferred acquisition costs ("DAC") for life insurance policies include fees and commissions to agents and purchasing supervisors and general and administrative expenses relating to the purchase of new policies. DAC is amortized at equal annual rates over the term of the policy but no longer than 15 years. DAC for canceled or settled policies are derecognized at the cancellation or settlement date.

(2) Phoenix Insurance's actuary assesses the recoverability of the DAC every year. This assessment verifies that the liabilities for insurance contracts and investment contracts, net of the DAC, is sufficient, and that the policies are expected to generate future revenues to cover the DAC deduction and the insurance liabilities, operating expenses and fees and commissions for these policies.
The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the Company's actuary each year on the basis of past experience and relevant current studies.
In addition, each year, the Company's actuary validates the estimated period for receiving management fee revenues in respect of investment contracts, Retirement (Pension and Provident) in order to determine the DAC amortization period created in respect thereof.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**G. Insurance contracts and asset management contracts (cont.)**

1. Life insurance and long-term savings (cont.)

d) Deferred acquisition costs: (cont.)

(3) Fees and commissions paid to agents and purchasing supervisors in respect of purchase of asset management contracts (savings policies of the type of investment contracts) pension and provident funds) are recognized as deferred acquisition costs (DAC) if they are separately identifiable and reliably measurable, and if their recoverability through management fees is expected. The DAC is amortized over the estimated period for receiving revenues from management fees, taking into account cancellations. Savings policies and pension funds are amortized over 10 years, and provident funds are amortized over 5.5 years.

e) Liability adequacy testing for life insurance contracts:

The Group tests the adequacy of the reserves. If the test indicates that the premiums received are insufficient to cover the expected claims, less insurance reserves at the calculation date, a special provision is recorded for the shortfall. Homogeneous groups of policies defined by the Commissioner are tested separately. For further details, see Note 41, Section 5.1.
The assumptions used in these tests include assumptions for cancellations, operating expenses, return on assets, interest rates, illiquidity premiums, mortality, pension uptake rates and morbidity rates, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary every year on the basis of past experience and other relevant studies.
As to changes in insurance liabilities, see Note 41 Section 5.1.

f) Contingent claims:

Contingent claims, net of the reinsurers' share therein, are calculated on a base-by-case basis, according to the valuation of Phoenix Insurance's experts, based on the notifications regarding the insured events and the insurance amounts. The provisions for pension payments, ongoing payment claims for income protection insurance, the direct and indirect expenses arising therefrom, as well as the provisions for incurred but not yet reported claims (IBNR) are included under the liabilities for insurance contracts and investment contracts.

g) Investment contracts:

Proceeds in respect of investment contracts are not included in the premiums earned line item but rather carried directly to liabilities in respect of insurance contracts and investment contracts. Redemptions and maturities of these contracts are not included in the income statement but rather deducted directly from liabilities in respect of insurance contracts and investment contracts.
Investment revenues, management fees collected from policyholders, change in liabilities and payments for insurance contracts for policyholders' share in investment revenues, fees and commissions to agents, and general and administrative expenses are charged to the revenues statement in respect of these contracts.

h) Provision for policyholders' participating policies in collective insurance:

The provision is included under the payables and credit balances line item. In addition, the change in the provision is offset against revenues from premium.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### G. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance

a) Revenue recognition - see Section Q below.

b) Payments and changes in liabilities for insurance contracts, gross and in retention, include, among other things, settlement and direct handling costs in respect of claims paid, indirect costs of settling claims, outstanding claims in the reporting year, as well as adjustment of the provision for contingent claims (including a provision for direct and indirect costs for handling claims) recorded in previous years.

c) Liabilities for insurance contracts and deferred acquisition costs:
The insurance reserves and outstanding claims included in the liabilities in respect of insurance contracts line item, and the reinsurers' share in the reserve and in the contingent claims included under the reinsurance assets line item, are calculated in accordance with the Supervision of Financial Services Regulations (Insurance) (Calculation of Property and Casualty Insurance Reserves), 2013 (hereinafter - the "**Calculation of Reserves Regulations**"), the Commissioner's directives, and generally accepted actuarial methods for calculating contingent claims, applied at the discretion of the supervisor actuaries.

d) Liabilities for insurance contracts are composed of insurance reserves and contingent claims, as follows:

1) The provision for unearned premium reserve reflects the insurance premium for the insurance period subsequent to balance sheet date and is calculated on a daily basis.

2) Provision for premium deficiency. This provision is recognized if the unearned premium (less deferred acquisition costs) does not cover the expected cost in respect of insurance contracts. In the motor property insurance, comprehensive home, and business insurance subsegments, the provision is based, inter alia, on a model set in the Calculation of Reserves Regulations.

3) Insurance reserves and contingent claims are calculated according to the methods detailed below:

3.1 Contingent claims and the reinsurers' share therein are included on the basis of an actuarial valuation, except for the subsegments listed in Section 3.2 below. Indirect expenses to settle claims are included on the basis of an actuarial valuation. The actuarial calculation for Phoenix Insurance, for property and casualty insurance, was carried out by the actuarial supervisor of Phoenix Insurance, Ms. Anna Nahum, who is employed by Phoenix Insurance.

3.2 For marine, aircraft including third-party liability insurance, ceded business and other risks, for which the actuary determined that an actuarial model cannot be applied, due to lack of statistically significant data, the contingent claims were included based on an case-by-case valuation according to an opinion received from counsel and experts of Phoenix Insurance that handle claims according to the reports of ceding companies for ceded business, with the addition of IBNR where necessary. The valuations include an adequate provision for handling expenses unpaid as of the date of the financial statements.

3.3 Subrogation and salvage recoveries are taken into consideration in the underlying data by which the actuarial valuations of the contingent claims are calculated.

3.4 Phoenix Insurance believes that the contingent claims are adequate, given that the contingent claims are calculated mainly on an actuarial basis and their balance includes appropriate provisions where required for IBNR.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### G. Insurance contracts and asset management contracts (cont.)

2. Property and casualty insurance (cont.)

e) Liability adequacy testing in property and casualty insurance

The Company reviews the adequacy of Property and Casualty insurance (P&C) liabilities in accordance with the best practice principles.

f) Deferred acquisition costs in property and casualty insurance include fees and commissions to agents and general and administrative expenses in connection with the purchase of polices, relating to unearned premiums. The acquisition expenses are calculated separately for each subsegment, on the basis of the actual rates of expenses or according to standard rates as determined in the Supervision Regulations, as a percentage of the unearned premium, whichever is lower.

g) Business received from the Israeli compulsory motor insurance Pool of the Israeli Insurance Companies Association Ltd. (hereinafter - the "**Pool**"), from other insurance companies (including co-insurance and foreign ceded business) and from underwriting agencies, is reported according to the reports received up to the balance sheet date with the addition of the relevant provisions, based on the rate of Phoenix Insurance's participation therein.

3. Health insurance

a) Revenue recognition - see Section Q below.

b) Liabilities for health insurance contracts:

Liabilities for health insurance contracts are calculated according to the Commissioner's directives (regulations and circulars), generally accepted accounting principles and generally accepted actuarial methods. The liabilities are calculated according to the relevant coverage data, such as the age of the policyholder, number of years of coverage and type and amount of insurance, etc. Liabilities in respect of health insurance contracts and reinsurers' share therein are determined on the basis of an actuarial valuation. This is performed by the actuarial supervisor of Phoenix Insurance, Ms. Luba Sharapov, who is an employee of Phoenix Insurance.

c) Liability adequacy testing for health insurance contracts:

The Company performs loss recognition testing for health insurance contracts. If the test indicates that the premiums received are insufficient to cover the expected claims, a special provision is recorded for the shortfall. Groups of policies defined by the Commissioner are tested separately. The assumptions used in these tests include assumptions for cancellations, operating expenses, morbidity and mortality, interest rates and illiquidity premium, taking into account the amount by which the fair value of liquid assets exceeds their carrying amount. These assumptions are determined by the actuary each year on the basis of past experience and other relevant studies. For collective policies, the testing is performed according to the claims history of the individual collective and subject to the statistical reliability of that experience. For further details, including updating the illiquidity premium, see Note 41, Section 5.1.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### G. Insurance contracts and asset management contracts (cont.)

3. Health insurance (cont.)

d) Contingent claims:

The provisions for ongoing payment claims in long term care (LTC) insurance, the direct and indirect expenses arising therefrom, as well as provisions for incurred but not yet reported claims (IBNR), are included under liabilities in respect of insurance contracts. In the travel insurance subsegment, the actuary determined that an actuarial model is inapplicable - due to lack of statistically significant data - the contingent claims were included based on a case-by-case evaluation according to assessments by external experts and company employees handling claims, reports by ceding companies for ceded business, with the addition of IBNR and reserves where necessary.

e) Provision for policyholders' participating policies in collective insurance:

The provision for policyholders' participating policies in collective insurance is included under "payables and credit balances". In addition, the change in the provision is offset against premiums earned.

f) The unexpired risk reserve, included in the liabilities for insurance contracts line item, includes, if necessary, a provision for an expected retention loss (premium deficiency) that is calculated based on an actuarial valuation based on a cash flow estimate for the contract.

g) Deferred acquisition costs:

1. Deferred acquisition costs ("DAC") include fees and commissions to agents and purchasing supervisors and general and administrative expenses related to the purchase of new policies. In the illnesses and hospitalization subsegments, policies are amortized at equal rates over the period of the policy, but no longer than six years, and in long-term health insurance subsegments (such as long-term care and critical illnesses) the policies are amortized over no more than 15 years. Deferred acquisition costs relating to canceled policies are written off on the cancellation date.

2. The Company's actuary assesses the recoverability of the DAC each year. The assessment verifies that the liabilities for insurance contracts, net of DAC for policies sold, are sufficient, and that the policies are expected to generate future income to cover the DAC's amortization and the insurance liabilities, operating expenses as well as fees and commissions for those policies.
The assumptions used in this assessment, which include assumptions regarding cancellations, operating expenses, return on assets, mortality and morbidity rates, are determined by the actuaries every year on the basis of past experience and relevant current studies.

### H. Financial instruments

The accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer is in accordance with IAS 39. The accounting policies applied by the Company in respect of the remaining financial instruments is in accordance with IFRS 9.

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer:

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

## H. Financial instruments (cont.)

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer: (cont.)

1. Non-derivative financial instruments

Non-derivative financial instruments include both financial assets and financial liabilities. Financial assets include financial investments (liquid debt assets, illiquid debt assets, shares and others) and other financial assets such as other accounts receivable and cash and cash equivalents. In addition, financial instruments include financial liabilities, such as loans and borrowings received, and supplier credit and other payables.

Initial recognition of financial assets

Initial recognition of non-derivative financial instruments is made at fair value, plus, for instruments not presented at fair value through profit and loss, any direct attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.
A financial instrument is recognized as an asset or liability when the Company accepts the contractual terms and conditions (the transaction date).

Financial assets are classified into the following classes:

Cash and cash equivalents

Cash comprises cash balances available for immediate use and call deposits. Cash equivalents include highly liquid short-term investments, which can be easily converted into known amounts of cash and are exposed to an insignificant risk of changes in value and are not restricted by pledges.

Held-to-maturity investments

If the Company has expressed intent and ability to hold debt instruments to maturity, such debt securities are classified as held-to-maturity. Held-to-maturity investments are recognized initially at fair value, plus any attributable transaction costs. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method (taking into consideration transaction costs), less any impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets designated as available for sale or which are not classified into one of the following classes: financial assets measured at fair value through profit and loss, held-to-maturity investments or loans and receivables. Subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Gains or losses arising from fair value adjustments, except for interest, exchange rate differences, and dividend from an equity instrument, are recognized in other comprehensive income. When the investment is disposed of or in case of impairment, the other comprehensive income (loss) is transferred to the income statement.

Financial assets at fair value through profit and loss

A financial instrument is classified at fair value through profit and loss if it is held for trading or is designated as such upon initial recognition.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer: (cont.)

1. Non-derivative financial instruments (cont.)

Loans and receivables

Loans and receivables are investments with fixed or determinable payments that are not traded in an active market. Subsequent to initial recognition, loans are presented at cost, plus direct transaction costs, using the effective interest method, and less provision for impairment. Short-term receivables are recognized according to their terms and conditions, usually at their nominal value.

2. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when the Group currently has a legally enforceable right to offset the amounts recognized and intends either to settle the asset or liability on a net basis or to dispose of the asset and settle the liability simultaneously.
The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the event of bankruptcy or insolvency of one of the parties. In order for the offset right to be readily available, it must not be contingent on a future event or have periods of time in which it is inapplicable, nor events that may cause it to expire.

3. Derivative financial instruments

Financial derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes in fair value are carried to the income statement under investment revenues, net and finance income.

4. CPI-linked assets and liabilities not measured at fair value

The value of CPI-linked financial assets and liabilities, which are not measured at fair value, are revalued each period in accordance with the actual change in the CPI.

5. The Group decided to designate assets as follows:

A. Financial assets in investment portfolios of participating policies

These assets, which include liquid and illiquid financial instruments, were designated at fair value through profit and loss, for the following reasons: These are discretionary portfolios, separate and identifiable, whose presentation at fair value significantly reduces an accounting mismatch of reporting financial assets and financial liabilities at different bases of measurement. Furthermore, their management is based on fair value, and the portfolio's performance is measured at fair value, in accordance with a documented risk management strategy. The information about the financial instruments is reported to management (the relevant investments committee) internally, at fair value.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**H. Financial instruments (cont.)**

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer: (cont.)

5. The Group decided to designate assets as follows: (cont.)

B. Illiquid financial assets that are not included in investment portfolios against participating policies (Nostro)

Assets meeting the criteria of the loans and receivables class, including Hetz bonds, were classified to this class and measured at amortized cost, using the effective interest method.
Illiquid equity instruments are classified as available-for-sale financial assets.

C. Liquid financial assets which are not included in investment portfolios against participating policies (Nostro), which do not include embedded derivatives or do not constitute derivatives (including investment funds).

These assets are classified as available-for-sale financial assets.

D. Financial instruments that include embedded derivatives requiring bifurcation

These assets are designated to the class of fair value through profit and loss.

6. Financial liabilities

The liabilities are recognized initially at fair value. Loans and other liabilities measured at amortized cost are presented net of direct transaction costs.
Subsequent to initial recognition, the accounting treatment of financial liabilities is based on their classification as detailed below:

A. Financial liabilities at amortized cost

Subsequent to initial recognition, loans and other liabilities are recognized at cost, less direct transaction costs, using the effective interest method.

B. Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities classified as held-for-trading and financial liabilities designated, upon initial recognition, to be presented at fair value through profit or loss.
Financial liabilities are classified as held for trading if they were acquired principally for the purpose of selling them in the short term. Profits or losses for liabilities held for trading is carried to profit or loss.
Derivatives, including bifurcated embedded derivatives, are classified as held for trading unless they are designated as effective hedging instruments.
The Group assesses whether embedded derivatives are required to be bifurcated when the Group first becomes a party to the contract. 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.
A liability may be designated at the initial recognition date to fair value through profit or loss, subject to the terms and conditions set out in IAS 39.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer: (cont.)

7. Put option granted to non-controlling shareholders

The Group granted non-controlling shareholders (hereinafter - the "**Non-Controlling Interests**”) a put option to sell part or all of their ownership interests in consolidated companies. The minority interests were classified as financial liabilities on the day of grant. At each balance sheet date, the Group recognizes financial liabilities at the present value of the estimated expected payment to the non-controlling interests. At the same time, the non-controlling interests are accounted for as if they were held by the Group.
A change in the abovementioned liability amount is carried to profit and loss. If the options are exercised in subsequent periods, the consideration paid is accounted for as settlement of the liability. If the option expires, the expiry is accounted for as sale of an investment in the consolidated company while retaining control. If the Company has the right to choose to make the expected payment in cash or by way of the Company's shares, the liability is not recognized in the financial statements at the award date.

8. Derecognition of financial instruments

A. Financial assets

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire, or the Group transfers the contractual rights to receive cash flows from the financial asset or assumes an obligation to pay the cash flows in full to a third party, without material delay. In addition, it has transferred substantially all the risks and rewards associated with the asset or has not transferred and has not retained substantially all the risks and rewards associated with the asset but has transferred control of the asset.
If the Company transfers its rights to receive cash flows from an asset and neither transfers nor retains substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay.
A financial liability is derecognized when it is extinguished, that is to say, when the liability is discharged, canceled or expires. A financial liability is extinguished when the debtor (the Group) repays the liability by a cash payment, other financial assets, goods or services, or is legally released from the liability.

Where an existing financial liability is exchanged for another financial liability from the same lender on substantially different terms and conditions, or where the terms and conditions of an existing liability are substantially modified, such an exchange or modification is accounted for as a derecognition of the original liability and the recognition of a new liability at fair value as of that date. The difference between the balances of the above two liabilities in the financial statements is carried to the income statement. If the exchange or modification is immaterial, it is accounted for as a change in the terms of the original liability and no profit or loss is recognized from the exchange. When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

A. Following are the accounting policies applied by the Company in respect of financial instruments of a consolidated subsidiary that meets the definition of insurer: (cont.)

9. Settlement of financial liabilities through equity instruments

Equity instruments that were issued in order to replace debt are measured at the fair value of the equity instruments that were issued, if it may be reliably estimated. If the fair value of the issued equity instrument cannot be reliably measured, the equity instruments are measured in accordance with the fair value of the settled financial liability on its settlement date. The difference between the financial statement balance of the extinguished financial liability and the fair value of the issued equity instruments is recognized in profit or loss.

10. Impairment of financial assets

A. Financial assets measured at amortized cost

The Group considers evidence of impairment for debt assets classified to loans and receivables at both the specific asset level and at the collective level of an asset class with similar credit risk characteristics (collective assessment). All individually significant loans and receivables are tested for specific impairment. Loans and receivables for which no specific impairment was identified are aggregated and collectively tested for any collective impairment that was incurred but not yet identified.

B. Available-for-sale financial assets

The evidence for impairment of equity instruments classified as available-for-sale financial assets includes a significant or prolonged decline in the fair value of the asset below its cost and assessment of changes in the technological, economic or legal environment in which the issuer of the instrument operates. The testing for significant or prolonged impairment depends on the circumstances at each balance sheet date. The testing takes into account historical fluctuations in fair value and the existence of a prolonged decline in fair value at a total rate of 20% or more, or a prolonged decline in fair value of 12 months or more.
Evidence of impairment of debt instruments classified as available-for-sale financial assets includes one or more events that had an adverse effect on the estimated future cash flows from the asset subsequent to the investment date. Where there is evidence of impairment, the aggregate loss, which was carried to other comprehensive income, is recognized as an impairment loss in profit or loss. In subsequent periods, the amount of the impairment loss is reversed if the increase in fair value can be objectively attributable to an event occurring after the impairment loss was recognized. The amount of the reversal is carried to profit and loss up to the amount of any previously recognized impairment loss.

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

## H. Financial instruments (cont.)

B. Following are the accounting policies applied by the Company and non-insurer subsidiaries with respect to financial instruments, according to IFRS 9

1. Financial assets

Financial assets under the scope of the standard are measured at the initial recognition date 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.

1a) 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 asset 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 included in this group shall be presented according to their terms at cost, plus direct transaction costs, using the amortized cost method.
In addition, an entity may irrevocably designate a debt instrument for measurement at fair value through profit or loss at the initial recognition date, if such designation eliminates or significantly reduces a measurement or recognition inconsistency, for example, when the underlying financial liabilities are also measured at fair value through profit or loss.

1b) The Company measures debt instruments at fair value through other comprehensive income when:

The Company’s business model is both to hold the financial assets in order to collect contractual cash flows and to sell the financial assets; furthermore, the contractual terms and conditions of the financial asset 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 fair value. Gains or losses arising from fair value adjustments, except for interest and exchange rate differentials are recognized in other comprehensive income.

1c) Equity instruments

Financial assets that constitute investments in equity instruments do not comply with the said criteria and are therefore measured at fair value through profit or loss.
In connection with equity instruments that are not held for trading the Company may, at the initial recognition date, irrevocably opt to present in other comprehensive income subsequent changes in fair value, which would have otherwise been measured at fair value through profit or loss. These changes will not be recognized in profit or loss in the future, even when the investment is derecognized.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

B. Following are the accounting policies applied by the Company and non-insurer subsidiaries with respect to financial instruments, according to IFRS 9 (cont.)

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

a) Debt instruments with no significant impairment in credit quality since the initial recognition date or with a low credit risk - the provision for loss recognized for this debt instrument will take into account current expected credit losses in the 12 months period after the reporting date; or

b) debt instruments with significant deterioration in credit quality since the initial recognition date and their credit risk is not low, the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument. The Company applies the relief provided in the standard, 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.

The impairment in respect of debt instruments measured at amortized cost shall be recognized in profit or loss against a provision, whereas the impairment in respect of debt instruments measured at fair value through other comprehensive income shall be recognized against capital reserve and will not reduce the carrying amount of the financial asset in the statement of financial position.
The Company has financial assets with short credit periods, to which it may apply the expedient set forth in the model, 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 opted to apply the expedient available in respect of these financial assets.

3. 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 entity but the Company can be said to have transferred control over the asset.
(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.

Transactions for the sale of financial assets are accounted for as derecognition when the terms and conditions set out above are fulfilled.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

B. Following are the accounting policies applied by the Company and non-insurer subsidiaries with respect to financial instruments, according to IFRS 9 (cont.)

3. Derecognition of financial assets (cont.)

If the Company transfers its rights to receive cash flows from an asset but did not transfer nor retain substantially all the risks and rewards of the asset or transfers control thereof, a new asset is recognized in accordance with the Company's continuing involvement therein. Continuing involvement by way of providing a guarantee for the transferred asset is measured at the lower of the original balance of the asset in the financial statements and the maximum amount of consideration that the Company may be required to repay (the guarantee amount).
When the Company continues to recognize an asset to the extent of its continuing involvement, the entity also recognizes an associated liability. The associated liability is measured in such a way that the net carrying amount of the transferred asset and the associated liability is:

(a) The amortized cost of the rights and obligations retained by the entity, if the transferred asset is measured at amortized cost; or
(b) Equal to the fair value of the rights and obligations retained by the company when measured on a stand-alone basis, if the transferred asset is measured at fair value.

4. Financial liabilities

At the initial recognition date, the Company measures the financial liabilities that fall within the scope of the standard at fair value net of transaction costs that are directly attributable to the issue of the financial liability, except for financial liability measured at fair value through profit or loss, for which transaction costs are recognized in profit or loss.
At the initial recognition date, the Company designated a financial liability as a liability measured at fair value through profit or loss. Changes in the fair value of the financial liability that are attributable to changes in the Company's credit risk are presented in other comprehensive income.
Subsequent to initial recognition, the Company measures all financial liabilities at amortized cost, except for:

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

5. 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.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

B. Following are the accounting policies applied by the Company and non-insurer subsidiaries with respect to financial instruments, according to IFRS 9 (cont.)

5. Derecognition of financial liabilities (cont.)

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.
When a material change has been made to the terms of an existing financial liability, the change is accounted for as a derecognition of the original liability and a recognition of a new liability. The difference between the balance of the above two liabilities in the financial statements is recognized in profit or loss.
In the event that the change is immaterial, the Company is required to update the liability amount, that is to say, to discount the new cash flows at the original effective interest rate, and the differences will be recognized in profit or loss.
When determining whether a change has occurred in the substantive terms and conditions of an existing liability, the Company takes qualitative and quantitative considerations into account.

6. Netting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position if there is a legally enforceable right to set off the recognized amounts and there is an intent to dispose of the asset and liability on a net basis or realize the asset and dispose of the liability simultaneously. The right to offset must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in the event of bankruptcy or insolvency of one of the parties. In order for the offset right to be readily available, it must not be contingent on a future event or have periods of time in which it is inapplicable, nor events that may cause it to expire.

7. Compound financial instruments

Convertible bonds, that include an equity conversion component and a liability component are split into two components. Such a split is calculated by first determining the value of the liability component based on the fair value of a similar liability without a conversion option; the value of the equity conversion component is determined as residual value. Direct transaction costs were allocated between the equity component and the liability component based on the allocation of the consideration between the equity and liability components.

8. Issuance of a package of securities

When a package of securities is issued, the proceeds received (before issuance expenses) are allocated to the securities issued as part of the package in accordance with the following allocation order: financial derivatives and other financial instruments presented periodically at fair value. Thereafter, the fair value is determined for financial liabilities measured at amortized cost, and the consideration allocated to equity instruments is determined as residual value. Issuance costs are allocated to each component in accordance with the ratio of the amounts that was determined for each component of the package.

9. Put option granted to non-controlling interests

When the Group grants a put option to non-controlling interests, the option is classified as a financial liability and the non-controlling interests' share in the profits of the consolidated company is not conferred upon them. At each reporting date, the financial liability is measured at the present value of the estimated consideration to be transferred when the put option is exercised based on the fair value of the consideration determined. Changes in the liabilities are recognized in profit or loss.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### H. Financial instruments (cont.)

B. Following are the accounting policies applied by the Company and non-insurer subsidiaries with respect to financial instruments, according to IFRS 9 (cont.)

10. Settlement of financial liabilities through equity instruments

Equity instruments that were issued in order to replace debt are measured at the fair value of the equity instruments that were issued, if it may be reliably estimated. If the fair value of the issued equity instrument cannot be reliably measured, the equity instruments are measured in accordance with the fair value of the settled financial liability on its settlement date. The difference between the financial statement balance of the extinguished financial liability and the fair value of the issued equity instruments is recognized in profit or loss.

11. Embedded derivatives

In accordance with the provisions of the standard, 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.

### I. Property, plant and equipment

Buildings and land are measured at revalued amounts, and fair value changes are carried to other comprehensive income. Buildings and land are valued based on evidence available in the market, using comparable prices adapted to specific market factors such as the type, location and condition of the assets.

The Group believes that fair value measurement is a more relevant basis for the value of the Group's assets and equity.

Other property, plant and equipment items are presented at cost plus direct acquisition costs, less accumulated depreciation and accumulated impairment losses, and less investment grants received in respect thereof, but do not include current maintenance expenses. Cost includes spare parts and auxiliary equipment used for the property, plant and equipment items.

Depreciation is calculated at equal annual rates on a straight-line basis over the asset's useful life, as follows:

| | 2022-2024 |
|---|---|
| Buildings | 20-50 |
| Computers | 3-7 |
| Vehicles | 7 |
| Equipment and furniture | 7-17 |
| Leasehold improvements | See below |
| Works of art | Without depreciation |

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### I. Property, plant and equipment (cont.)

1. Revaluation of land and buildings is charged to the revaluation reserve presented in shareholders' equity, less the tax effect. The revaluation reserve is recognized in retained earnings during the use of the asset, according to its depreciation rate or when the asset is derecognized.
2. Revaluation is carried out routinely to ensure that the balance in the financial statements is not materially different from the value that would have been calculated at fair value at the reporting date.
3. Impairment of a revalued asset is carried directly to other comprehensive income, up to the amount of the credit balance in the revaluation reserve for that asset. Any further impairment is carried to profit or loss. Any increase in the asset's value as a result of revaluation is recognized in profit or loss up to the amount where it reverses the impairment that was previously recognized in profit or loss. Any subsequent increase is carried to the revaluation reserve.
4. Leasehold improvements are depreciated on a straight-line basis over the rental period (including the option period to extend the term of the contract, which the Group intends to exercise), or according to the estimated useful life of the improvement, whichever the shorter.
5. The useful life, depreciation method and residual value are reviewed at least at each year-end, and changes are accounted for prospectively as a change in accounting estimate. Depreciation of assets ceases at the earlier of the date on which the asset is classified as held for sale and the date on which the asset is derecognized.

### J. Investment property

Investment property is initially measured at cost, including direct acquisition costs. After initial recognition, investment property is measured at fair value which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair value of investment property are recognized in profit or loss as incurred. Investment property is not systematically depreciated.

Investment property under development for future use as investment property is also measured at fair value as set out above, when fair value can be reliably measured. The cost basis of investment property under development includes the cost of land plus the credit costs used to finance the construction, direct incremental planning and development costs and brokerage fees for rental agreements thereof.

The Group determines the fair value of investment property on the basis of a valuation by external independent appraisers who are experts appraisal of real estate properties and have the appropriate expertise and experience, and on the basis of the extensive professional expertise of the Group's management, as well on the valuation of internal expert appraisers.

### K. Intangible assets

Separately acquired intangible assets are measured on initial recognition at cost plus direct acquisition costs. Intangible assets acquired in business combinations are measured at fair value at acquisition date. Costs relating to internally generated intangible assets, excluding capitalized development costs, are carried to profit or loss as incurred.
Intangible assets with indefinite useful lives are not systematically amortized and are tested for impairment annually or whenever there is an indication that an impairment has taken place. The useful life of these assets is reviewed annually to determine whether their indefinite life assessment continues to be supportable. If events and circumstances do not continue to support such assessment, the change in the useful life assessment from indefinite to definite is accounted for as a change in accounting estimate, and the asset is also tested for impairment on that date. As of that date the asset is amortized systematically over its useful economic life.
Intangible assets with a definite useful life are amortized over their useful life and tested for impairment when there are indications thereof. The amortization period and method applied to an intangible asset with a definite useful life are reviewed at each year end at the very least.

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

## K. Intangible assets (cont.)

Amortization

The estimated useful lives for the current and comparative periods are as follows:

| | Years | Amortization method |
|---|---|---|
| Computer software | 3-10 | Straight line |
| Brand | 5-10 | Straight line |
| Non-compete agreements | 5-13 | Straight line |
| Future management fees | 9-15 | Straight line |
| Fees and commissions portfolios | 2-10 | Straight line |

Estimates as to the depreciation method and useful life are reviewed at least at the end of each reporting year.

## L. Impairment

1. Reinsurance

A. The liabilities of reinsurers towards Phoenix Insurance do not exempt it from its liabilities to policyholders according to the insurance policies. If a reinsurer fails to meet its liabilities under the reinsurance contracts, Phoenix Insurance may incur losses.

B. Phoenix Insurance includes a provision for doubtful debts for reinsurers’ debts whose collection is doubtful on the basis of specific risk estimates and on the basis of the extent of the debt.
In addition, when determining the reinsurers' share in insurance liabilities, Phoenix Insurance also considers the likelihood of collection from the reinsurers. When the reinsurers' share as aforesaid is calculated on an actuarial basis, the share of those reinsurers who are in financial difficulties is calculated in accordance with the actuary’s recommendation, which takes all risk factors into account. In addition, when preparing the provisions, Phoenix Insurance takes into account, among other things, the willingness of the parties to reach cut off agreements (termination of agreements by final repayment of debts) to reduce exposure.

2. Collectible premium

The provision for collectible premiums in the property and casualty insurance business is calculated according to estimates based, among other things, on debts in arrears and existing collateral.

3. Customer credit for purchase of securities

Customer credit is initially recognized at fair value and subsequently measured at amortized cost based on the effective interest method, less a provision for doubtful debts. The provision for doubtful debts is determined specifically for debts which Company's management believes are unlikely to be collected. Impaired trade receivables are derecognized when they are assessed as uncollectible.

4. Non-financial assets

The Group tests for impairment of non-financial assets other than deferred acquisition costs, investment property, assets arising from employee benefits, and deferred tax assets whenever events or changes in circumstances indicate that the balance in the financial statements is irrecoverable. When the balance of the non-financial assets exceeds their recoverable amount, the assets are amortized to their recoverable value. The recoverable value is the higher of fair value less costs of goods sold and value in use.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### L. Impairment (cont.)

4. Non-financial assets (cont.)

In assessing value in use, the expected future cash flows are discounted using a pre-tax discount rate that reflects the risks specific to each asset and the time value of money. The recoverable amount of an asset that does not generate independent cash flows is determined for the cash-generating unit to which the asset belongs. All impairment losses are charged to the income statement under the other expenses line item.

Any impairment loss from an asset, other than goodwill, is reversed only if there have been changes in the estimates used to determine the asset's recoverable amount since an impairment loss was last recognized. Reversal of the loss is limited to the lower of the amount of previously recognized impairment in respect of the asset (net of depreciation or amortization) or its recoverable amount. As to assets measured at cost, reversal of the loss is carried to profit or loss.

Reversal of an impairment loss of a cash-generating unit shall be allocated to the unit’s assets, other than goodwill, proportionately to the carrying amount of each of the assets that falls within the measurement scope of IAS 36, only to the extent that the carrying amount of the asset, subsequent to the reversal of the impairment loss, does not exceed the asset’s amortized cost that would have been set had the impairment loss not been recognized.

A. Testing for impairment of goodwill in respect of consolidated companies

The Group assesses goodwill impairment annually, as of December 31, or more frequently if events or changes in circumstances indicate impairment.
Goodwill impairment is determined by testing the recoverable amount of a cash generating unit (or a group of cash generating units) to which the goodwill relates. Each cash-generating unit to which goodwill was allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes, and in no case be larger than an operating segment.
An impairment loss is recognized if the recoverable amount of the cash generating unit (or group of cash generating units) to which goodwill has been allocated is less than the financial statements balance of the cash generating unit (or group of cash generating units). Impairment losses from goodwill cannot be reversed in subsequent periods.

B. Investment in an associate

After implementing the equity method, the Group assesses whether it is necessary to recognize a further impairment loss in respect of impairment of the investment in associates. At each balance sheet date, the Company assesses whether there is objective evidence of impairment of an investment in an associate. Impairment testing is made for the entire investment, including goodwill attributable to the associate.

C. Art works and intangible assets with indefinite useful life

The Group assesses goodwill for impairment annually, on December 31, or more frequently if events or changes in circumstances indicate impairment.

### M. Fair value measurement

The fair value of financial instruments traded in an active market is determined by market prices on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques include using transactions that were recently made at market terms, reference to the current market value of another instrument which is substantially the same, discounting of cash flows, or other valuation methods. The value of illiquid bonds, loans and deposits is based on the cash flow discount method; see Note 14G.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### M. Fair value measurement (cont.)

All assets and liabilities measured at fair value, or the fair value of which was disclosed, are categorized within the fair value hierarchy, based on the lowest level of the data, which is significant to fair value measurement as a whole:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly.

Level 3: Inputs that are not based on observable market data (valuation techniques not using observable market input).

### N. Employee benefits

Share-based payment transactions

Other employees/service providers of the Company are entitled to benefits by way of share-based payment settled in equity instruments and some employees/other service providers are entitled to benefits by way of cash-settled share-based payment measured on the basis of the increase in the Company's share price.

Cash-settled transactions in equity instruments

The cost of transactions with employees settled in equity instruments is measured according to the fair value of the equity instruments at the award date. The fair value is determined using an accepted option pricing model.

### O. Liability for short sale of securities

Liabilities in respect of short sale of securities are initially recognized at fair value when the relating transaction expenses are charged to the income statement. Subsequent to initial recognition, these liabilities are measured at fair value against profit or loss.

### P. Provisions

In accordance with IAS 37, a provision is recognized when the Group has a present legal or constructive obligation as a result of a past event, it is likely that financial resources will be required to settle the obligation and the obligation can be reliably estimated.

When the Group expects that some or all of the expense will be reimbursed to the Company, such as in an insurance contract, the repayment will be recognized as a separate asset, only when it is highly likely that the asset will be received. The expense is recognized in the income statement less the reimbursement of the expense.

The amount recognized as a provision shall be the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The best estimate of the expenditure required to settle the present obligation is the amount that the Company would rationally pay to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Where the provision being measured involves a large population of items, the obligation is estimated by weighting all possible outcomes by their associated probabilities. Where a single obligation is being measured, the individual most likely outcome may be the best estimate of the provision.

Legal claims

A provision for claims is recognized if, as a result of a past event, the Company has a present legal or constructive obligation and it is more likely than not that the Group will require its economic resources to settle the obligation. and it is reliably estimable.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### Q. Revenue recognition

#### 1. Premiums

a) Premiums in the life insurance segment and certain subsegments of health insurance, including savings premiums and excluding proceeds in respect of investment contracts, are recorded as revenues on collection date.
Cancellations are recorded when a notification is received from the policyholder or when initiated by the Group due to arrears in payments, subject to the provisions of the law. Policyholders' profit participation is deducted from the premiums.

b) Property and casualty insurance premiums are recorded as revenues based on monthly output reports. The premiums usually relate to an insurance period of one year. Gross revenues from premiums and changes in unearned premium are recorded under premiums earned, gross.
Premiums on compulsory motor subsegment are recorded when the premium is paid, since insurance coverage is contingent upon payment of the premium.
Premiums on policies that take effect subsequent to the balance sheet date or premiums on policies for a period exceeding one year are recorded as a prepaid revenues under the payables and credit balances line item.
The revenues included in the financial statements is after cancellations requested by policyholders and net of cancellations and provisions due to non-payment of premiums, subject to the provisions of the law, and net of the policyholder's profit participation, based on valid agreements.

#### 2. Management fees

a) Management fees for yield-dependent insurance contracts:

The management fees are calculated in accordance with the Commissioner's directives on the basis of the yield and the aggregate savings of the policyholders in the participating portfolio.

Management fees include the following components:

For policies sold as from January 1, 2004 - fixed management fees only.
For policies sold through December 31, 2003 - fixed and variable management fees.
The fixed management fees are calculated at fixed percentages out of the aggregate savings and recorded on an accrual basis.

The variable management fees are calculated as a percentage of the annual real income (as from January 1 through December 31) attributable to the policy, less the fixed management fees collected on that policy. Only positive variable management fees can be collected, net of negative amounts accumulated in previous years.

During the year, the variable management fees are recorded on an accrual basis in accordance with the real monthly yield to the extent that such yield is positive. In months when the real return is negative, the variable management fees are reduced to the amount of the aggregate variable management fees collected since the beginning of the year. Negative return for which a reduction of the management fees was not made during a current year, will be deducted for the purpose of calculating the management fees from positive return in subsequent periods.

b) Management fees from pension funds and provident funds:

Revenues from the management of pension funds and provident funds is recognized on the basis of the balances of the assets under management and on the basis of the proceeds from planholders, in accordance with the Commissioner's directives.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### Q. Revenue recognition (cont.)

#### 2. Management fees (cont.)

c) Management fees from mutual funds and customer portfolio management:

Revenues from the management of mutual funds and revenues from the management of customers' portfolios are recognized on the basis of the balances of assets under management.

#### 3. Fees and commissions

In Distribution (Agencies)

Revenues from property and casualty insurance fees and commissions is recognized as incurred.

Revenues from life insurance fees and commissions is recognized on the basis of the date of entitlement for payment of the fees and commissions according to agreements with the insurance companies, net of provisions for refunds of fees and commissions due to expected cancellations of insurance policies.

In the insurance company

Revenues from reinsurance fees and commissions in property and casualty, life and health insurance is recognized as incurred.

#### 4. Revenue recognition from the disposal of art works

Income from sale of works of art is included at the date of delivery when the income can be reliably estimated, there is a binding contractual agreement with the acquirer and it is highly likely that the consideration will be received.

#### 5. Revenues from investment house and wealth

A. Revenues from underwriting and distribution

Revenues from underwriting and distribution fees and commissions is recorded when the issuance and distribution is carried out, after fulfillment of the terms of the agreement with the company and/or issuer.

B. Revenues from consulting services

Revenues from consulting services (distribution (agencies), management of employee options) is charged to profit or loss over the service period.

C. Revenues from financial transactions

Net gain (loss) from financial transactions include gains on ETFs activity, market making, interest income (expenses) on amounts invested (taken), revenues from dividends, changes in fair value of financial assets measured by fair value through profit or loss, losses from impairment of financial assets, profits (losses) from exchange rate differences and profits (losses) from derivative instruments recognized in profit or loss. Interest revenues and expenses are recognized upon accrual, using the effective interest method. Revenues from dividend is recognized when the Company is entitled to receive payment. If the dividend is paid in respect of liquid shares, the Company recognizes the revenues on the ex-dividend date.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

### Q. Revenue recognition (cont.)

6. **Revenues from factoring and clearing**

A. Fees in respect of checks discounting constitute an integral part of the effective interest rate of loans in the Group and are therefore accounted for as an adjustment of the effective interest rate.
Revenues from fees and commissions in respect of other services is recognized when the service is rendered to the customer.

B. Income from financial guarantee

Income from provision of financial guarantee services is recognized on a straight-line basis over the term of the financial guarantee contract.

### R. Revenues (losses) on investments, net, finance revenues and finance expenses

Gains (losses) on investments, net and finance income include interest income and linkage differences for debt assets, dividend revenues, gains (losses) from sale of available-for-sale financial assets, changes in the fair value of financial assets presented at fair value through profit and loss, foreign currency gains (losses) for debt assets, changes in the fair value of investment property and rental income from investment property. Gains (losses) on the realization of investments are calculated as the difference between the net realization consideration and the original cost or the amortized cost and are recognized on the sale date.
Interest revenues is recognized as it accrues using the effective interest method. Revenues from dividend is recognized when the Company is entitled to receive payment. If the dividend is in respect of liquid shares, the Company recognizes the revenues on the ex-dividend date.
Exchange rate gains and losses and changes in the fair value of investments are reported on a net basis.
Finance expenses comprise interest expenses on loans received, interest and exchange rate differences on reinsurers' deposits and balances, and changes in the time value of provisions. All uncapitalized borrowing costs are charged to the income statement using the effective interest method.

### S. General and administrative expenses

General and administrative expenses are classified as indirect expenses to settle claims (included under payments and changes in liabilities for insurance contracts and investment contracts), acquisition-related costs (included under fees and commissions, marketing expenses and other acquisition expenses) and the balance of general and administrative expenses included in this section. Classification is in accordance with the Group's internal models, validated periodically in accordance with the Company's activity, based on direct expenses charged and indirect expenses attributed.

### T. Accounting policy change - first-time application of new financial reporting standards and amendments to existing accounting standards

1. Amendment to IFRS 16 - Leases

In September 2022, the IASB published an amendment to IFRS 16, Leases (hereinafter - the "**Amendment**"), whose objective is to provide an accounting treatment in the financial statements of the seller-lessee in sale and leaseback transactions, when the lease payments are variable lease payments that do not depend on an index or rate. As part of the amendment, the seller-lessee is required to adopt one of two approaches to measure the lease liability at the initial recognition date of such transactions. The selected approach constitutes an accounting policies that should be implemented consistently.
The Amendment shall be applied as from annual periods beginning on January 1, 2024 or thereafter; earlier application is permitted. The Amendment shall be applied retrospectively.
The above Amendment did not have a material effect on the consolidated financial statements of the Company.

## NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

**T. Accounting policy change - first-time application of new financial reporting standards and amendments to existing accounting standards (cont.)**

2. Amendments to IAS 7 - Statement of Cash Flows, and IFRS 7, Financial Instruments: Disclosures

In May 2023, the IASB issued amendments to IAS 7 - Statement of Cash Flows - and IFRS 7 - Financial Instruments: Disclosures (hereinafter - the "**Amendments**"), to clarify the characteristics of supplier financing arrangements, and require additional disclosure regarding those arrangements.

The disclosure requirements in the Amendments are intended to assist users of financial statements in assessing the effects of the entity's supplier financing arrangements on the entity's liabilities, cash flows and exposure to liquidity risk.
The Amendments were applied for annual reporting periods beginning on January 1, 2024.
The above Amendments did not have a material effect on the consolidated financial statements of the Company.

**U. Disclosure of the new IFRSs in the period prior to their application**

For details regarding IFRS 17 - Insurance Contracts and IFRS 9, Financial Instruments in an Insurer, see Note 45.

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 Flows - 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.

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.

# NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

## U. 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 (cont.)

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.

## V. The following table presents information on the change in the CPI and USD exchange rate

| | CPI | | USD representative exchange rate |
|---|---|---|---|
| | In lieu CPI | Known CPI | |
| | % | % | % |
| For the year ended December 31, 2024 | 3.2 | 3.4 | 0.6 |
| For the year ended December 31, 2023 | 3.0 | 3.3 | 3.1 |
| For the year ended December 31, 2022 | 5.3 | 5.3 | 13.2 |

## NOTE 3 - OPERATING SEGMENTS

The Company operates in the following operating segments:

1. **Life and Savings Segment**

The Life and 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. Furthermore, as from July 1, 2023, the results of "FNX Private Policy Profits, General Partnership" - are consolidated in the results of this segment. For further details, see Note 8E(8).

2. **Health Insurance Segment**

The Health Insurance Segment includes the Group'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 Lability and Property Subsegments. In accordance with the Commissioner's Directives, the Property and Casualty Insurance Segment in Israel is broken down into Compulsory Motor Insurance, Motor Property, Other 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).

- 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.

- Other Liability subsegments
The Liability subsegments provide coverage in respect of the policyholder's liability for any third-party damage he/she may cause. These subsegments include: third-party liability, employer liability, professional liability, product liability and other subsegments.

- Property and Other Segment
Property subsegments other than Motor and Liability as well as other insurance subsegments.

4. **Retirement (Pension and Provident) Segment**

The Retirement (Pension and Provident) 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. Furthermore, as from July 1, 2023, the results of "FNX Private Funds Profits, General Partnership" - are consolidated in the results of this segment. For further details, see Note 8E(8). In accordance with the Commissioner's Directives, the segment is described separately for the Retirement (Pension and Provident) Activity.

5. **Investment House and Wealth Segment**

The Investment House and Wealth Segment includes the results of Phoenix Investment House. The segment includes investment management activity, including mutual funds, ETFs, execution services on the Stock Exchange, brokerage services, underwriting services, market making in various securities and other services.
In addition, the results of this segment include those of Phoenix Investments including Phoenix group's alternative investment funds.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### 6. Distribution (Agencies) Segment

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

### 7. Credit Segment

The Credit Segment mostly includes Gama. Gama is a credit aggregator providing financing against acquiring and factoring of debit vouchers, financing against post-dated checks (check factoring), financing against real estate properties, loans and credit, equipment financing and factoring. 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. For further details, see Note 8E(5).

### 8. Activity not attributed to operating segments

This activity includes part of the Group's HQ function that is not attributed to the operating segments, activities which are ancillary/overlapping with the Group's activity and holding assets and liabilities against the Company's share capital in accordance with the Capital Regulations.
Financial liabilities that serve the Company's capital requirements and finance expenses in respect thereof are not allocated to the operating segments.
It should be noted that the Company allocates the assets which are not measured at fair value in accordance with the provisions of the law and Company's procedures, and specifically the allocation in accordance with the consolidated circular on testing the appropriateness of the LAT reserve and the Commissioner's Position - Best Practice for Calculation of Reserves in Property and Casualty Insurance (for further details, see Note 41, Sections 5.1 and 5.2). This allocation may have an effect on investment revenues attributable to the various segments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### A. Reportable segment

| | For the year ended December 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance and Savings | Health | Property and Casualty | Retirement (Pension and Provident) | Investment House and Wealth | Distribution (Agencies) | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 4,060,940 | 2,148,088 | 4,659,686 | - | - | - | - | - | - | 10,868,714 |
| Premiums earned by reinsurers | 262,332 | 156,432 | 1,242,395 | - | - | - | - | - | - | 1,661,159 |
| Premiums earned - retention | 3,798,608 | 1,991,656 | 3,417,291 | - | - | - | - | - | - | 9,207,555 |
| Net investment income and finance income | 14,222,579 | 886,514 | 321,807 | 118,619 | 158 | 15,479 | 243,605 | 830,406 | (69,476) | 16,569,691 |
| Revenues from management fees | 779,498 | - | - | 827,892 | 576,006 | 6,588 | 958 | 23,010 | (87,604) | 2,126,348 |
| Revenues from fees and commissions (1) | 45,273 | 36,297 | 280,978 | - | - | 896,716 | - | - | (251,306) | 1,007,958 |
| Revenues from Investment House and Wealth | - | - | - | - | 393,000 | - | - | - | - | 393,000 |
| Revenues from factoring and acquiring | - | - | - | - | - | - | 188,608 | - | - | 188,608 |
| Other revenues | 949 | - | - | 2,514 | 1,578 | 20,611 | - | 3,303 | (1,219) | 27,736 |
| **Total revenues** | 18,846,907 | 2,914,467 | 4,020,076 | 949,025 | 970,742 | 939,394 | 433,171 | 856,719 | (409,605) | 29,520,896 |
| Increase in insurance liabilities and payments in respect of insurance contracts | 17,755,578 | 2,087,804 | 2,489,772 | 97,061 | - | - | - | - | - | 22,430,215 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 274,569 | 93,084 | 544,860 | - | - | - | - | - | - | 912,513 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 17,481,009 | 1,994,720 | 1,944,912 | 97,061 | - | - | - | - | - | 21,517,702 |
| Fees and commissions and other purchase expenses | 603,811 | 517,875 | 903,049 | 414,284 | 102,684 | - | 6,096 | - | (222,127) | 2,325,672 |
| General and administrative expenses | 430,894 | 143,410 | 138,146 | 278,493 | 518,953 | 569,158 | 152,247 | 199,886 | (117,891) | 2,313,296 |
| Other expenses | 26,770 | - | 4,028 | 31,926 | 41,715 | 31,111 | 8,118 | 421 | (454) | 143,635 |
| Finance expenses | 46,921 | - | 8,889 | 34,207 | 43,483 | 41,649 | 129,725 | 286,636 | (44,071) | 547,439 |
| **Total expenses** | 18,589,405 | 2,656,005 | 2,999,024 | 855,971 | 706,835 | 641,918 | 296,186 | 486,943 | (384,543) | 26,847,744 |
| Company's share in the net results of investees | (3,819) | 25,420 | 40,578 | - | 38,404 | 2,733 | - | (62) | - | 103,254 |
| **Profit before income tax** | 253,683 | 283,882 | 1,061,630 | 93,054 | 302,311 | 300,209 | 136,985 | 369,714 | (25,062) | 2,776,406 |
| Other comprehensive income before income tax | 27,625 | 5,676 | 27,046 | - | 860 | 87 | 266 | 374,238 | - | 435,798 |
| **Comprehensive income before income tax** | 281,308 | 289,558 | 1,088,676 | 93,054 | 303,171 | 300,296 | 137,251 | 743,952 | (25,062) | 3,212,204 |

(1) Arises from from fees and commissions revenues received from agencies owned by the Group, mainly from activities in the Life Insurance and Savings Segment.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### A. Reportable segment (cont.)

| | For the year ended December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance and Savings | Health | Property and Casualty | Retirement (Pension and Provident) | Investment House and Wealth | Distribution (Agencies) | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 4,542,139 | 3,308,850 | 4,137,397 | - | - | - | - | - | - | 11,988,386 |
| Premiums earned by reinsurers | 273,029 | 234,511 | 1,124,987 | - | - | - | - | - | - | 1,632,527 |
| Premiums earned - retention | 4,269,110 | 3,074,339 | 3,012,410 | - | - | - | - | - | - | 10,355,859 |
| Net investment income and finance income | 8,510,675 | 913,918 | 192,026 | 100,985 | 27,750 | 18,361 | 160,590 | 6,407 | (20,396) | 9,910,316 |
| Revenues from management fees | 607,839 | - | - | 750,982 | 399,068 | 4,624 | 824 | 3,110 | (44,831) | 1,721,616 |
| Revenues from fees and commissions (1) | 38,166 | 42,817 | 248,594 | - | - | 777,872 | - | - | (219,719) | 887,730 |
| Revenues from Investment House and Wealth and Other Financial Services | - | - | - | - | 329,000 | - | - | - | - | 329,000 |
| Revenues from factoring and acquiring | - | - | - | - | - | - | 178,784 | - | - | 178,784 |
| Other revenues | 854 | 113,454 | - | 18,386 | 6,754 | 17,996 | - | 98 | (1,405) | 156,137 |
| **Total revenues** | 13,426,644 | 4,144,528 | 3,453,030 | 870,353 | 762,572 | 818,853 | 340,198 | 9,615 | (286,351) | 23,539,442 |
| Increase in insurance liabilities and payments in respect of insurance contracts | 12,782,987 | 3,576,357 | 2,848,452 | 88,921 | - | - | - | - | - | 19,296,717 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 274,686 | 419,814 | 979,490 | - | - | - | - | - | - | 1,673,990 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 12,508,301 | 3,156,543 | 1,868,962 | 88,921 | - | - | - | - | - | 17,622,727 |
| Fees and commissions and other purchase expenses | 597,982 | 517,803 | 805,041 | 376,687 | 67,375 | - | 5,776 | - | (194,965) | 2,175,699 |
| General and administrative expenses | 398,244 | 169,824 | 143,210 | 274,776 | 412,520 | 481,680 | 126,933 | 150,590 | (51,909) | 2,105,868 |
| Other expenses | 3,252 | - | - | 36,620 | 42,072 | 25,773 | 8,118 | 20,779 | (454) | 136,160 |
| Finance expenses | 28,687 | - | 12,679 | 20,639 | 12,747 | 5,473 | 108,045 | 223,185 | (17,738) | 393,717 |
| **Total expenses** | 13,536,466 | 3,844,170 | 2,829,892 | 797,643 | 534,714 | 512,926 | 248,872 | 394,554 | (265,066) | 22,434,171 |
| Company's share in the net results of investees | 9,150 | 25,970 | (3,601) | 306 | 12,688 | 1,055 | - | (3,155) | - | 42,413 |
| **Income (loss) before income tax** | (100,672) | 326,328 | 619,537 | 73,016 | 240,546 | 306,982 | 91,326 | (388,094) | (21,285) | 1,147,684 |
| Other comprehensive income before income tax | 109,507 | 21,293 | 83,888 | - | 792 | 30 | - | 250,169 | - | 465,679 |
| **Comprehensive income (loss) before income tax** | 8,835 | 347,621 | 703,425 | 73,016 | 241,338 | 307,012 | 91,326 | (137,925) | (21,285) | 1,613,363 |

(1) Arises from fees and commissions revenues received from agencies owned by the Group, mainly from activities in the Life Insurance and Savings Segment.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### A. Reportable segment (cont.)

| | For the year ended December 31, 2022 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life Insurance and Savings | Health | Property and Casualty | Retirement (Pension and Provident) | Investment House and Wealth | Distribution (Agencies) | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | NIS thousand | | | | | | | | | |
| Premiums earned, gross | 5,611,196 | 3,054,811 | 3,471,224 | - | - | - | - | - | - | 12,137,231 |
| Premiums earned by reinsurers | 282,181 | 222,363 | 1,065,550 | - | - | - | - | - | - | 1,570,094 |
| Premiums earned - retention | 5,329,015 | 2,832,448 | 2,405,674 | - | - | - | - | - | - | 10,567,137 |
| Net investment income (losses) and finance income | (4,716,483) | (693,537) | 105,630 | 90,823 | 14,526 | 10,632 | 87,879 | (432,161) | (22,140) | (5,554,831) |
| Revenues from management fees | 587,708 | - | - | 670,387 | 337,279 | 469 | - | 3,868 | (51,983) | 1,547,728 |
| Revenues from fees and commissions (1) | 68,306 | 48,549 | 247,245 | - | - | 723,577 | - | - | (251,765) | 835,912 |
| Revenues from Investment House and Wealth and Other Financial Services | - | - | - | - | 223,000 | - | - | - | - | 223,000 |
| Revenues from factoring and acquiring | - | - | - | - | - | - | 142,754 | - | - | 142,754 |
| Other revenues | 4,204 | - | - | 15,864 | 90,919 | 35,228 | - | 2 | (1,437) | 144,780 |
| **Total revenues** | 1,272,750 | 2,187,460 | 2,758,549 | 777,074 | 665,724 | 769,906 | 230,633 | (428,291) | (327,325) | 7,906,480 |
| Increase (decrease) in insurance liabilities and payments in respect of insurance contracts | (73,812) | 730,355 | 2,234,066 | 98,221 | - | - | - | - | - | 2,988,830 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 180,954 | 272,140 | 570,707 | - | - | - | - | - | - | 1,023,801 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | (254,766) | 458,215 | 1,663,359 | 98,221 | - | - | - | - | - | 1,965,029 |
| Fees and commissions and other purchase expenses | 573,176 | 481,619 | 701,452 | 315,325 | 71,433 | 8,854 | 5,696 | - | (223,750) | 1,933,805 |
| General and administrative expenses | 379,479 | 152,882 | 122,715 | 229,351 | 345,900 | 423,455 | 92,667 | 117,618 | (58,783) | 1,805,284 |
| Other expenses | 1,187 | - | - | 31,879 | 17,583 | 32,782 | 8,118 | - | (453) | 91,096 |
| Finance expenses (revenues) | 8,483 | - | 24,161 | 13,315 | (2,054) | 7,472 | 52,907 | 233,734 | (19,484) | 318,534 |
| **Total expenses** | 707,559 | 1,092,716 | 2,511,687 | 688,091 | 432,862 | 472,563 | 159,388 | 351,352 | (302,470) | 6,113,748 |
| Company's share in the net results of investees | 26,648 | 26,017 | 4,213 | - | 2,494 | 2,735 | (57) | (502) | - | 61,548 |
| **Income (loss) before income tax** | 591,839 | 1,120,761 | 251,075 | 88,983 | 235,356 | 300,078 | 71,188 | (780,145) | (24,855) | 1,854,280 |
| Other comprehensive income (loss) before income tax | 18,923 | (860) | (222,399) | - | (333) | 70 | 1,593 | (33,388) | - | (236,394) |
| **Comprehensive income (loss) before income tax** | 610,762 | 1,119,901 | 28,676 | 88,983 | 235,023 | 300,148 | 72,781 | (813,533) | (24,855) | 1,617,886 |

(1) Arises from from fees and commissions income revenues from agencies owned by the Group, mainly from activities in the Life Insurance and Savings Segment.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### B. Additional data regarding the Retirement (Pension And Provident) Segment

| | For the year ended December 31, 2024 | | |
|---|---|---|---|
| | Provident | Pension | Total |
| | | NIS thousand | |
| Net investment income and finance income | 100,946 | 17,673 | 118,619 |
| Revenues from management fees | 473,099 | 354,793 | 827,892 |
| Other revenues | 334 | 2,180 | 2,514 |
| **Total revenues** | 574,379 | 374,646 | 949,025 |
| Change in liabilities for investment contracts | 97,061 | - | 97,061 |
| Fees and commissions, marketing expenses and other purchase expenses | 218,214 | 196,070 | 414,284 |
| General and administrative expenses | 160,016 | 118,477 | 278,493 |
| Other expenses | 16,655 | 15,271 | 31,926 |
| Finance expenses | 14,194 | 20,013 | 34,207 |
| **Total expenses** | 506,140 | 349,831 | 855,971 |
| **Comprehensive income before income tax** | 68,239 | 24,815 | 93,054 |

| | For the year ended December 31, 2023 | | |
|---|---|---|---|
| | Provident | Pension | Total |
| | | NIS thousand | |
| Net investment income and finance income | 91,840 | 9,145 | 100,985 |
| Revenues from management fees | 438,935 | 312,047 | 750,982 |
| Other revenues | 15,904 | 2,482 | 18,386 |
| **Total revenues** | 546,679 | 323,674 | 870,353 |
| Change in liabilities for investment contracts | 88,921 | - | 88,921 |
| Fees and commissions, marketing expenses and other purchase expenses | 195,455 | 181,232 | 376,687 |
| General and administrative expenses | 170,409 | 104,367 | 274,776 |
| Other expenses | 20,934 | 15,686 | 36,620 |
| Finance expenses | 9,501 | 11,138 | 20,639 |
| **Total expenses** | 485,220 | 312,423 | 797,643 |
| Company's share in the net results of investees | 306 | - | 306 |
| **Comprehensive income before income tax** | 61,765 | 11,251 | 73,016 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Provident | Pension | Total |
| | | NIS thousand | |
| Net investment income and finance income | 95,052 | (4,229) | 90,823 |
| Revenues from management fees | 415,822 | 254,565 | 670,387 |
| Other revenues | 14,215 | 1,649 | 15,864 |
| **Total revenues** | 525,089 | 251,985 | 777,074 |
| Change in liabilities for investment contracts | 98,221 | - | 98,221 |
| Fees and commissions, marketing expenses and other purchase expenses | 175,411 | 139,914 | 315,325 |
| General and administrative expenses | 143,534 | 85,817 | 229,351 |
| Other expenses | 20,344 | 11,535 | 31,879 |
| Finance expenses | 9,862 | 3,453 | 13,315 |
| **Total expenses** | 447,372 | 240,719 | 688,091 |
| **Comprehensive income before income tax** | 77,717 | 11,266 | 88,983 |

## NOTE 3 - OPERATING SEGMENTS (cont.)

### C. Additional data regarding the Property and Casualty Insurance Segment

| | For the year ended December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Compulsory Motor | Motor Property | Property and Other Segment (*) | Other Liability Sub-segments (**) | Total |
| | NIS thousand | | | | |
| Gross premiums | 802,834 | 2,007,339 | 1,172,280 | 854,047 | 4,836,500 |
| Reinsurance premiums | 27,274 | - | 802,131 | 438,948 | 1,268,353 |
| Premiums - retention | 775,560 | 2,007,339 | 370,149 | 415,099 | 3,568,147 |
| Change in unearned premium balance, retention | 53,711 | 78,243 | 15,204 | 3,698 | 150,856 |
| Premiums earned - retention | 721,849 | 1,929,096 | 354,945 | 411,401 | 3,417,291 |
| Net investment income and finance income | 131,975 | 71,644 | 18,575 | 99,613 | 321,807 |
| Revenues from fees and commissions | 10,312 | - | 211,677 | 58,989 | 280,978 |
| **Total revenues** | 864,136 | 2,000,740 | 585,197 | 570,003 | 4,020,076 |
| Payments and change in liabilities in respect of insurance contracts, gross | 460,617 | 1,297,315 | 395,078 | 336,762 | 2,489,772 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | (4,450) | (36) | 292,756 | 256,590 | 544,860 |
| Payments and change in liabilities for insurance contracts - retention | 465,067 | 1,297,351 | 102,322 | 80,172 | 1,944,912 |
| Fees and commissions, marketing expenses and other purchase expenses | 86,854 | 370,842 | 268,426 | 176,927 | 903,049 |
| General and administrative expenses | 23,198 | 54,097 | 27,702 | 33,149 | 138,146 |
| Other expenses | 1,652 | 1,035 | 187 | 1,154 | 4,028 |
| Finance expenses | 4,688 | - | 661 | 3,540 | 8,889 |
| **Total expenses** | 581,459 | 1,723,325 | 399,298 | 294,942 | 2,999,024 |
| **Company's share in the net results of investees** | 16,500 | 9,295 | 2,326 | 12,457 | 40,578 |
| **Profit before income tax** | 299,177 | 286,710 | 188,225 | 287,518 | 1,061,630 |
| Other comprehensive income before income tax | 10,998 | 6,195 | 1,551 | 8,302 | 27,046 |
| Comprehensive income for the year before income tax | 310,175 | 292,905 | 189,776 | 295,820 | 1,088,676 |
| **Liabilities in respect of insurance contracts, gross, as of December 31, 2024** | 2,657,699 | 1,296,579 | 1,239,164 | 2,622,681 | 7,816,123 |
| **Liabilities in respect of insurance contracts - retention - as of December 31, 2024** | 2,057,273 | 1,296,571 | 261,239 | 1,505,181 | 5,120,264 |

(*) Property and Other Segment mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 77% of total premiums in these subsegments.

(**) Other Liability subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 80% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### C. Additional data regarding the Property and Casualty Segment (cont.)

| | For the year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Compulsory Motor | Motor Property | Property and Other Segment (*) | Other Liability Sub-segments (**) | Total |
| | NIS thousand | | | | |
| Gross premiums | 726,648 | 1,840,326 | 1,102,867 | 799,166 | 4,469,007 |
| Reinsurance premiums | 50,617 | - | 771,906 | 380,906 | 1,203,429 |
| Premiums - retention | 676,031 | 1,840,326 | 330,961 | 418,260 | 3,265,578 |
| Change in unearned premium balance, retention | 39,064 | 158,245 | 27,501 | 28,358 | 253,168 |
| Premiums earned - retention | 636,967 | 1,682,081 | 303,460 | 389,902 | 3,012,410 |
| Net investment income and finance income | 80,939 | 35,226 | 8,951 | 66,910 | 192,026 |
| Revenues from fees and commissions | 25,971 | 5 | 172,429 | 50,189 | 248,594 |
| **Total revenues** | 743,877 | 1,717,312 | 484,840 | 507,001 | 3,453,030 |
| Payments and change in liabilities in respect of insurance contracts, gross | 383,635 | 1,332,795 | 861,869 | 270,153 | 2,848,452 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 7,584 | (60) | 753,983 | 217,983 | 979,490 |
| Payments and change in liabilities for insurance contracts - retention | 376,051 | 1,332,855 | 107,886 | 52,170 | 1,868,962 |
| Fees and commissions, marketing expenses and other purchase expenses | 86,058 | 324,285 | 242,397 | 152,301 | 805,041 |
| General and administrative expenses | 31,227 | 52,220 | 30,424 | 29,339 | 143,210 |
| Finance expenses | 6,545 | - | 724 | 5,410 | 12,679 |
| **Total expenses** | 499,881 | 1,709,360 | 381,431 | 239,220 | 2,829,892 |
| **Company's share in the net results of investees** | (1,494) | (707) | (165) | (1,235) | (3,601) |
| **Profit before income tax** | 242,502 | 7,245 | 103,244 | 266,546 | 619,537 |
| Other comprehensive income before income tax | 34,797 | 16,477 | 3,848 | 28,766 | 83,888 |
| Comprehensive income for the year before income tax | 277,299 | 23,722 | 107,092 | 295,312 | 703,425 |
| **Liabilities in respect of insurance contracts, gross, as of December 31, 2023** | 2,985,505 | 1,176,543 | 1,213,941 | 2,474,590 | 7,850,579 |
| **Liabilities in respect of insurance contracts - retention - as of December 31, 2023** | 2,043,714 | 1,176,505 | 241,380 | 1,571,803 | 5,033,402 |

(*) Property and Other subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 80% of total premiums in these subsegments.

(**) Other Liability subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 81% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### C. Additional data regarding the Property and Casualty Segment (cont.)

| | For the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Compulsory Motor | Motor Property | Property and Other Segment (*) | Other Liability Sub-segments (**) | Total |
| | NIS thousand | | | | |
| Gross premiums | 721,382 | 1,445,963 | 892,080 | 657,496 | 3,716,921 |
| Reinsurance premiums | 138,769 | 8 | 611,459 | 311,648 | 1,061,884 |
| Premiums - retention | 582,613 | 1,445,955 | 280,621 | 345,848 | 2,655,037 |
| Change in unearned premium balance, retention | 85,034 | 132,141 | 18,905 | 13,283 | 249,363 |
| Premiums earned - retention | 497,579 | 1,313,814 | 261,716 | 332,565 | 2,405,674 |
| Net investment income and finance income | 45,588 | 12,991 | 5,192 | 41,859 | 105,630 |
| Revenues from fees and commissions | 55,428 | 209 | 149,590 | 42,018 | 247,245 |
| **Total revenues** | 598,595 | 1,327,014 | 416,498 | 416,442 | 2,758,549 |
| Payments and change in liabilities in respect of insurance contracts, gross | 443,736 | 1,196,545 | 263,456 | 330,329 | 2,234,066 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 118,598 | 342 | 204,498 | 247,269 | 570,707 |
| Payments and change in liabilities for insurance contracts - retention | 325,138 | 1,196,203 | 58,958 | 83,060 | 1,663,359 |
| Fees and commissions, marketing expenses and other purchase expenses | 80,481 | 288,221 | 203,887 | 128,863 | 701,452 |
| General and administrative expenses | 26,755 | 47,818 | 26,314 | 21,828 | 122,715 |
| Finance expenses | 11,890 | - | 1,354 | 10,917 | 24,161 |
| **Total expenses** | 444,264 | 1,532,242 | 290,513 | 244,668 | 2,511,687 |
| **Company's share in the net results of investees** | 1,743 | 672 | 198 | 1,600 | 4,213 |
| **Income (loss) before income tax** | 156,074 | (204,556) | 126,183 | 173,374 | 251,075 |
| Other comprehensive loss before income tax | (91,992) | (35,462) | (10,477) | (84,468) | (222,399) |
| Comprehensive income (loss) for the year before income tax | 64,082 | (240,018) | 115,706 | 88,906 | 28,676 |
| **Liabilities in respect of insurance contracts, gross, as of December 31, 2022** | 3,025,588 | 1,061,880 | 670,253 | 2,382,762 | 7,140,483 |
| **Liabilities in respect of insurance contracts - retention - as of December 31, 2022** | 1,902,667 | 1,061,809 | 196,571 | 1,663,974 | 4,825,021 |

(*) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 80% of total premiums in these subsegments.

(**) Other liability subsegments mainly include data from the following segments: third-party insurance, professional liability insurance and employers' liability insurance, the activity of which constitutes 82% of total premiums in these subsegments.

## NOTE 3 - OPERATING SEGMENTS (cont.)

### D. Details regarding segment assets and liabilities

| | For the year ended December 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life and Long-Term Savings | Health | Property and Casualty | Retirement (Pension and Provident) | Investment House and Wealth | Distribution (Agencies) | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | | | | | NIS thousand | | | | | |
| **Assets** | | | | | | | | | | |
| Intangible assets | 182,062 | - | 4,536 | 490,345 | 1,330,462 | 835,592 | 19,216 | 970,181 | - | 3,832,394 |
| Deferred acquisition costs | 901,253 | 431,356 | 409,227 | 1,259,197 | - | - | - | - | (153,070) | 2,847,963 |
| Investments in associates | 19,649 | 754,812 | 713,141 | - | 461,770 | 38,590 | - | 14,332 | - | 2,002,294 |
| Investment property in respect of yield-dependent contracts | 2,425,542 | - | - | - | - | - | - | - | - | 2,425,542 |
| Investment property - other | 856,954 | 236,209 | 230,204 | - | - | - | - | - | - | 1,323,367 |
| Financial investments in respect of yield-dependent contracts | 91,452,797 | 2,325,155 | - | - | - | - | - | - | - | 93,777,952 |
| Financial investments for holders of certificate deposits and structured bonds | - | - | - | - | 110,000 | - | - | - | - | 110,000 |
| Credit in respect of factoring, acquiring and financing | - | - | - | - | - | - | 4,970,234 | - | - | 4,970,234 |
| **Other financial investments** | | | | | | | | | | |
| Liquid debt assets | 2,071,588 | 571,024 | 1,279,472 | 235,668 | 53,000 | - | - | 2,203,940 | - | 6,414,692 |
| Illiquid debt assets | 10,014,358 | 695,763 | 1,291,164 | 983,993 | 914,309 | 38,891 | - | 1,966,562 | - | 15,905,040 |
| Shares | 199,640 | 55,030 | 337,392 | 36,317 | 95,417 | - | - | 2,282,692 | - | 3,006,488 |
| Other | 2,016,673 | 555,887 | 598,795 | 37,950 | 21,241 | 4,453 | - | 3,244,276 | - | 6,479,275 |
| **Total other financial investments** | 14,302,259 | 1,877,704 | 3,506,823 | 1,293,928 | 1,083,967 | 43,344 | - | 9,697,470 | - | 31,805,495 |
| Cash and cash equivalents in respect of yield-dependent contracts | 17,285,112 | 439,194 | - | - | - | - | - | - | - | 17,724,306 |
| Other cash and cash equivalents | 89,696 | 24,722 | 273,062 | 51,988 | 217,043 | 186,825 | 32,079 | 1,866,612 | - | 2,742,027 |
| Reinsurance assets | 636,077 | 585,466 | 2,695,859 | - | - | - | - | - | - | 3,917,402 |
| Premiums collectible | 15,644 | 26,496 | 783,000 | - | - | - | - | - | - | 825,140 |
| Other assets | 333,542 | 88,289 | 1,151,085 | 87,772 | 1,382,763 | 247,888 | 49,289 | 1,619,478 | (693,832) | 4,266,274 |
| **Total assets** | **128,500,587** | **6,789,403** | **9,766,937** | **3,183,230** | **4,586,005** | **1,352,239** | **5,070,818** | **14,168,073** | **(846,902)** | **172,570,390** |
| **Total assets for yield-dependent contracts** | 111,449,402 | 2,814,971 | - | - | - | - | - | - | - | 114,264,373 |
| **Liabilities:** | | | | | | | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 13,490,688 | 3,799,976 | 7,816,123 | 1,101,834 | - | - | - | - | - | 26,208,621 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | 108,719,552 | 2,764,349 | - | - | - | - | - | - | - | 111,483,901 |
| Liabilities in respect of structured products | - | - | - | - | 134,000 | - | - | - | - | 134,000 |
| Financial liabilities | 2,571,196 | 210,191 | 112,311 | 626,303 | 1,995,671 | 508,075 | 4,108,639 | 7,056,920 | - | 17,189,306 |
| Other liabilities | 1,433,760 | 387,223 | 1,558,972 | 246,594 | 407,399 | 194,128 | 87,468 | 1,679,504 | (692,897) | 5,302,151 |
| **Total liabilities** | **126,215,196** | **7,161,739** | **9,487,406** | **1,974,731** | **2,537,070** | **702,203** | **4,196,107** | **8,736,424** | **(692,897)** | **160,317,979** |

## NOTE 3 - OPERATING SEGMENTS (cont.)

### D. Details regarding segment's assets and liabilities (cont.)

| | As of December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Life and Long-Term Savings | Health | Property and Casualty | Retirement (Pension and Provident) | Investment House and Wealth | Distribution (Agencies) | Credit | Not attributed to operating segments | Adjustments and offsets | Total |
| | NIS thousand | | | | | | | | | |
| **Assets** | | | | | | | | | | |
| Intangible assets | 191,894 | - | - | 495,623 | 1,194,384 | 718,354 | 12,916 | 984,697 | - | 3,597,868 |
| Deferred acquisition costs (*) | 868,099 | 449,984 | 346,024 | 1,149,412 | - | - | - | - | (127,249) | 2,686,270 |
| Investments in associates | 205,409 | 645,207 | 553,213 | - | 167,269 | 17,426 | - | 63,308 | - | 1,651,832 |
| Investment property in respect of yield-dependent contracts | 2,283,063 | - | - | - | - | - | - | - | - | 2,283,063 |
| Investment property - other | 783,249 | 227,825 | 227,450 | - | - | - | - | - | - | 1,238,524 |
| Financial investments in respect of yield-dependent contracts | 76,090,471 | 6,727,466 | - | - | - | - | - | - | - | 82,817,937 |
| Financial investments for holders of certificate deposits and structured bonds | - | - | - | - | 173,000 | - | - | - | - | 173,000 |
| Credit in respect of factoring, acquiring and financing | - | - | - | - | - | - | 3,700,349 | - | - | 3,700,349 |
| **Other financial investments** | | | | | | | | | | |
| Liquid debt assets | 1,362,698 | 396,370 | 1,231,609 | 192,694 | 36,000 | 42 | - | 2,554,024 | - | 5,773,437 |
| Illiquid debt assets | 10,707,204 | 969,425 | 1,540,204 | 938,313 | 665,645 | 42,072 | 592,005 | 1,444,893 | (305,840) | 16,593,921 |
| Shares | 195,089 | 56,746 | 394,427 | 14,887 | 80,981 | - | - | 1,545,462 | - | 2,287,592 |
| Other | 1,994,619 | 580,178 | 406,551 | 35,407 | 3,000 | 28,307 | - | 3,068,272 | - | 6,116,334 |
| **Total other financial investments** | 14,259,610 | 2,002,719 | 3,572,791 | 1,181,301 | 785,626 | 70,421 | 592,005 | 8,612,651 | (305,840) | 30,771,284 |
| Cash and cash equivalents in respect of yield-dependent contracts | 17,751,445 | 1,552,102 | - | - | - | - | - | - | - | 19,303,547 |
| Other cash and cash equivalents | 148,160 | 35,533 | 680,859 | 65,328 | 263,107 | 216,429 | 19,908 | 1,623,699 | - | 3,053,023 |
| Reinsurance assets | 484,910 | 726,174 | 2,817,177 | - | - | - | - | - | - | 4,028,261 |
| Premiums collectible | 22,001 | 134,365 | 841,929 | - | - | - | - | - | - | 998,295 |
| Other assets | 343,366 | 82,612 | 514,040 | 71,184 | 977,715 | 164,404 | 78,886 | 2,152,185 | (892,916) | 3,491,476 |
| **Total assets** | **113,431,677** | **12,583,987** | **9,553,483** | **2,962,848** | **3,561,101** | **1,187,034** | **4,404,064** | **13,436,540** | **(1,326,005)** | **159,794,729** |
| **Total assets for yield-dependent contracts** | 96,310,349 | 8,459,163 | - | - | - | - | - | - | - | 104,769,512 |
| **Liabilities:** | | | | | | | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 12,871,688 | 3,811,834 | 7,850,580 | 1,063,094 | - | - | - | - | - | 25,597,196 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | 94,693,723 | 8,279,568 | - | - | - | - | - | - | - | 102,973,291 |
| Liabilities in respect of structured products | - | - | - | - | 171,000 | - | - | - | - | 171,000 |
| Financial liabilities | 2,562,212 | 327,411 | 134,107 | 449,757 | 1,136,987 | 486,353 | 3,499,010 | 7,285,912 | (305,840) | 15,575,909 |
| Other liabilities | 2,168,892 | - | 1,291,496 | 244,956 | 341,705 | 150,626 | 86,078 | 1,191,464 | (892,916) | 4,582,301 |
| **Total liabilities** | **112,296,515** | **12,418,813** | **9,276,183** | **1,757,807** | **1,649,692** | **636,979** | **3,585,088** | **8,477,376** | **(1,198,756)** | **148,899,697** |

(*) Reclassified.

# NOTE 4 - BUSINESS COMBINATIONS

A. **Acquisition of the active mutual funds activity from Psagot by Phoenix Investment House (including through subsidiaries)**

On December 19, 2023, Phoenix Investment House engaged with companies of the Psagot Investment House group in a binding agreement for a total consideration of approx. NIS 150 million (hereinafter - the "**Consideration Amount**"), as detailed below:

The agreement between Phoenix Investment House and KSM Mutual Funds Ltd., Psagot Finance and Investment Group Ltd., and Psagot Mutual Funds Ltd. (hereinafter - "**Psagot Funds**"), whereunder Psagot Funds will sell all the active funds, that are currently under the management of Psagot Funds with assets under management of approx. NIS 22.2 billion (hereinafter - the "**Active Funds**"); the agreement includes a non-compete undertaking by Psagot Group and Psagot Investment House with respect to Active Funds for a period of 4 years (hereinafter jointly - the "**Funds Sale Agreement**").

On March 21, 2024, after the fulfillment of all the conditions precedent, the transaction was completed in consideration for approx. NIS 151 million and assets under management of active funds at the total value of approx. NIS 22.8 billion were transferred to Phoenix Investment House.

For the purpose of the said acquisition, Phoenix Investment House took a bank loan totaling approx. NIS 100 million for a period of 7 years. The loan principal will bear an interest of Prime minus 0.5%.

The fair value of the identifiable assets acquired and the identifiable liabilities assumed as of the acquisition date is based on a final appraisal by an external appraiser obtained in March 2025. As a result of this purchase, Phoenix Investment House recorded intangible assets, which include customer relations and non-compete agreement in the amount of approx. NIS 41 million, and goodwill in the amount of approx. NIS 110 million.

B. **Assuming control in Yoram Zilberman Insurance Agency N.S.R (2000) Ltd.**

In August 2023, a subsidiary of Phoenix Agencies and Yoram Zilberman Insurance Agency N.S.R (2000) Ltd. (hereinafter - "**Zilberman**") entered into a binding agreement for the purchase of 70% of Zilberman's shares, in consideration for a total of approx. NIS 46 million.

In June 2024, after all conditions precedent have been met, the agreement was completed in consideration for approx. NIS 46 million.

Phoenix Agencies recognized the fair value of the assets acquired and the liabilities taken as part of the business combination according to a provisional measurement. As of the date of approval 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 purchased 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.
As a result of the acquisition, Phoenix Agencies recognized intangible assets comprising mainly customer portfolios totaling approx. NIS 39 million and goodwill totaling approx. NIS 22 million.

C. **Additional acquisitions in consolidated companies of Phoenix Agencies (excluding Section B above)**

During the reporting period, consolidated companies of Phoenix Agencies purchased insurance portfolios/ a controlling stake in insurance agencies. As a result of these acquisitions, consolidated companies of Phoenix Agencies recognized intangible assets comprising mainly customer portfolios totaling approx. NIS 44 million and goodwill totaling approx. NIS 35 million.

## NOTE 5 - INTANGIBLE ASSETS

### A. Composition and movement

| | Goodwill | Original differences attributed to fees and commissions portfolios and future management fees | Non-compete | Brand | Computer software | Total |
|---|---|---|---|---|---|---|
| | | | NIS thousand | | | |
| Cost | | | | | | |
| Balance as of January 1, 2023 | 1,856,932 | 864,272 | 61,517 | 55,102 | 3,360,491 | 6,198,314 |
| Additions | 192,860 | 72,039 | 295 | 25 | 391,824(*) | 657,043 |
| Company consolidated for the first time | 156,520 | 161,244 | 195 | - | - | 317,959 |
| Derecognitions | (20,700) | (489) | - | - | - | (21,189) |
| Balance as of December 31, 2023 | 2,185,612 | 1,097,066 | 62,007 | 55,127 | 3,752,315 | 7,152,127 |
| Additions (see Section C below) | 110,324 | 50,413 | 1,053 | - | 373,931(*) | 535,721 |
| First-time consolidation (see Section D below) | 57,241 | 82,370 | 588 | - | - | 140,199 |
| Derecognitions (see E below) | (2,037) | (1,183) | - | - | - | (3,220) |
| Balance as of December 31, 2024 | 2,351,140 | 1,228,666 | 63,648 | 55,127 | 4,126,246 | 7,824,827 |
| Accumulated amortization and accumulated impairment losses | | | | | | |
| Balance as of January 1, 2023 | 257,694 | 398,004 | 55,777 | 46,461 | 2,448,852 | 3,206,788 |
| Amortization recognized during the year (**) | 2,356 | 90,491 | 965 | 425 | 253,234 | 347,471 |
| Balance as of December 31, 2023 | 260,050 | 488,495 | 56,742 | 46,886 | 2,702,086 | 3,554,259 |
| Amortization recognized during the year (**) | - | 109,352 | 2,677 | 408 | 325,737 | 438,174 |
| Balance as of December 31, 2024 | 260,050 | 597,847 | 59,419 | 47,294 | 3,027,823 | 3,992,433 |
| Net carrying amount | | | | | | |
| As of December 31, 2024 | 2,091,090 | 630,819 | 4,229 | 7,833 | 1,098,423 | 3,832,394 |
| As of December 31, 2023 | 1,925,562 | 608,571 | 5,265 | 8,241 | 1,050,229 | 3,597,868 |

(*) Additions in respect of computer software include additions in respect of internal-use software in 2023 and 2024 amounting to NIS 255 million and NIS 256 million, respectively.

(**) The amortization recognized during the year (except for computer software) was carried to the other expenses line item.

### B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill)

In order to test the recoverability of goodwill, it was allocated to the following cash-generating units:

- Retirement (Pension and Provident) - management of provident funds for retirement benefits, advanced education funds, central benefits and severance pay provident fund and management of pension funds, as well as development, adaptation, marketing and direct marketing (rather than through external insurance agents) of Phoenix's self-directed provident funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers (hereinafter - the "**Venture**").
- Life and Savings - life insurance policies, permanent health insurance, and savings policies, as well as development, adaptation, marketing and direct marketing (rather than through external insurance agents) of Phoenix's self-directed insurance funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers.
- Investment House and Wealth - management of investment portfolios and mutual funds, stock exchange services, services in the field of award of shares and options to employees, alternative products and structured products.

## NOTE 5 - INTANGIBLE ASSETS (cont.)

### B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)

- Insurance agencies and retirement consulting.
- Credit – acquiring aggregator and debit voucher factoring activity, Construction Financing's activity and business credit and loans activity, credit against charges placed on real estate properties, checks discounting, equipment financing, import financing, financial guarantees and supplier financing.

Following is the carrying amount of the goodwill allocated to each of following cash-generating units:

| | See below | As of December 31 2024 | As of December 31 2023 |
|---|---|---|---|
| | | NIS thousand | |
| Retirement (Pension and Provident) | 1 | 434,246 | 434,246 |
| Life and savings | 2 | 90,836 | 90,836 |
| Investment House and Wealth | 3 | 729,351 | 619,351 |
| Insurance agencies | 4 | 567,212 | 511,684 |
| Credit | 5 | 269,445 | 269,445 |
| Total | | 2,091,090 | 1,925,562 |

In order to test the recoverability of goodwill, the recoverable amount of the cash-generating unit to which the goodwill was allocated was compared to its carrying amount. To the extent that the recoverable amount of the cash-generating unit exceeds its carrying amount, value of the unit and the assets allocated to it shall not be considered to have been impaired.

#### 1. Retirement (Pension and Provident)

The recoverable amount of the Retirement (Pension and Provident) units is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd. The appraisal of the Retirement (Pension and Provident) unit based on value in use. The value in use was calculated using the representative projected EV/EBITDA multiple method, which is an approximation of the discounted cash flow method; the value in use of the pension funds management activity was not calculated using this method; rather, it was calculated using the discounted cash flow method over a forecast period of the next 15 years, and estimating the exit value and discounting them by a discount rate that reflects the risk inherent in the Company's activity.
For the purpose of estimating the value in use of the provident funds management activity, a post-tax EV/EBITDA multiple of 9-10 was assumed, which reflects discount rates of 12%-13% after tax and a growth rate of 2%; the assumed rate of management fees is 0.56%-0.58%.

The following is a sensitivity analysis of the average enterprise value to changes in total assets under management in the provident funds activity in Phoenix Pension and Provident and to the average multiple:

| | Assets under management by provident funds NIS million | | | | |
|---|---|---|---|---|---|
| **Multiplier** | **79,996** | **80,496** | **80,996** | **81,496** | **81,996** |
| **8.5** | 820 | 836 | 852 | 868 | 884 |
| **9.0** | 869 | 885 | 902 | 919 | 936 |
| **9.5** | 917 | **935** | **952** | **970** | 988 |
| **10.0** | 965 | 984 | 1,003 | 1,021 | 1,040 |
| **10.5** | 1,014 | 1,033 | 1,053 | 1,072 | 1,092 |

## NOTE 5 - INTANGIBLE ASSETS (cont.)

**B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)**

**1. Retirement (Pension and Provident) (cont.)**

For the purpose of estimating the value in use of the pension funds management activity a post-tax cost of capital of approx. 12% was assumed. The long-term growth rate of approx. 2%. The long-term rate of management fees assumed out of total contributions into the comprehensive fund is approx. 1.4%; and the long-term weighted rate of management fees assumed out of the total amount of accrual is 0.13%-0.14% of total assets.

The following is a sensitivity analysis of the enterprise value of the new and old pension funds management activity, to changes in the discount rate and long-term growth rate of Phoenix Pension and Provident:

| | The discount rate NIS million | | | |
|---|---|---|---|---|
| **Growth rate** | **11%** | **11.5%** | **12%** | **12.5%** |
| **1.0%** | 1,170 | 1,079 | 997 | 923 |
| **1.5%** | 1,203 | 1,107 | 1,022 | 945 |
| **2.0%** | 1,241 | **1,139** | **1,049** | **968** |
| **2.5%** | 1,283 | 1,174 | 1,078 | 993 |
| **3.0%** | 1,330 | 1,214 | 1,111 | 1,021 |

In 2024 and 2023, the recoverable amount of the Retirement (Pension and Provident) unit is higher than its carrying amount.

**2. Life Insurance and self-directed provident funds (IRA)**

The recoverable amount of life insurance and savings units is determined based on a valuation conducted by Fair Value Ltd.
The valuation is based on value in use. The value in use was calculated according to the discounted cash flow method (DCF).The post-tax discount rate used in the valuation of these two units is 15.8% in nominal terms, and the long-term growth rate was estimated at 4% in nominal terms. The rate of management fees out of total assets under management assumed over the forecast years is approx. 0.38%.

The following is a sensitivity analysis of the value in use of the Insurance Activity, to changes in the weighted discount rate and to changes to the nominal permanent growth rate of the Insurance Activity:

| | Discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Long-term growth rate** | **16.8%** | **16.3%** | **15.8%** | **15.3%** | **14.8%** |
| **3.0%** | 198.1 | 205.3 | 213.0 | 221.3 | 230.4 |
| **3.5%** | 202.7 | 210.3 | 218.5 | 227.4 | 237.1 |
| **4.0%** | 202.7 | 215.8 | **224.6** | 234.1 | 244.5 |
| **4.5%** | 213.1 | 221.7 | 231.1 | 241.4 | 252.6 |
| **5.0%** | 218.9 | 228.2 | 238.3 | 249.3 | 261.6 |

In accordance with the above, the recoverable amount of the Life Insurance and Savings Segment is higher than its carrying amount.

**3. Investment House and Wealth**

The appraisal in the investment house and wealth unit includes the results of Phoenix Investment House (formerly Phoenix Advanced Investments).

## NOTE 5 - INTANGIBLE ASSETS (cont.)

**B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)**

**3. Investment House and Wealth (cont.)**

A. The appraisal in the Investment House and Wealth unit is in respect to the fair value of Phoenix Investment House's equity. For the purpose of estimating the enterprise value of the Investment House and Wealth Segment, each subsegment was assessed separately; the funds and stock exchange and trading activities - which constitute approx. 92% of Phoenix Investment House's enterprise value – were assessed using the discounted cash flows approach (DCF). The post-tax discount rate used in the valuation of these two subsegments is 12.5% in nominal terms, and the long-term growth rate was estimated at 2.75% in nominal terms. The average management fees rate assumed for the traditional fund activity (net of distribution fees) ranged between 0.53% to 0.57%. The management fees rate assumed in the money market fund activity ranged between 0.07% to 0.08%. The management fees rate assumed for the passive funds activity (net of distribution fees) ranges between 0.29% to 031%.
The recoverable amount of the investment house and wealth units relating to Phoenix Investment House was determined based on an appraisal conducted by Digar Economic and Financial Consulting Ltd.

The following is a sensitivity analysis of the enterprise value of the funds activity to the discount rate and the long-term growth rate:

| | Discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Long-term growth rate** | **11.50%** | **12.00%** | **12.50%** | **13.00%** | **13.50%** |
| **2.25%** | 1,692.8 | 1,608.8 | 1,533.0 | 1,464.2 | 1,401.5 |
| **2.50%** | 1,726.4 | 1,638.5 | 1,559.4 | 1,487.9 | 1,422.8 |
| **2.75%** | 1,762.0 | **1,669.9** | **1,587.3** | **1,512.7** | 1,445.0 |
| **3.00%** | 1,799.6 | 1,703.0 | 1,616.6 | 1,538.7 | 1,468.3 |
| **3.25%** | 1,839.5 | 1,738.0 | 1,647.4 | 1,566.1 | 1,492.8 |

The following is a sensitivity analysis of the enterprise value of the funds and stock exchange and trading activities to the discount rate and to the long-term growth rate:

| | Discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Long-term growth rate** | **11.50%** | **12.00%** | **12.50%** | **13.00%** | **13.50%** |
| **2.25%** | 812.6 | 773.8 | 738.7 | 706.9 | 677.9 |
| **2.50%** | 829.9 | 789.2 | 752.5 | 719.3 | 689.0 |
| **2.75%** | 848.2 | **805.4** | **766.9** | **732.2** | 700.7 |
| **3.00%** | 867.5 | 822.5 | 782.2 | 745.8 | 713.0 |
| **3.25%** | 888.0 | 840.6 | 798.2 | 760.2 | 725.8 |

B. Phoenix Advanced Investments - in order to assess the goodwill of Phoenix Capital, an appraisal was conducted in the alternative investments unit includes regarding the fair value of Phoenix Capital.
The recoverable amount is determined based on a valuation conducted by Fair Value Ltd.
The recoverable amount was calculated using the discounted cash flow method (DCF). The valuation assumed a 19% discount rate and a growth rate which will gradually converge to 0% over the discount period, and in the long-term the management fees from the average of assets under management will stand at approx. 0.9%.

## NOTE 5 - INTANGIBLE ASSETS (cont.)

**B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)**

**3. Investment House and Wealth (cont.)**

B. (cont.)

The following is a sensitivity analysis of the value in use of Phoenix Capital's activity, to changes in the weighted discount rate and to the change in the nominal permanent growth rate of Phoenix Capital's activity:

| | Discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Long-term growth rate** | **20%** | **19.5%** | **19.0%** | **18.5%** | **18.0%** |
| **3.0%** | 177 | 180 | 182 | 185 | 188 |
| **3.5%** | 178 | 181 | 184 | 187 | 190 |
| **4.0%** | 179 | 182 | **185** | 188 | 191 |
| **4.5%** | 180 | 183 | 186 | 189 | 193 |
| **5.0%** | 181 | 184 | 188 | 191 | 195 |

In 2024 and 2023, the recoverable amount of the investment house and wealth unit is higher than its carrying amount.

**4. Insurance agencies and pension advice**

The recoverable amount of the insurance agencies and pension advice activities in accordance with the projected cash flow method.
The appraisal of the value in use of the Distribution (Agencies) activity was conducted using the Discounted Cash Flow method (DCF), based on assumptions regarding the development of the volume of the activity and the margins in the different areas of activity. For the purpose of the appraisal, a post-tax discount rate of 13.3% and a growth rate of 4% were assumed.

The following is a sensitivity analysis of the value in use of Phoenix Agencies to changes in the weighted discount rate and to changes to the nominal growth rate of Phoenix Agencies:

| **Growth rate** | Post-tax discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **3.0%** | 2,662 | 2,811 | 2,973 | 3,153 | 3,352 |
| **3.5%** | 2,756 | 2,915 | 3,091 | 3,286 | 3,503 |
| **4.0%** | 2,859 | **3,031** | **3,222** | **3,434** | 3,673 |
| **4.5%** | 2,972 | 3,159 | 3,367 | 3,601 | 3,864 |
| **5.0%** | 3,097 | 3,301 | 3,530 | 3,788 | 4,082 |

The recoverability testing showed that the recoverable amount of the goodwill from the Distribution (Agencies) operation exceeds its carrying amount. The key appraisals were conducted by Fair Value Ltd.

**5. Credit**

The recoverable amount of the credit activity is determined based on an appraisal conducted by Mr. Uri Cohen of Cognum Financial Consulting Ltd. The appraisal of the value in use of the credit activity was conducted using the Discounted Cash Flow method (DCF), based on assumptions regarding the development of the volume of the activity and the margins in the different areas of activity. The enterprise value of the Credit Segment is in respect of the fair value of Phoenix Gama and Construction Financing.

## NOTE 5 - INTANGIBLE ASSETS (cont.)

**B. Testing the recoverability of intangible assets with indefinite useful lives (goodwill) (cont.)**

**5. Credit (cont.)**

**A.** Enterprise value of Gama's activity - for the purpose of assessing the value of Gama, a post-tax discount rate of 14% and a growth rate of 1.5% were assumed.

Following is a sensitivity analysis of Gama's enterprise value according to the average total assets under management:

| | Post-tax discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Growth rate** | **13.0%** | **13.5%** | **14.0%** | **14.5%** | **15.0%** |
| **0.5%** | 1,059,887 | 1,018,274 | 979,783 | 944,078 | 910,870 |
| **1.0%** | 1,076,548 | 1,032,974 | 992,786 | 955,606 | 921,111 |
| **1.5%** | 1,094,515 | **1,048,766** | **1,006,704** | **967,902** | 931,998 |
| **2.0%** | 1,113,967 | 1,065,791 | 1,021,650 | 981,058 | 943,606 |
| **2.5%** | 1,135,115 | 1,084,219 | 1,037,760 | 995,183 | 956,023 |

**B.** Enterprise value of Financing and Construction - For the purpose of the appraisal, a post-tax discount rate of 15% and a growth rate of 1.5% were assumed.

Following is a sensitivity analysis of Construction Financing's enterprise value according to the average total assets under management:

| | Post-tax discount rate NIS million | | | | |
|---|---|---|---|---|---|
| **Growth rate** | **14.0%** | **14.5%** | **15.0%** | **15.5%** | **16.0%** |
| **0.5%** | 403,314 | 395,588 | 388,389 | 381,665 | 375,370 |
| **1.0%** | 408,599 | 400,421 | 392,821 | 385,740 | 379,125 |
| **1.5%** | **414,308** | **405,627** | **397,582** | **390,105** | 383,138 |
| **2.0%** | 420,492 | 411,249 | 402,708 | 394,794 | 387,438 |
| **2.5%** | 427,215 | 417,339 | 408,245 | 399,843 | 392,056 |

In 2023 and 2024, the recoverable amount of the credit unit is higher than its carrying amount.

**C. Additions to intangible assets during the reporting period** - during 2024, consolidated companies acquired activities of pension insurance agencies for a total consideration of approx. NIS 6 million, Investment House and Wealth activities for a total consideration of approx. NIS 151 million, and Property and Casualty Insurance portfolios for approx. NIS 5 million. For further details, see Note 4, Business Combinations.

**D. Companies consolidated for the first time**

For details regarding companies consolidated for the first time. see Note 4 regarding business combinations.

## NOTE 5 - INTANGIBLE ASSETS (cont.)

E. **<u>Acquisition of an operation from Slice</u>** - On September 30, 2024, Phoenix Pension & Provident entered into an agreement with Slice Gemel Ltd. (hereinafter - "**Slice**"), according to which the Company will purchase from Slice the savings provident fund, the advanced education fund, the investment provident fund, and the child long-term investment provident fund under its management (hereinafter - the "**Funds**") in consideration for approx. NIS 5 million, which will be paid to Slice in the manner and on the dates set out in the agreement and subject to the consideration adjustment mechanism as detailed in the agreement; however, in no event will the total consideration exceed NIS 5 million. On October 30, 2024, the Tel Aviv District Court handed down a ruling, which approves the sale by Slice of the Funds to Phoenix Pension & Provident in accordance with the manner and under the terms and conditions listed in the agreement. On December 4, 2024, the approval of the Capital Market, Insurance and Savings Authority was granted to the outline for the transfer of management and the merger of the funds. Upon obtaining the abovementioned Court and Capital Market Authority's approvals, the agreement's conditions precedent were fulfilled. In accordance with the agreement, upon fulfillment of the conditions precedent, on December 10, 2024, Phoenix Pension & Provident paid Slice only the consideration for the Savings for Each Child fund totaling NIS 2 million. The mergers plan, as defined in the agreement, was completed on February 28, 2025; on this date, the funds were transferred to Phoenix Pension & Provident and they were merged into existing funds under its management. In accordance with the agreement, upon completion of the merger plan, Slice was paid a consideration of NIS 1.5 million. The outstanding consideration amount will be paid to Slice in accordance with the mechanism set out in the agreement. Total assets under management in the funds as transferred to the management of Phoenix Pension & Provident on February 28, 2025 amount to approx. NIS 1.15 billion.

# NOTE 6 - DEFERRED ACQUISITION COSTS

## A. Composition:

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Life and savings | 748,183 | 740,852 |
| Retirement (Pension and Provident) | 1,259,197 | 1,149,411 |
| Health insurance | 431,356 | 449,983 |
| Property and casualty insurance (see Note 19). | 409,227 | 346,024 |
| | 2,847,963 | 2,686,270 |

## B. Movement in deferred acquisition costs in life insurance, Retirement (Pension and Provident), and health insurance:

| | Life and savings (*) | | | Retirement (Pension and Provident) | Health | Total |
|---|---|---|---|---|---|---|
| | Insurance contracts | Investment contracts | Total life and savings | | | |
| | NIS thousand | | | | | |
| Balance as of January 1, 2023 | 689,803 | 97,849 | 787,652 | 901,421 | 443,237 | 2,132,310 |
| Additions: | | | | | | |
| Purchase fees | 53,061 | 35,932 | 88,993 | 410,061 | 101,594 | 600,648 |
| Other purchase expenses | 104,492 | 24,981 | 129,473 | 12,884 | 123,800 | 266,157 |
| Total additions | 157,553 | 60,913 | 218,466 | 422,945 | 225,394 | 866,805 |
| Current amortization | (78,028) | (16,491) | (94,519) | (174,955) | (139,068) | (408,542) |
| Deduction for cancellations | (160,361) | (10,386) | (170,747) | - | (79,580) | (250,327) |
| Balance as of December 31, 2023 | 608,967 | 131,885 | 740,852 | 1,149,411 | 449,983 | 2,340,246 |
| Additions: | | | | | | |
| Purchase fees | 42,902 | 79,743 | 122,645 | 299,205 | 73,282 | 495,132 |
| Other purchase expenses | 114,365 | 19,257 | 133,622 | 12,261 | 107,197 | 253,080 |
| Total additions | 157,267 | 99,000 | 256,267 | 311,466 | 180,479 | 748,212 |
| Current amortization | (68,460) | (24,030) | (92,490) | (201,681) | (141,613) | (435,784) |
| Deduction for cancellations | (156,446) | - | (156,446) | - | (57,493) | (213,939) |
| Balance as of December 31, 2024 | 541,328 | 206,855 | 748,183 | 1,259,196 | 431,356 | 2,438,735 |

(*) The balance as of December 31, 2024 and December 31, 2023 includes an adjustment for intra-group deferred acquisition costs in the amount of NIS 153,070 thousand and NIS 127,247 thousand, respectively.

# NOTE 7 - PROPERTY, PLANT AND EQUIPMENT

## A. Composition and movement:

**2024**

| | Land and buildings (b) | Computers | Vehicles | Office furniture | Leasehold improvements | Works of art | Right of use assets for buildings | Right of use assets for vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| | NIS thousand | | | | | | | | |
| Cost | | | | | | | | | |
| Balance as of January 1, 2024 | 1,123,002 | 586,018 | 1,444 | 195,236 | 77,786 | 75,224 | 190,448 | 54,059 | 2,303,217 |
| First-time consolidation | - | 3,291 | 58 | 2,151 | 4,081 | - | 764 | 1,573 | 11,918 |
| Additions during the year | 293,723 | 55,758 | - | 4,426 | 5,524 | - | 94,535 | 32,816 | 486,782 |
| Revaluation recognized in other comprehensive income (see B2 below) | (28,000) | - | - | - | - | - | - | - | (28,000) |
| Derecognitions during the year | - | (148) | (471) | (686) | (4,751) | (541) | (57,700) | (21,608) | (85,905) |
| Balance as of December 31, 2024 | 1,388,725 | 644,919 | 1,031 | 201,127 | 82,640 | 74,683 | 228,047 | 66,840 | 2,688,012 |
| Accumulated depreciation | | | | | | | | | |
| Balance as of January 1, 2024 | - | 486,613 | 848 | 157,301 | 55,500 | - | 93,656 | 32,787 | 826,705 |
| First-time consolidation | - | 2,675 | 58 | 1,568 | 2,680 | - | - | 318 | 7,299 |
| Additions during the year | 11,721 | 36,531 | 116 | 21,970 | 5,292 | - | 19,880 | 28,463 | 123,973 |
| Revaluation recognized in other comprehensive income (see B2 below) | (11,721) | - | - | - | - | - | - | - | (11,721) |
| Derecognitions during the year | - | (130) | (387) | (686) | (4,250) | - | (22,815) | (21,608) | (49,876) |
| Balance as of December 31, 2024 | - | 525,689 | 635 | 180,153 | 59,222 | - | 90,721 | 39,960 | 896,380 |
| Balance of amortized cost | 1,388,725 | 119,230 | 396 | 20,974 | 23,418 | 74,683 | 137,326 | 26,880 | 1,791,632 |
| Provision for impairment | - | - | - | - | - | (16,120) | - | - | (16,120) |
| Balance as of December 31, 2024 | 1,388,725 | 119,230 | 396 | 20,974 | 23,418 | 58,563 | 137,326 | 26,880 | 1,775,512 |

## NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

### A. Composition and movement: (cont.)

**2023**

| | Land and buildings (b) | Computers | Vehicles | Office furniture | Leasehold improvements | Works of art | Right of use assets for buildings | Right of use assets for vehicles | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | NIS thousand | | | | |
| Cost | | | | | | | | | |
| Balance as of January 1, 2023 | 815,129 | 524,912 | 2,017 | 183,026 | 73,417 | 74,525 | 204,114 | 50,851 | 1,927,991 |
| Additions during the year | 309,093 | 60,991 | 68 | 12,487 | 5,843 | 699 | 70,865 | 19,915 | 479,961 |
| Revaluation recognized in other comprehensive income (see B2 below) | (1,220) | - | - | - | - | - | - | - | (1,220) |
| First-time consolidation (deconsolidation) | - | 213 | - | 1,454 | 554 | - | - | - | 2,221 |
| Derecognitions during the year | - | (98) | (641) | (1,731) | (2,028) | - | (84,531) | (16,707) | (105,736) |
| Balance as of December 31, 2023 | 1,123,002 | 586,018 | 1,444 | 195,236 | 77,786 | 75,224 | 190,448 | 54,059 | 2,303,217 |
| Accumulated depreciation | | | | | | | | | |
| Balance as of January 1, 2023 | - | 407,778 | 1,144 | 148,929 | 52,579 | - | 117,278 | 32,720 | 760,428 |
| Additions during the year | 12,778 | 78,830 | 197 | 8,689 | 4,043 | - | 31,360 | 15,779 | 151,676 |
| First-time consolidation (deconsolidation) | - | 98 | - | 1,194 | 244 | - | - | - | 1,536 |
| Revaluation recognized in other comprehensive income (see B2 below) | (12,778) | - | - | - | - | - | - | - | (12,778) |
| Derecognitions during the year | - | (93) | (493) | (1,511) | (1,366) | - | (54,982) | (15,712) | (74,157) |
| Balance as of December 31, 2023 | - | 486,613 | 848 | 157,301 | 55,500 | - | 93,656 | 32,787 | 826,705 |
| Balance of amortized cost | 1,123,002 | 99,405 | 596 | 37,935 | 22,286 | 75,224 | 96,792 | 21,272 | 1,476,512 |
| Provision for impairment | - | - | - | - | - | (16,120) | - | - | (16,120) |
| Balance as of December 31, 2023 | 1,123,002 | 99,405 | 596 | 37,935 | 22,286 | 59,104 | 96,792 | 21,272 | 1,460,392 |

# NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

**B. Land and buildings:**

1. The Company and Hadar Green Company Properties and Investments Ltd. - A company wholly owned by the Company (hereinafter - "**Hadar Green**") are the owners and hold the rights to be registered as owners of 22 floors of offices, warehouses, parking lots and ancillary areas in an office and commercial high-rise building located in plot 923, block 6154 in Givatayim (hereinafter - "**Beit Havered**"). The sellers, in whose name the plot is registered with the Real Estate Registration Bureau in Tel Aviv-Yafo, undertook to register the plot in the name of the Company within 36 months of handing over the property to the Company. The completion of the registration was delayed for reasons involving the sellers. The parties are collaborating to complete the registration.

   In April 2015, Phoenix won a BOT tender for the construction of a public parking lot for the Givatayim municipality in open public area adjacent to the Beit Havered building. After it won the tender Phoenix worked to prepare a detailed plan of the 6-story parking lot and approx. 320 parking spaces. The Company is currently completing the construction of the parking lot at an estimated cost of approx. NIS 60 million; the expected date on which a certificate of occupancy will be received and the parking lot will start operating is April 2025.

   On December 17, 2019, Phoenix Insurance Company Ltd. won a tender that relates to an area measuring approx. 600 dunam located in the HaElef compound in Rishon LeZion, where the construction rights in the tender pursuant to the present urban building plan amount to a total of approx. 355 thousand square meters. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon LeZion, where an obligation for self use exists for an area measuring about 50 thousand square meters within 5 years. In 2024, approx. NIS 294 million were invested in the building of the complex; for further details, see Note 43C(4).

   The Company intends to move to the campus in Rishon LeZion during 2025, and some of the property, plant and equipment in Givatayim (hereinafter - "**Beit Havered**") will be distributed as a dividend in kind to Phoenix Financial and will be classified as "investment property" (for further details, see Note 8 (f) (2) (c) (2)).

2. Revaluation of land and buildings:

   (a) As of December 31, 2015, the Company measures land and buildings using a revaluation model.
   (b) The revaluation of the land and buildings in respect of Beit Havered (which constitutes the bulk of the land and buildings), was carried out by the firm of Adi Naor - Real Estate Appraisal & Management, who is an independent certified appraiser. The fair value was determined using market-based evidence, in December 2024.
   (c) The revaluation of the land in respect of the HaElef compound was conducted by the firm Haushner Malul, which is a qualified and independent appraiser. The fair value was determined using market-based evidence, in December 2024.
   (d) Due to the use of the revaluation model, a revaluation reserve has been recorded with a balance as of December 31, 2024 of approx. NIS 213 million, net of tax (December 31, 2023 - NIS 229 million).
   (e) The fair value of the land and buildings was determined using the income capitalization approach (in relation to rental income data) and the comparison approach for similar properties. The valuation performed by the appraiser is based on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.
   (f) The fair value of the land in respect of the HaElef compound was determined in accordance with the comparison method, which is based on a survey of prices of assets with similar characteristics, including the transaction involving the plot, which is the subject matter of the valuation.
   (g) Land and buildings are measured at fair value and are classified to Level 3 of the fair value hierarchy.

# NOTE 7 - PROPERTY, PLANT AND EQUIPMENT (cont.)

## B. Land and buildings (cont.)

2. Revaluation of land and buildings: (cont.)

(h) Had the land and buildings been measured using the cost model, their value in the financial statements would have been as follows:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Cost | 1,214,289 | 920,566 |
| Accumulated depreciation | (160,319) | (148,598) |
| Total | 1,053,970 | 771,968 |

## C. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the buildings' fair value. The sensitivity analysis refers only to Beit Havered, since in the HaElef compound the appraisal was carried out using the comparison approach, and therefore the discount rate is irrelevant.
The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

| | Increase (decrease) in the fair value as of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| In NIS thousand | | |
| 0.5% increase | (18,000) | (19,000) |
| Decrease of 0.5% | 18,000 | 19,000 |

# NOTE 8 - INVESTMENTS IN INVESTEES

## A. Equity-accounted investees

1. Details regarding equity-accounted investees:

| | See Section D below | Loans and capital notes | Total investment | Total |
|---|---|---|---|---|
| | | | NIS thousand | |
| **December 31, 2024** | | | | |
| Ad 120 Residence Centers for Senior Citizens Ltd. | 1 | - | 789,334 | 789,334 |
| El Al Frequent Flyer Ltd. | 2 | - | 179,519 | 179,519 |
| Investment property | 3 | - | 347,936 | 347,936 |
| Phoenix KKR Income Trust Fund L.P. | 4 | - | 236,010 | 236,010 |
| Phoenix RealTech Ltd. | 5 | - | 71,400 | 71,400 |
| Other | | 26,223 | 351,872 | 378,095 |
| | | 26,223 | 1,976,071 | 2,002,294 |
| **December 31, 2023** | | | | |
| Ad 120 Residence Centers for Senior Citizens Ltd. | | - | 759,300 | 759,300 |
| El Al Frequent Flyer Ltd. | | - | 171,451 | 171,451 |
| Investment property | | - | 327,806 | 327,806 |
| Phoenix RealTech Ltd. | | - | 73,508 | 73,508 |
| Other | | 35,861 | 283,906 | 319,767 |
| | | 35,861 | 1,615,971 | 1,651,832 |

2. Composition of investments:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Shares | 1,976,071 | 1,615,971 |
| Loans | 26,223 | 35,861 |
| | 2,002,294 | 1,651,832 |
| Goodwill from investment | 281,904 | 235,663 |

3. The Group's share in the results of operations of the equity-accounted investees according to the holding stake therein during the period:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Income | 550,272 | 477,698(*) | 334,812 |
| Profit for the year | 103,254 | 42,413 | 61,548 |
| Other comprehensive income (loss) for the year | (10,029) | 22,476 | 27,511 |

(*) Reclassified.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### B. Consolidated companies held directly by the Company

Composition of investment:

| | See Section H below | Loans and capital notes provided by the Company to consolidated companies | Total investment in investees |
|---|---|---|---|
| | | NIS thousand | |
| **2024** | | | |
| Phoenix Insurance | | - | 7,269,769 |
| Phoenix Investments | 1 | 421,688(*) | 2,030,363 |
| Phoenix Pension and Provident Funds | | 292,526 | 1,020,115 |
| Phoenix Agencies | 2 | 23,047 | 284,319 |
| Other | | 40,100 | 9,190 |
| | | 777,361 | 10,613,755 |
| **2023** | | | |
| Phoenix Insurance | | - | 6,495,823 |
| Phoenix Investments | | 596,686(**) | 1,452,746 |
| Phoenix Pension and Provident Funds | | 298,807 | 957,199 |
| Phoenix Agencies | | 22,543 | 263,340 |
| Phoenix Construction Financing | 5B | - | 303,340 |
| Other | | 5,100 | 16,920 |
| | | 923,136 | 9,489,368 |

(*) In addition, there are loan balances totaling NIS 259 million to Phoenix Investment House and a capital note balance totaling approx. NIS 90 million to Phoenix Advanced Investments.

(**) Furthermore, there are loan balances totaling NIS 262 million to Phoenix Investment House.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### C. Breakdown of holdings in main investees

| | See Section H below | Country of incorporation | As of December 31 2024 Shares conferring voting rights and rights to profits | 2023 Shares conferring voting rights and rights to profits |
|---|---|---|---|---|
| | | | Rate of ownership in % | |
| **The Company's investees** | | | | |
| Phoenix Insurance Company | | Israel | 100 | 100 |
| Phoenix Investments | 1 | Israel | 100 | 100 |
| Phoenix Capital Partners (see Note 1D) | | Israel | 100 | 100 |
| Phoenix Agencies | 2 | Israel | 78 | 79 |
| Phoenix Pension and Provident Funds | | Israel | 100 | 100 |
| Platinum | 3 | Israel | 100 | 100 |
| Phoenix Construction Financing | 5B | Israel | - | 100 |
| **Phoenix Insurance's investees** | | | | |
| Phoenix Capital Raising | 7 | Israel | 100 | 100 |
| Phoenix Mortgages (Gold) | 6 | Israel | 51 | 51 |
| Phoeniclass (*) | | Israel | 49 | 49 |
| FNX Private Policy Profits, General Partnership (**) | 8 | Israel | 51 | 51 |
| **Investees of Phoenix Pension and Provident Funds** | | | | |
| FNX Private Funds Profits, General Partnership (**) | 8 | Israel | 51 | 51 |
| **Investees of Phoenix Investments** | | | | |
| Phoenix Investment House | 4 | Israel | 88 | 88 |
| Gama Management and Clearing | 5 | Israel | 100 | 100 |
| Phoeniclass (*) | | Israel | 18 | 18 |
| Phoenix Advanced Investments | 1C | Israel | 100 | 100 |
| FNX Private Policy Profits, General Partnership (**) | | Israel | 29 | 9 |
| FNX Private Funds Profits, General Partnership (**) | | Israel | 29 | 9 |
| Phoenix Capital (***) | | Israel | 83 | 67 |
| **Major investees of Phoenix Agencies** | | | | |
| NIS | | Israel | 100 | 100 |
| Agam Leaderim | | Israel | 100 | 100 |
| Oren Mizrach | | Israel | 84 | 68 |
| Quality | 2D | Israel | 73 | 50 |

(*) Phoenix Insurance and Phoenix Investments and Finance hold jointly shares conferring rights to profits in Phoeniclass at the rate of 75%.

(**) FNIX Investments and its investees hold approx. 29% of FNX Private Policy Profits General Partnership and FNX Private Funds Profits General Partnership.

(***) Phoenix Investments and its investees have an 83% stake in Phoenix Capital's shares.

### D. Further information regarding equity-accounted investees

1. Ad 120 Residence Centers for Senior Citizens Ltd.

Phoenix Insurance holds 47% of the issued and paid-up share capital of Ad 120 Residence Centers for Senior Citizens Ltd. (hereinafter - "**Ad 120**"). Ad 120 develops, builds and managers high-end senior housing facilities.

2. El Al Frequent Flyer Ltd.

On June 23, 2022, Phoenix Insurance granted a USD 130 million loan using its Nostro funds, to El Al Frequent Flyer Ltd. (hereinafter - the "**Borrower**"). The loan was advanced for a period ending June 30, 2028 (hereinafter - the "**Loan Term**") and is repaid in two equal quarterly principal payments.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

**D. Further information regarding equity-accounted investees (cont.)**

2. El Al Frequent Flyer Ltd. (cont.)

Under the loan agreement, Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. On September 13, 2022, Phoenix Insurance exercised the option and purchased shares at a rate of 19.9% in consideration for an exercise premium of approx. USD 14 million. On December 31, 2024, a partial early repayment of approx. NIS 110 million was received, such that the end of the loan's term was brought forward to June 30, 2027 (instead of June 30, 2028). The loan's outstanding balance of approx. NIS 175 million, including the option which has not yet been exercised, as described above, are presented under the financial investments line item. On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of El Al Frequent Flyer Ltd. (hereinafter - "**El Al Club**") as a dividend in kind to the Company. The distribution is subject to approval by the Israel Tax Authority. For further details, see Section F(2) below.

3. Real estate investments

The Company's investments in real estate properties are usually made through investees that invest directly in the properties. The Company holds several such investees that invest in real estate properties in Israel, the United States and Europe. The real estate properties are diverse and include office buildings, commercial centers, residential areas and land for construction.

4. Phoenix Capital's investment in KKR Fund

During the reporting period, Phoenix Capital, a subsidiary of Phoenix Advanced Investments, which is engaged in alternative investments, invested approx. NIS 552 million as an investment in the KKR alternative investments fund. Against this investment, Phoenix Capital took an approx. NIS 552 million bank loan; the loan is fully guaranteed by Phoenix Insurance based on market price. As part of Phoenix Capital's activity, this investment is designated in full for distribution to "qualified customers"; Phoenix Capital shall use those proceeds to repay the loan in full. The investment is presented in the financial statements as an investment in an investee and the loan balance, under financial liabilities. As of December 31, 2024, the balance of the investment and the loan amounts to approx. NIS 236 million.

5. Phoenix RealTech Ltd.

Phoenix Realtech Ltd. (hereinafter - "**Phoenix RealTech**") is a company in which Phoenix Capital (a subsidiary controlled by Phoenix Investments) has a 50% stake. Phoenix RealTech serves as a General Partner of alternative investment funds focusing mainly on underlying assets in the field of real estate. On December 31, 2024, Phoenix Advanced Investments signed an agreement to purchase further 30% of Phoenix RealTech in consideration for approx. NIS 38 million; the acquisition is subject to the Israel Competition Authority's approval. As of the report publication date, the Israel Competition Authority's approval was received and the Company has an approx. 80% stake in Phoenix RealTech through Phoenix Advanced Investments and Phoenix Capital. The Company is not expected to recognize a material income in the first quarter of 2025 as a result of assuming control in Phoenix Realtech.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

E. **Further information regarding consolidated companies**

1. Phoenix Investments

A. In August 2024 Phoenix Advanced Investments increased its share in the Wealth Subsegment by acquiring ownership interests from several partners in various companies operating in the area of Wealth and IRA totaling approx. NIS 90 million. As a result of the transaction, the equity attributable to the Company's shareholders decreased by a total of approx. NIS 29 million.

B. Loans and capital notes - Phoenix Investments

During the reporting period, Phoenix Investments repaid capital notes issued to the Company totaling approx. NIS 125 million and also repaid a loan of approx. NIS 50 million advanced by the Company.

C. Loans and capital notes - Phoenix Advanced Investments

During the reporting period, Phoenix Advanced Investments issued to the Company a NIS 50 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date.. Furthermore, the Company advanced to Phoenix Advanced Investments a NIS 40 million loan; the loan bears an interest of approx. 5% in accordance with Section 3(j) to the Income Tax Ordinance [New Version], which is paid at the end of each quarter; the loan is for a period of 5 years and will be repaid in one lump sum.
Subsequent to the balance sheet date, 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.

D. Regarding the restructuring and statutory merger between the Company and Phoenix Investments, see Note 1D.

2. Phoenix Agencies

A. Hagoz (2015) Ltd., which is owned by Mr. Yitzhak Oz, the Chairman of Phoenix Agencies, has a stake of approx. 17% in Phoenix Agencies' shares; Y.H.G. Sasson Ltd., which is owned by Mr. Moshe Sasson, has a stake of approx. 3% in Phoenix Agencies' shares (hereinafter - "**Hagoz and Y.H.G. Sasson**"). The abovementioned allocation of shares to companies owned by Mr. Yitzhak Oz and Mr. Moshe Sasson was carried out under a merger of 2023 between Phoenix Agencies and Agam Leaderim, in which Agam Leaderim was wound up and merged into Phoenix Agencies. Furthermore, with respect to the abovementioned restructuring, an agreement was signed between the Company, Phoenix Agencies and the other shareholders in Phoenix Agencies listed above, in which the following matters were regulated, among other things:

1. Mr. Yitzhak Oz serves as the Executive Chairman of Phoenix Agencies (hereinafter - "**Agam Leaderim**") and Shekel Insurance Agency.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### E. Further information regarding consolidated companies (cont.)

2. Phoenix Agencies (cont.)

A. (cont.)

2. Option agreement: Termination of the option agreement of March 2019, replaced by a new Option Agreement, whereunder the parties will have put and call options with respect to Phoenix Agencies' shares held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of any of the options will be calculated based on an appraisal of Phoenix Agencies, in accordance with the provisions of the agreement. The period during which the put option may be exercised is January 1, 2027 through January 3, 2028. The period during which the call option may be exercised is January 4, 2028 through January 4, 2029. The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. In the event of exercising any of the options through the allocation of the Company's shares (instead of cash), the number of shares will change in the scope stipulated in the agreement. In addition, the agreement establishes a price floor for exercising the options.
It is noted that, in the event of a public offering of Phoenix Agencies, the call and put options will expire (Hagoz will be allowed to exercise the put option for all or some of its holdings, prior to the offering.
3. Award - it was determined that Hagoz will be eligible to a bonus of approx. NIS 20 million, which is conditional upon the sale of at least 50% of the outstanding balance of Phoenix Agencies shares owned by Hagoz.

B. In August 2024 Phoenix Agencies signed an agreement for the purchase from companies owned by Mr. Oren Cohen - both directly and indirectly - of approx. 16% further ownership interest in Oren Mizrach, such that subsequent to this acquisition, Phoenix Agencies holds - directly and indirectly - approx. 84% of the ownership interest in Oren Mizrach instead of approx. 68% before of the abovementioned transaction.
As a result of the acquisition, the Company reduced the equity attributable to the shareholders by approx. NIS 38 million.
Furthermore, in accordance with the agreement, Phoenix Agencies issued to a company owned by Oren Cohen shares constituting approx. 1.75% of Phoenix Agencies' equity capital, As a result of the abovementioned issuance, the Company increased the equity attributable to the shareholders by approx. NIS 33 million.

C. Dividend distributions

During 2023, Phoenix Agencies' Board of Directors approved a distribution of a cash dividend of NIS 675 million; the Company's share in the dividend is approx. NIS 536 million.
During 2024, Phoenix Agencies' Board of Directors approved distributions of cash dividends totaling approx. NIS 117 million; the Company's share in the dividend is approx. NIS 93 million.

D. Increasing holdings in Quality shares

In December 2024, Phoenix Agencies acquired additional shares. As a result of the said acquisition, the equity attributable to the Company's shareholders decreased by a total of approx. NIS 12 million.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

**E. Further information regarding consolidated companies (cont.)**

2. Phoenix Agencies (cont.)

E. Gvanim Insurance Agency

T.A.I.S. Shades Life Insurance Agency (1987) Ltd. (hereinafter - "**Gvanim**") is an investee in which Phoenix Agencies has a 50% stake. In December 2024, a transaction was signed under which Oren Mizrach will acquire from other Gvanim shareholders 40% of Gvanim's shares, and 11% of Gvanim's shares will be issued to Oren Mizrach, such that subsequent to the abovementioned acquisitions, Phoenix Agencies will have a 91.8% (direct and indirect) stake in Gvanim. The above transaction is subject to receiving a permit from the Capital Market Insurance and Savings Authority; as of the report publication date, the approval has not yet been received.

3. Platinum Finance and Factoring

A. During the reporting period, Platinum issued to the Company a NIS 25 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date..
In addition, during the reporting period, Phoenix Retail Credit - a wholly-owned subsidiary of Platinum - issued a NIS 10 million capital note to the Company. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date..

B. Regarding the restructuring and statutory merger between the Company and Platinum, see Note 1D.

4. Phoenix Investment House

A. Merger between KSM and Phoenix Investment House

In January 2023, all of the required approvals were received and the merger of KSM ETN Holdings Ltd. (hereinafter - "**KSM Holdings**") with Phoenix Investment House was completed. Subsequent to the merger the Company holds, through Phoenix Investments, approx. 88% of the shares of Phoenix Investment House. Furthermore, under the merger, arrangements for the exercise of option from 2026 to 2029 we put in place between the Company and Phoenix Investments and Boaz Nagar (Chairman of the Board of Phoenix Investment House and KSM Mutual Funds Ltd.) and Avner Hadad (CEO of Phoenix Investment House and KSM Mutual Funds Ltd.) (hereinafter - the "**Executives**"). The consideration for exercising the options is determined in accordance with an agreed mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion.
In November 2024 and February 2025, an addendum was signed to the shareholders agreement of Phoenix Investment House, which, among other things, extends - by three additional years - the term of the put and call options arrangements for the execution of transactions in connection with the Managers' holdings in the Investment House, as set forth in the shareholder agreement of May 2022. That is to say, the transactions may be executed from 2026 to 2031 (instead of through 2029). As a result of this addendum, Phoenix Investments recorded a financial liability to the minority shareholders totaling approx. NIS 15 million.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

**E. Further information regarding consolidated companies (cont.)**

4. Phoenix Investment House (cont.)

B. Acquisition of the mutual funds activity from Psagot by Phoenix Investment House (including through subsidiaries)

On December 19, 2023, Phoenix Investment House and companies of the Psagot Investment House group engaged in an agreement for the acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling approx. NIS 22.2 billion, and in consideration for NIS 151 million.
On March 21, 2024, the abovementioned transaction was completed;, for further details, see Note 4A.

5. Gama Management and Clearing

A. Acquisition of all of Gama's shares by Phoenix Investments

During 2023, Phoenix Investments acquired approx. 10.8 million Gama shares in consideration for approx. NIS 115 million.
In August 2023, Phoenix Investments completed the acquisition of the remaining Gama shares through a tender offer in consideration for approx. NIS 220 million, such that subsequent to the acquisition Gama became a privately-held company, which is wholly-owned by Phoenix Investments. It should be noted that subsequent to the completion of the acquisition as stated above, as long as Gama's bonds are widely held and listed on the Tel Aviv Stock Exchange, Gama shall report as a reporting corporation, as defined in the Securities Law, 1968.
On September 28, 2023 Gama issued approx. 980 thousand shares to Phoenix Investments against a capital injection amounting to approx. NIS 14 million.

B. Restructuring - Transfer of the construction projects' financing activity to a separate company wholly-owned by Gama

As part of the execution of the strategic plan in the Credit Segment, and the wish to concentrate the Group's credit activity under a single arm it was decided to execute a restructuring in the Credit Segment, according to the following stages:

1. As from January 1, 2023, the construction projects' financing activity, which is funded solely by Nostro funds, was separated from the activity of Phoenix Insurance and transferred to a separate company wholly-owned by Phoenix Insurance - Phoenix Construction Financing Ltd. (hereinafter - the "**Phoenix Construction Financing**"). In this framework, during 2023, the approx. NIS 2.31 billion credit portfolio was transferred from Phoenix Insurance to Phoenix Construction Financing. The transfer of the credit portfolio was partially made against an investment in the share capital of Phoenix Construction Financing (approx. 10%), and the balance - against a shareholder loan.
2. In December 2023, loans amounting to approx. NIS 1.8 billion out of the credit portfolio of Phoenix Construction Financing were sold to Phoenix Insurance. The loans' transfer was carried out against the repayment of some of the shareholder loan to Phoenix Insurance. As of December 31, 2023, the balance of Phoenix Financing and Construction's credit portfolio is approx. NIS 600 million.
3. On December 31, 2023, Phoenix Insurance distributed the investment in Phoenix Construction Financing to the Company as a dividend in kind. The investment balance for distribution is approx. NIS 309 million.
4. On January 1, 2024, the Company transferred all of its holdings in Phoenix Financing and Construction to Gama. As a result of the above, credit assets in respect of factoring, acquiring and financing increased by approx. NIS 600 million, against a corresponding decrease in illiquid debt assets in the other financial investments line item.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### E. Further information regarding consolidated companies (cont.)

6. Phoenix Mortgages (Gold)

Gold Mortgages focuses on advancing loans to people aged 60 and over against a first-degree pledge on their apartment. Furthermore, Gold Mortgages was granted a permit from the Capital Market, Insurance and Savings Authority to provide any type of mortgage.
On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of Gold Mortgages' shares to the Company as a dividend in kind, subject to receiving from the Commissioner an extended credit provision license (as defined in the Financial Services Supervision Law (Regulated Financial Services), 2016. As of the report publication date, the required approvals have not been obtained. For further details, see Section F2 below.

7. Phoenix Capital Raising

During 2009, Phoenix Insurance established Phoenix Capital Raising. The only area of activity of Phoenix Capital Raising is raising funds in Israel for Phoenix Insurance, through (public and private) offerings of promissory notes and/or bonds and/or capital notes, the proceeds of which are deposited with Phoenix Insurance, for its use, at its discretion and at its responsibility.
Capital raising is affected by Phoenix Insurance's capital needs. The terms and conditions of the issued bonds are affected by the state of the capital market and the level of demand and supply of liquid bonds in Israel. Phoenix Capital Raising deposits the proceeds of the offerings in deferred deposits with Phoenix Insurance on the same terms and conditions as those of the bonds issued to the public.

8. Assuming control of FNX Private

As from 2011, Phoenix Insurance and Phoenix Pension and Provident Funds (hereinafter - the "**Companies**") operate - together with Saifa Management Services (2013) Ltd. (hereinafter - "**Saifa**") - the "FNX Private" venture (hereinafter - "**FNX Private**"), which is engaged in the development, adaptation, marketing and direct marketing (rather than through external insurance agents) of Phoenix's self-directed policies and provident funds (IRA). These are customized services and products with unique characteristics, which are mainly suitable to wealthy customers (hereinafter - the "**Venture**"). The Companies share in the Venture is 50%.
During 2023, the Companies - together with Saifa - signed an agreement for the incorporation of the Venture as two separate legal entities (hereinafter- the "**FNX Private Partnerships**") and an agreement for the acquisition of an additional 1% in FNX Private Partnership, such that subsequent to the acquisition, the Companies hold 51% of the Venture. As a result of abovementioned acquisition, in 2023 the Company recorded a pre-tax and post-tax income of approx. NIS 129 million, which is included in the 2023 income under the other income line item.

### F. Capital requirements from institutional entities in the Group

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.

1. 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**").

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### F. Capital requirements from institutional entities in the Group (cont.)

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

Economic solvency ratio

The economic solvency ratio is calculated as the ratio between the insurance company's recognized economic equity and the capital required for solvency purposes.
The recognized economic equity 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 and credit risks as well as operational risks.
The Economic Solvency Regime includes, among other things, Provision for the Transitional Period 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**").

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.

According to the above, the Company made an estimate of its economic solvency ratio - which is not audited or reviewed by the Company's independent auditor - as of September 30, 2024 (hereinafter - the "**Estimate**"). The calculation (of the Estimate) was carried out in accordance with the guidelines of the Solvency II-based Economic Solvency Regime, and 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**"), which was published on October 14, 2020. The Company carries out the Estimate and publishes the quarterly disclosure in addition to the publication of a mandatory solvency ratio reports as required under the Provisions of the Economic Solvency Regime.

In accordance with the Solvency Ratio Report as of June 30, 2024, and the estimated quarterly solvency ratio as of September 30, 2024 (unaudited and unreviewed) as stated above, Phoenix Insurance has surplus capital, both when calculation is made having no regard to the Provision for the Transitional Period and when it is made taking into account the Transitional Provisions.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### F. Capital requirements from institutional entities in the Group (cont.)

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

Economic solvency ratio (cont.)

The calculation carried out by Phoenix Insurance as of June 30, 2024 was reviewed by the Company's independent auditors in accordance with the principles of International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard is relevant for the execution of the engagement to assess whether the Company's solvency calculations as of June 30, 2024, comply, in all material respects, with the Commissioner's Directives, and are not part of the audit or review 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 June 30, 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 described in the provisions on calculation of risk margin. Furthermore, attention is drawn to that which is stated in 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 June 30, 2024.

2. Dividend

A. 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 Provision for the Transitional Period 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.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

A. Capital distribution target (cont.)

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 Provisions for the Transitional Period, 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 June 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.

B. 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.

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%.

## NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

### F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

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

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 and/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.

C. Dividend distributions in the reporting period

1. On August 21, 2024, Phoenix Insurance's Board of Directors approved a cash dividend distribution in the amount of NIS 250 million. This dividend distribution was taken into account in the results of the solvency ratio as of June 30, 2024.

2. 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 December 31, 2024, the balance of assets in the Phoenix Insurance's books of accounts is approx. NIS 611 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 December 31, 2024, 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 Mortgage Insurance for the purpose of providing loans to customers. As of December 31, 2024, the loan balance in Phoenix Insurance's books of accounts is approx. NIS 574 million. As of December 31, 2024, the distribution was carried out against a dividend payable in Phoenix Insurance's books of accounts. The transfer of a loan to the company was carried out in practice on January 1, 2025.

# NOTE 8 - INVESTMENTS IN INVESTEES (cont.)

## F. Capital requirements from institutional entities in the Group (cont.)

2. Dividend (cont.)

C. Dividend distributions in the reporting period (cont.)

2. (cont.)

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. As of December 31, 2024, the investment balance in Phoenix Insurance's books of accounts is approx. NIS 180 million. The distribution is subject to approval by the Israel Tax Authority.

E. Distribution of illiquid financial assets, whose value in Phoenix Insurance's books of accounts as of December 31, 2024 is approx. NIS 30 million. The distribution is subject to approval by the Commissioner of Regulated Financial Services Providers (hereinafter - the "**Commissioner**").

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 the loan, as described in section C above, was taken into account in the results of the estimated quarterly solvency ratio as of September 30, 2024.

3. 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.

4. 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 will be 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.
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 Funds complies with those requirements.

## NOTE 9 - INVESTMENT PROPERTY

### A. Composition and movement:

| | Investment property for yield-dependent contracts | | | | | |
|---|---|---|---|---|---|---|
| | Leased as commercial space | | Leased as offices and other (1) | | Total | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | NIS thousand | | | | | |
| Balance as of January 1 | 1,143,969 | 1,130,458 | 1,139,094 | 1,011,616 | 2,283,063 | 2,142,074 |
| Acquisitions and additions to existing properties | 7,418 | 5,012 | 97,845 | 115,368 | 105,263 | 120,380 |
| Fair value adjustment | 31,114 | 8,499 | 6,102 | 12,110 | 37,216 | 20,609 |
| Balance as of December 31 | 1,182,501 | 1,143,969 | 1,243,041 | 1,139,094 | 2,425,542 | 2,283,063 |
| Discount rate ranges | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% |

(1) In 2024, including real estate properties under construction in the amount of NIS 636,452 thousand (in 2023, NIS 528,562 thousand).

| | Investment property - other | | | | | |
|---|---|---|---|---|---|---|
| | Leased as commercial space | | Leased as offices and other (2) | | Total | |
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | NIS thousand | | | | | |
| Balance as of January 1 | 560,692 | 555,965 | 677,832 | 591,934 | 1,238,524 | 1,147,899 |
| Acquisitions and additions to existing properties | 3,924 | 2,586 | 75,821 | 73,526 | 79,745 | 76,112 |
| Fair value adjustment | 15,536 | 2,141 | (10,438) | 12,372 | 5,098 | 14,513 |
| Balance as of December 31 | 580,152 | 560,692 | 743,215 | 677,832 | 1,323,367 | 1,238,524 |
| Discount rate ranges | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% | 6.50%-8.00% |

(2) In 2024, including real estate properties under construction in the amount of NIS 339,080 thousand (in 2023, NIS 281,181 thousand).

## NOTE 9 - INVESTMENT PROPERTY (cont.)

### B. Fair value measurement of investment property

Investment property is measured at fair value as determined by appraisals performed by external independent appraisers, whose skills and ample experience regarding the location and type of property appraised is widely acknowledged. The fair value is determined based on recent market transactions involving similar real estate properties in a location similar to that of the Group's real estate properties, and based on the estimated inflow of future cash flows from the property. When estimating cash flows, their inherent risk was taken into account.
When evaluating an investment property under construction, the discounted cash flow method is used, as the appraiser deems fit. Fair value is determined based on the estimated future income from the completed project, using returns adjusted to reflect the significant risks relevant to the construction process, including construction and rental risks, which are higher than present returns on similar completed investment properties. Expected costs to complete plus developer's profits are deducted from the estimated future income as aforesaid. Furthermore, the sales comparison approach of similar assets is used. In this method, the appraiser relies on active market prices, adjusted for differences in the nature, location or conditions of the specific asset.
Investment properties are measured at fair value and are classified to Level 3 of the fair value hierarchy.

### C. Sensitivity analysis

The discount rate constitutes a critical estimate in determining the fair value, since a change in the discount rate will have a material effect on the investment property's fair value. Change in fair value of investment property in respect of yield-dependent contracts does not fully affect the Company's profit and loss.
The following sensitivity analysis reflects the effect of a change in the discount rate by the rates listed below:

| | Increase (decrease) in the fair value as of December 31 | | Increase (decrease) in profit and loss before tax | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | In NIS thousand | | | |
| 0.5% increase | (141,212) | (128,670) | (64,167) | (59,041) |
| Decrease of 0.5% | 165,410 | 144,516 | 73,690 | 63,620 |

The effect is on the value investment properties for yield-dependent contracts and other real estate properties. The effect on the income from investments for yield-dependent contracts is an indirect effect in respect of management fees.

### D. Details regarding interests in real estate properties used by the Group as yield-dependent investment property and other

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Owned | 2,036,850 | 1,880,074 |
| Capitalized lease | 1,712,059 | 1,641,513 |
| Total | 3,748,909 | 3,521,587 |

Capitalized leased assets in the amount of NIS 1,489,809 thousand (in 2023 - NIS 1,425,278 thousand) are leased for a period of 21-45 years.
Capitalized leased assets in the amount of NIS 106,250 thousand (in 2023 - NIS 104,238 thousand) are leased for a period of 64-71 years.

Capitalized leased assets in the amount of NIS 116,000 thousand (in 2023 - NIS 111,997 thousand) are leased for a period of 975 years.

Some of the ownership and lease rights in Israel have not yet been registered in the name of Group companies with the Land Registry, mostly due to technical registration arrangements.

NOTE 9 - INVESTMENT PROPERTY (cont.)

**E.** For further details regarding commitments to acquire investment property, see Note 43C(1).

**F.** For further details regarding income from investment property, see Note 29.

## NOTE 10 - CREDIT FOR PURCHASE OF SECURITIES

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Open accounts (1) | 1,024,000 | 717,000 |
| Less - provision for credit risks (2) | (2,000) | - |
| Outstanding receivables - net | 1,022,000 | 717,000 |

(1) The credit extended to customers of a consolidated company was granted in respect of purchase of securities by the customers. The credit is non-linked and bears Prime interest plus a spread (as of December 31, 2024, the Prime interest rate was 6%). The credit is mainly secured by a pledge placed on the customers' securities portfolios; a significant decrease in the market value of the securities may expose the Company to collection difficulties. Impairment of trade receivables is addressed by recognizing a provision for credit risks.
The consolidated company has 11 customers, the total amount of the credit extended thereto constitutes approx. 68% of the total balance of customers credit as of December 31, 2024, and no customer was extended credit exceeding 10% of the credit portfolio.

(2) Following is the change in total provision for doubtful debts:

| | 2024 | 2023 |
|---|---|---|
| | NIS thousand | |
| Balance as of January 1 | - | 7,000 |
| Change in provision for one year | (2,000) | (7,000) |
| Balance as of December 31 | (2,000) | - |

## NOTE 11 - RECEIVABLES AND DEBIT BALANCES

**A. Composition**

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Government institutions and authorities | 20,970 | 20,085 |
| Accrued income | 251,710 | 158,713 |
| Prepaid expenses | 117,090 | 97,718 |
| Employees | 4,529 | 6,561 |
| Related parties - see Note 42 | 118,878 | 76,540 |
| Advances on account of fees and commissions to agents | 23,323 | 46,540 |
| Insurance companies and insurance brokers - other accounts | 370,559 | 256,051 |
| Debts - agents | 4,357 | 4,277 |
| Insurance fees and commissions receivable | 44,752 | 69,729 |
| Receivables for financial investments | 235,105 | 216,364 |
| Other | 142,824 | 94,547 |
| | 1,334,097 | 1,047,125 |
| Less provision for doubtful debts | (5) | (33) |
| Total receivables and debit balances | 1,334,092 | 1,047,092 |

**B. Following are the movements in the provision for doubtful debts which mainly relates to agents' debts**

| | 2024 | 2023 |
|---|---|---|
| | NIS thousand | |
| Balance as of January 1 | 33 | 31 |
| Change in provision for one year | (28) | 2 |
| Balance as of December 31 | 5 | 33 |

# NOTE 12 - PREMIUMS COLLECTIBLE

## A. Composition

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Collectible premiums (*) | 827,265 | 999,735 |
| Less provision for doubtful debts | (2,125) | (1,440) |
| Total collectible premiums (**) | 825,140 | 998,295 |
| Including checks collectible and direct debits | 789,183 | 656,291 |

(*) Regarding the collectible premium from related parties and interested parties, see Note 42.
(**) The Group's exposure to currency risks in connection with collectible premiums is described in Note 41, Risk Management. For the linkage terms of premiums collectible, see Note 41.

## B. Aging

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Unimpaired collectible premium not in arrears | 749,114 | 802,388 |
| In arrears (*): | | |
| Under 90 days | 56,339 | 148,671 |
| Between 90 and 180 days | 9,868 | 21,051 |
| Over 180 days | 4,184 | 18,386 |
| Total unimpaired collectible premium in arrears | 70,391 | 188,108 |
| Impaired collectible premium in arrears | 7,760 | 9,239 |
| Provision for doubtful accounts in respect of collectible premium | (2,125) | (1,440) |
| Total impaired collectible premium in arrears | 5,635 | 7,799 |
| Total premium | 825,140 | 998,295 |

(*) Includes debts in arrears in the life insurance segment of approx. NIS 16 million (as of December 31, 2023 - approx. NIS 22 million); these debts are mostly backed by the policies' cash surrender value.

## C. Following is the movement in provision for doubtful debts in respect of premiums collectible:

| | 2024 | 2023 |
|---|---|---|
| | NIS thousand | |
| Balance as of January 1 | 1,440 | 1,755 |
| Change in provision for one year - stated in profit and loss | 685 | (315) |
| Balance as of December 31 | 2,125 | 1,440 |

# NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS

## A. Breakdown of assets presented at fair value through profit and loss

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| **Investment property** | 2,425,542 | 2,283,063 |
| **Financial investments** | | |
| Liquid debt assets | 25,248,640 | 22,136,113 |
| Illiquid debt assets | 8,134,704 | 7,849,659 |
| Shares | 22,314,875 | 19,844,102 |
| Other financial investments | 38,079,733 | 32,988,063 |
| **Total financial investments** | 93,777,952 | 82,817,937 |
| Cash and cash equivalents | 17,724,306 | 19,303,547 |
| Other | 336,573 | 364,965 |
| **Total assets for yield-dependent contracts** | 114,264,373 | 104,769,512 |

For additional information regarding investment property, see Note 9 - Investment Property.
For further details on financial investments for yield-dependent contracts, see Note 41, Risk Management.

## B. 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.

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

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | NIS thousand | | | |
| Liquid debt assets | 16,876,330 | 5,259,783 | - | 22,136,113 |
| Illiquid debt assets | - | 5,154,886 | 2,694,773 | 7,849,659 |
| Shares | 17,550,366 | 189,265 | 2,104,471 | 19,844,102 |
| Other financial investments | 11,902,152 | 1,855,238 | 19,230,673 | 32,988,063 |
| Total | 46,328,848 | 12,459,172 | 24,029,917 | 82,817,937 |

During the reporting periods there were no material transfers between Level 1 and Level 2.
As to the methods and assumptions used to determine the fair value of financial assets, see Note 14G.

## NOTE 13 - ASSETS FOR YIELD-DEPENDENT CONTRACTS (cont.)

### C. Movement in financial assets measured at fair value and classified to Level 3:

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | NIS thousand | | | | |
| Balance as of January 1, 2024 | - | 2,694,773 | 2,104,471 | 19,230,673 | 24,029,917 |
| Total gains recognized in profit and 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) |
| Redemptions and 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 | - | 2,823,611 | 2,557,461 | 22,419,766 | 27,800,838 |
| (*) Of which: | | | | | |
| Total gains (losses) for the period included 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 from Level 3 stem mainly from securities whose rating changed.

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | NIS thousand | | | | |
| Balance as of January 1, 2023 | - | 1,916,398 | 1,876,296 | 17,268,806 | 21,061,500 |
| Total gains recognized in profit and loss (*) | - | 283,440 | 94,851 | 1,442,721 | 1,821,012 |
| Purchases | - | 1,505,591 | 288,034 | 3,671,319 | 5,464,944 |
| Proceeds from interest and dividend | - | (122,986) | (27,331) | (1,011,022) | (1,161,339) |
| Redemptions and sales | - | (1,233,422) | (127,379) | (2,082,158) | (3,442,959) |
| Transfers into Level 3 (**) | - | 665,478 | - | - | 665,478 |
| Transfers from Level 3 (**) | - | (319,726) | - | (58,993) | (378,719) |
| Balance as of December 31, 2023 | - | 2,694,773 | 2,104,471 | 19,230,673 | 24,029,917 |
| (*) Of which: | | | | | |
| Total gains for the period included in profit and loss in respect of assets held as of December 31 2023 | - | 71,551 | 88,863 | 510,766 | 671,180 |

(**) Transfers into (from) Level 3 stem mainly from securities whose rating changed and from securities issued for the first time.

## NOTE 13A - FINANCIAL INVESTMENTS FOR HOLDERS OF DEPOSIT CERTIFICATES AND STRUCTURED BONDS

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Held-for-trading securities in series accounts: | | |
| Illiquid bonds | 110,000 | 147,000 |
| Amounts receivable in respect of securities (*) | - | 26,000 |
| Total | 110,000 | 173,000 |

(*) As of balance sheet date, approx. NIS 25 million in principal and interest were received in cash.

# NOTE 14 - OTHER FINANCIAL INVESTMENTS

## A. Composition:

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | Presented at fair value through profit and loss | Available-for-sale | Loans and receivables | Total |
| | NIS thousand | | | |
| Financial investments: | | | | |
| Liquid debt assets | 576,227 | 5,838,465 | - | 6,414,692 |
| Illiquid debt assets | 32,081 | - | 15,872,959 | 15,905,040 |
| Shares | 147,455 | 2,859,033 | - | 3,006,488 |
| Other | 777,718 | 5,701,557 | - | 6,479,275 |
| Total | 1,533,481 | 14,399,055 | 15,872,959 | 31,805,495 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Presented at fair value through profit and loss | Available-for-sale | Loans and receivables | Total |
| | NIS thousand | | | |
| Financial investments: | | | | |
| Liquid debt assets | 378,850 | 5,394,587 | - | 5,773,437 |
| Illiquid debt assets | 21,060 | - | 16,572,861 | 16,593,921 |
| Shares | 111,761 | 2,175,831 | - | 2,287,592 |
| Other | 836,564 | 5,279,770 | - | 6,116,334 |
| Total | 1,348,235 | 12,850,188 | 16,572,861 | 30,771,284 |

## B. Liquid debt assets

Composition:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| **Government bonds** | | |
| Presented at fair value through profit and loss | 188,612 | 72,973 |
| Available for sale | 3,421,555 | 2,569,068 |
| Total government bonds | 3,610,167 | 2,642,041 |
| **Other debt assets:** | | |
| Non-convertible | | |
| Presented at fair value through profit and loss | 122,379 | 156,844 |
| Available-for-sale | 2,416,910 | 2,825,519 |
| Total other non-convertible debt assets | 2,539,289 | 2,982,363 |
| Convertible | | |
| Presented at fair value through profit or loss | 265,236 | 149,033 |
| Total other convertible debt assets | 265,236 | 149,033 |
| Total liquid debt assets | 6,414,692 | 5,773,437 |
| Regular impairments carried to profit and loss (aggregate) | 269,482 | 382,196 |

## NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

### C. Illiquid debt assets

| | As of December 31 | | | |
|---|---|---|---|---|
| | Carrying amount | | Fair value | |
| | 2024 | 2023 | 2024 | 2023 |
| | NIS thousand | | | |
| **Government bonds** | | | | |
| Presented as loans and receivables: | | | | |
| Designated bonds and treasury deposits (*) | 8,445,794 | 8,300,538 | 10,348,049 | 10,586,670 |
| Total government bonds | 8,445,794 | 8,300,538 | 10,348,049 | 10,586,670 |
| **Other non-convertible debt assets:** | | | | |
| Fair value through profit and loss | 32,081 | 21,060 | 32,081 | 21,060 |
| Presented as loans and receivables, excluding deposits with banks | 6,466,671 | 7,494,386 | 6,471,005 | 7,473,444 |
| Deposits with banks | 960,494 | 777,937 | 962,630 | 784,524 |
| Total other non-convertible debt assets | 7,459,246 | 8,293,383 | 7,465,716 | 8,279,028 |
| Total illiquid debt assets | 15,905,040 | 16,593,921 | 17,813,765 | 18,865,698 |
| Regular impairments carried to profit and loss (aggregate) | 32,289 | 103,271 | | |

(*) The fair value of designated bonds and treasury deposits was calculated in accordance with the (expected) contractual repayment date. In addition, see Note 45B.

### D. Details on paid interest and linkage in respect of debt assets

| | Effective interest rate | |
|---|---|---|
| | As of December 31 | |
| | 2024 | 2023 |
| | % | |
| **Liquid debt assets** | | |
| Linkage basis | | |
| CPI-linked | 2.87% | 2.95% |
| NIS | 4.72% | 4.82% |
| Linked to foreign currency | 8.08% | 9.25% |

| | Effective interest rate | |
|---|---|---|
| | As of December 31 | |
| | 2024 | 2023 |
| | % | |
| **Illiquid debt assets** | | |
| Linkage basis | | |
| CPI-linked | 5.68% | 4.68% |
| NIS | 5.45% | 7.43% |
| Linked to foreign currency | 7.92% | 8.03% |

# NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

## E. Shares

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| **Liquid** | | |
| Presented at fair value through profit and loss | 109,664 | 83,625 |
| Available for sale | 2,287,818 | 1,678,362 |
| Total liquid shares | 2,397,482 | 1,761,987 |
| **Illiquid** | | |
| Presented at fair value through profit and loss | 37,791 | 28,136 |
| Available for sale | 571,215 | 497,469 |
| Total illiquid shares | 609,006 | 525,605 |
| Total shares | 3,006,488 | 2,287,592 |
| Regular impairments carried to profit and loss (aggregate) | 263,162 | 299,754 |

## F.(1) Other financial investments

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| **Liquid** | | |
| Presented at fair value through profit and loss | 68,325 | 34,630 |
| Available for sale | 203,166 | 273,358 |
| Derivative instruments F(2) | 254,391 | 231,363 |
| Total liquid financial investments | 525,882 | 539,351 |
| **Illiquid** | | |
| Presented at fair value through profit and loss | 76,469 | 47,203 |
| Available for sale | 5,498,391 | 5,006,412 |
| Derivative instruments F(2) | 378,533 | 523,368 |
| Total illiquid financial investments | 5,953,393 | 5,576,983 |
| Total other financial investments | 6,479,275 | 6,116,334 |
| Regular impairments carried to profit and loss (aggregate) | 285,477 | 256,780 |

Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

As to engagement in connection with an undertaking to invest in funds, see Note 43C.

## F.(2) Derivative instruments

Following is the amount of net exposure to the underlying asset, presented in delta terms of financial transactions carried out as of the financial report date: (*)

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Foreign currency | (7,467,799) | (6,300,449) |
| Shares | 1,475,435 | 1,258,541 |
| Interest (**) | 2,186,657 | 1,669,186 |
| CPI | 1,967,515 | 1,715,006 |

The Company has other derivative instruments which are not included in the above table.

(*) The underlying assets are affected by intra-group exposures. The balances do not include shorts on securities. Regarding sensitivities to foreign currencies, shares, interest and index, see Section 3.3.2 to Note 41 below.

(**) Includes mainly contracts and options for bonds.

## NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

### G. The methods and assumptions used to determine fair value

The fair value of investments traded actively in regulated financial markets is determined based on market prices as of the reporting date. The value of investments that are not traded in an active market is determined as follows:

1. 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 TASE. 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.
In this regard, it is noted that a notice from the Capital Market Authority was received subsequent to the report date, 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.

Following are the weighted average interest rates for illiquid debt assets included in other financial investments, by rating:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | % | |
| AA and above | 2.18% | 1.68% |
| A | 3.94% | 4.78% |
| BBB | 4.03% | 10.40% |
| Lower than BBB and unrated | 19.66% | 20.43% |

(*) The sources for the ratings in Israel are Maalot, Midroog rating agencies and internal rating. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes all ranges, for example: A rating includes A- up to A+. Regarding internal rating, see Note 41, Section 6.3.

2. Illiquid shares

The fair value of the investment in illiquid shares was estimated mostly 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.

3. Derivatives

The Company enters into transactions involving derivative financial instruments with 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.

NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

### H. Fair value of financial assets by level

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | NIS thousand | | | |
| Liquid debt assets | 5,404,490 | 1,010,202 | - | 6,414,692 |
| Illiquid debt assets | - | - | 32,081 | 32,081 |
| Shares | 2,337,738 | 59,744 | 609,006 | 3,006,488 |
| Other | 621,301 | 312,734 | 5,545,240 | 6,479,275 |
| Total | 8,363,529 | 1,382,680 | 6,186,327 | 15,932,536 |
| Illiquid debt assets disclosed at fair value (see Section 14C above) | - | 14,033,282 | 3,748,402 | 17,781,684 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | NIS thousand | | | |
| Liquid debt assets | 4,913,289 | 860,148 | - | 5,773,437 |
| Illiquid debt assets | - | - | 21,060 | 21,060 |
| Shares | 1,696,440 | 65,547 | 525,605 | 2,287,592 |
| Other | 550,136 | 532,275 | 5,033,923 | 6,116,334 |
| Total | 7,159,865 | 1,457,970 | 5,580,588 | 14,198,423 |
| Illiquid debt assets disclosed at fair value (14C above) | - | 14,208,157 | 4,657,541 | 18,865,698 |

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

### I. Movement in assets measured at fair value - Level 3

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss and available-for-sale financial assets | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | NIS thousand | | | | |
| Balance as of January 1, 2024 | - | 21,060 | 525,605 | 5,033,923 | 5,580,588 |
| Total realized gains: | | | | | |
| In profit and loss (*) | - | 4,170 | 45,678 | 378,814 | 428,662 |
| In other comprehensive income | - | - | (7,876) | (6,067) | (13,943) |
| Purchases | - | 6,851 | 108,152 | 1,224,849 | 1,339,852 |
| Proceeds from interest and dividend | - | - | (7,800) | (287,223) | (295,023) |
| Redemptions and sales | - | - | (40,458) | (799,056) | (839,514) |
| Transfers from Level 3 (**) | - | - | (14,295) | - | (14,295) |
| Balance as of December 31, 2024 | - | 32,081 | 609,006 | 5,545,240 | 6,186,327 |
| (*) Of which: | | | | | |
| Total revenues (losses) for the period included in profit and loss in respect of assets held as of December 31, 2024 | - | 4,170 | 687 | (34,352) | (29,495) |

(**) Transfers from Level 3 stem mainly from securities classified to investment as an associate.

## NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

### I. Movement in assets measured at fair value - Level 3 (cont.)

| | Fair value measurement at the reporting date | | | | |
|---|---|---|---|---|---|
| | Financial assets at fair value through profit and loss and available-for-sale financial assets | | | | |
| | Liquid debt assets | Illiquid debt assets | Shares | Other financial investments | Total |
| | NIS thousand | | | | |
| Balance as of January 1, 2023 | - | - | 486,793 | 4,111,483 | 4,598,276 |
| Total gains (losses) recognized: | | | | | |
| In profit and loss (*) | - | 2,974 | (16,455) | 310,049 | 296,568 |
| In other comprehensive income | - | - | 44,079 | 159,098 | 203,177 |
| Purchases | - | 18,086 | 18,576 | 1,079,251 | 1,115,913 |
| Proceeds from interest and dividend | - | - | (6,978) | (277,485) | (284,463) |
| Redemptions and sales | - | - | (410) | (321,957) | (322,367) |
| Transfers from Level 3 (**) | - | - | - | (26,516) | (26,516) |
| Balance as of December 31, 2023 | - | 21,060 | 525,605 | 5,033,923 | 5,580,588 |
| (*) Of which: | | | | | |
| Total gains (losses) for the period included in profit and loss in respect of assets held as of December 31, 2023 | - | 2,974 | (26,269) | (45,060) | (68,355) |

(**) Transfers from Level 3 stem primarily from a securities issued for the first time.

### J. Aging of investments in illiquid financial debt assets

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| **Unimpaired debt assets** | | |
| No arrears | 15,868,545 | 16,368,333 |
| In arrears (*): | | |
| Under 90 days | - | 19 |
| Total unimpaired debt assets | 15,868,545 | 16,368,352 |
| **Impaired debt assets:** | | |
| Impaired assets, gross | 68,784 | 328,840 |
| Provision for loss (**) | (32,289) | (103,271) |
| Impaired debt assets, net | 36,495 | 225,569 |
| Total illiquid debt assets | 15,905,040 | 16,593,921 |

It should be noted that the above amounts do not constitute the actual amount in arrears, but rather the portion of the entire outstanding debt in arrears.

(*) Mainly loans to agents secured by a mortgage on real estate properties.

(**) Most of the increase in debt assets whose value was impaired in 2023 stems from a debt to a real estate project of K.M Madaf 5 Ltd. of the Hanan Mor group; in 2024, most of the debt was paid.

## NOTE 14 - OTHER FINANCIAL INVESTMENTS (cont.)

### K. Credit assets in respect of factoring, clearing and financing

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Trade receivables and checks for collection (*) | 1,351,253 | 858,113 |
| Credit vouchers | 23,294 | 10,539 |
| Credit to businesses and construction financing (*) | 1,801,357 | 1,016,231 |
| Credit vouchers for sale | 1,841,439 | 1,851,336 |
| Credit loss provision (*) | (47,109) | (35,870) |
| Total | 4,970,234 | 3,700,349 |

(*) For details regarding the restructuring in the Credit Segment, see Note 8E(5).
As a result of the restructuring, Gama has off-balance sheet credit provision liabilities, whose total amount as of December 31, 2024 is approx. NIS 1.8 billion; for details regarding the total amount of the Group's credit provision liabilities, see Note 43C(3).

### L. Disclosure required in connection with the temporary exemption due to application of IFRS 9

The following table presents the fair value of the financial assets divided into two classes:

- Assets that are subject to the principal and interest test only (excluding assets that are held-for-trading or managed on a fair value basis through profit and loss (hereinafter - "**Class A**")).

- All other financial assets (hereinafter - "**Class B**").

| | Class A | | Class B | |
|---|---|---|---|---|
| | As of December 31 | | As of December 31 | |
| | 2024 | 2023 | 2024 | 2023 |
| | NIS thousand | | | |
| Financial investments for yield-dependent contracts | | | | |
| Total financial investments | - | - | 93,777,952 | 82,817,937 |
| Cash and cash equivalents | - | - | 17,724,306 | 19,303,547 |
| Financial investments for non-yield-dependent contracts | | | | |
| Liquid debt assets | 5,434,644 | 4,901,176 | 888,577 | 834,907 |
| Illiquid debt assets in terms of fair value | 16,562,495 | 17,600,140 | 284,645 | 266,155 |
| Shares | - | - | 2,895,350 | 2,190,718 |
| Other financial investments | - | - | 6,414,138 | 6,064,969 |
| Total financial investments | 21,997,139 | 22,501,316 | 10,482,710 | 9,356,749 |
| Cash and cash equivalents | 2,240,586 | 2,142,595 | - | - |

# NOTE 15 - CASH AND CASH EQUIVALENTS

## A. Cash and cash equivalents in respect of yield-dependent contracts

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Cash and deposits with banks available for immediate withdrawal | 4,476,245 | 5,636,914 |
| Short term deposits | 13,248,061 | 13,666,633 |
| Cash and cash equivalents | 17,724,306 | 19,303,547 |

As of balance sheet date, the cash with banks bear current interest of 4.14%-4.20% based on nominal interest rates applicable to daily deposits with banks (December 31, 2024 - 4.37%-4.41%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 4.20%-4.50% (December 31, 2023 - 4.40%-4.45%).

For the terms and conditions of linkage of cash and short-term deposits, see Note 41.

## B. Other cash and cash equivalents

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Cash and deposits with banks available for immediate withdrawal | 2,510,809 | 2,537,571 |
| Short term deposits | 231,218 | 515,452 |
| Cash and cash equivalents | 2,742,027 | 3,053,023 |

As of balance sheet date, the cash with banks bear current interest of 4.14%-4.20% based on nominal interest rates applicable to daily deposits with banks (December 31, 2023 - 4.37%-4.41%).

Short-term deposits deposited with banking corporations are for periods ranging between one week and three months. The deposits bear a nominal interest rate of 4.20%-4.50% (December 31, 2023 - 4.40%-4.45%).

For the terms and conditions of linkage of cash and short-term deposits, see Note 41.

# NOTE 16 - EQUITY AND CAPITAL RESERVES

## A. Composition of share capital

| | December 31, 2024 | | December 31, 2023 | |
|---|---|---|---|---|
| | Authorized | Issued and paid up | Authorized | Issued and paid up |
| | NIS thousand | | | |
| Ordinary shares of NIS 1 p.v. each | 300,000 | 261,967(*) | 300,000 | 259,543(*) |

(*) Excluding treasury shares. For details regarding treasury shares, see Section D below.

On August 23, 2022, the Company published a shelf prospectus, which is dated August 24, 2022 and is valid through August 23, 2024. Under the Prospectus, the Company may issue various securities such as: ordinary Company shares of NIS 1 p.v. each (hereinafter in this section - "**Company shares**"), preferred shares, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, option warrants exercisable into bonds convertible into Company shares, commercial securities and any other security that may be lawfully issued by virtue of the shelf prospectus on the relevant date.

On August 15, 2024, the Israel Securities Authority approved the extension of the term of the Company's shelf prospectus by one further year, through August 23, 2025. For further details, see the immediate report dated August 15, 2024 (Ref. No.: 2024-01-083445).

## B. Movement in share capital

| | No. of shares in thousands | Total par value in NIS thousand |
|---|---|---|
| Balance as of January 1, 2023 | 257,843 | 257,843 |
| Issuance of shares (*) | 1,700 | 1,700 |
| Balance as of December 31, 2023 | 259,543 | 259,543 |
| Issuance of shares (*) | 2,424 | 2,424 |
| Balance as of December 31, 2024 | 261,967(*) | 261,967(*) |

(*) Arises from exercise of options (see Note37C), excluding treasury shares. For details regarding treasury shares, see Section D below.

## C. Rights attached to shares

1. Voting rights in the general meeting, rights to receive dividends, rights upon liquidation of the Company and rights to appoint directors in the Company.

2. The Company's shares are listed on the TASE.

## D. Treasury shares - Company shares held by the Company

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| Shares | | |
| Rate of issued capital (in %) | 4.32% | 2.49% |
| Accumulated cost (in NIS thousand) | 376,885 | 193,866 |
| Balance of treasury shares (in thousands) | 11,310 | 6,452 |

## NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

### D. Treasury shares - Company shares held by the Company (cont.)

2024 share buyback plan

On January 31, 2024, 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. On June 5, 2024, the Board of Directors approved the revision of the 2024 plan, such that a further amount of up to NIS 100 million will be added to the overall cost of the existing buyback plan, without change to the expiry date of the existing buyback plan, i.e., through January 31, 2025. Subsequent to the abovementioned change, the total cost of the plans will be up to NIS 200 million.
The plan shall be executed from time to time by Company's management, which was authorized by the Company's Board of Directors to purchase the securities at its discretion during the period set for the execution of the plan. During 2024, the Company acquired 4,858 thousand shares at the total value of approx. NIS 183 million. Subsequent to the balance sheet date, the Company purchased approx. 40 thousand shares at a total cost of approx. NIS 2 million. The aggregate purchase rate of this plan is 92.5%.

2025 share buyback plan

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. Subsequent to the balance sheet date, the Company purchased approx. 180 thousand shares at a total cost of approx. NIS 11 million.

As of the report's publication date, the Company holds approx. 11,530 thousand Company shares.

Furthermore, in the future some of the shares purchased as part of the share buyback plan may serve for the purpose of exercising the options awarded to officers and employees of the Company and subsidiaries.

### E. Adjustments arising from translation of financial statements

Capital reserve from translation differences stems from changes in exchange rates of foreign currency arising from translation of the financial statements of investees which constitute foreign operations, and from changes in the exchange rates of foreign currency stemming from translation of financial statements from the functional currency to the presentation currency.

### F. Capital management

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 of the Group.
This capital is also designed to support the risks inherent in the Group's business, such as market and credit risks, operational risks, catastrophe risks and more.
Phoenix Insurance, and other institutional entities consolidated in the financial statements are subject to external capital requirements set by the Insurance Commissioner; for further details, see Note 8F.

### G. Reserve in respect of transaction with controlling shareholder

Assets and liabilities, which are the subject matter of a transaction between the Company and its controlling shareholder or between companies under common control, are recognized at fair value on the transaction date. The difference between the fair value and the transaction's consideration is carried to equity. A negative difference is essentially a dividend and therefore reduces the balance of retained earnings. A positive difference is essentially a shareholders' investment and is therefore presented as a separate line item, under equity: "Reserve in respect of a transaction with controlling shareholder".

## NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

### H. Dividend

1. Dividend distribution policy
In October 2020, the Company's Board of Directors approved a dividend distribution policy, whereby the Company shall distribute an annual dividend at a minimum rate of 30% of the Company's distributable comprehensive income as per its audited annual consolidated Financial Statements for the relevant year.

As part of the policy it is stipulated that amounts used to implement the share buyback plan as described in Section D above shall be included in the amount of dividend calculated in accordance with the policy.

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

Furthermore, the Company will not include in the amount of the dividend any amounts that were used for the execution of the share buyback plan.
On May 28, 2024, the Company's Board of Directors approved a further revision of the dividend distribution policy, which will apply to future dividend distributions as from 2024, whereby the Company shall distribute an annual dividend at a minimum rate of 40% of the Company's distributable comprehensive income as per its audited Consolidated Annual Financial Statements for the relevant year. All other provisions of the Company's dividend distribution policy and distribution timing have not changed.

It is hereby clarified that this policy should not be viewed as an undertaking by the Company 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 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 the Company has undertaken and/or will undertake to comply with, to the Company's having sufficient distributable profits on the relevant dates, to the condition that the distribution shall not adversely affect the terms of the Company's bonds and/or its cash flows, and to the extent to which the Company 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 Director 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 the Company, to change the dividend distribution policy, including the rate of dividend to be distributed.

2. On March 22, 2023, the Company's Board of Directors approved a dividend distribution in the amount of approx. NIS 177 million. The dividend per share of NIS 1 p.v. is NIS 0.7. The record date for the distribution is March 30, 2023; the dividend was paid on April 10, 2023.

3. On August 23, 2023, the company's Board of Directors approved a dividend distribution in the amount of approx. NIS 120 million in respect of the Company's income for the 6-month period ended June 30, 2023. The dividend per share of NIS 1 p.v. is NIS 0.47. The record date is August 31, 2023, and the dividend paid on September 7, 2023.

## NOTE 16 - EQUITY AND CAPITAL RESERVES (cont.)

### H. Dividend (cont.)

4. On March 26, 2024, the Company's Board of Directors approved a dividend distribution in respect of income for 2023, in the amount of NIS 265 million. The dividend per share of NIS 1 p.v. is NIS 1.04. The record date for the distribution is April 3, 2024; the dividend was paid on April 11, 2024.

5. On August 21, 2024, the Company's Board of Directors approved a dividend distribution in the amount of approx. NIS 270 million. The dividend per share of NIS 1 p.v. is NIS 1.07. The dividend was paid on September 11, 2024.

6. Subsequent to the balance sheet date, on March 12, 2025, the Company's Board of Directors approved a dividend distribution in the amount of approx. NIS 565 million. The dividend per share of NIS 1 p.v. is NIS 2.25. The record date for the distribution is March 20, 2025; the dividend will be paid on March 27, 2025.

### I. Revaluation reserve

Revaluation reserve is used to record fair value adjustments (net of the tax effect) of property, plant and equipment and impairment up to the amount of appreciation recorded in respect of that asset in capital reserves.

### J. Capital reserve from transactions with non-controlling interests

The movement in capital reserve from transactions with non-controlling interests arises from transactions carried out with the minority shareholders in Phoenix Investments and Phoenix Agencies. For further details, see Note 8E (1),(2).

## NOTE 17 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND NON-YIELD-DEPENDENT INVESTMENT CONTRACTS

| | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | NIS thousand | | | | | |
| Life and savings | | | | | | |
| Insurance contracts (see Note 20) | 13,495,586 | 12,876,574 | 483,998 | 318,115 | 13,011,588 | 12,558,459 |
| Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees | 4,900 | 4,884 | - | - | 4,900 | 4,884 |
| Total life and savings | 13,490,686 | 12,871,690 | 483,998 | 318,115 | 13,006,688 | 12,553,575 |
| Investment contracts included in the Retirement (Pension and Provident) segment | 1,101,836 | 1,063,093 | - | - | 1,101,836 | 1,063,093 |
| Total | 14,592,522 | 13,934,783 | 483,998 | 318,115 | 14,108,524 | 13,616,668 |
| Insurance contracts included in the health insurance segment (see Note 21) | 3,799,976 | 3,811,834 | 540,219 | 685,915 | 3,259,757 | 3,125,919 |
| Insurance contracts included in the property and casualty insurance segment (see Note 19) | 7,816,123 | 7,850,579 | 2,695,859 | 2,817,177 | 5,120,264 | 5,033,402 |
| Total liabilities for insurance contracts and non-yield-dependent investment contracts | 26,208,621 | 25,597,196 | 3,720,076 | 3,821,207 | 22,488,545 | 21,775,989 |

## NOTE 18 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND YIELD-DEPENDENT INVESTMENT CONTRACTS

| | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | NIS thousand | | | | | |
| Life and savings | | | | | | |
| Insurance contracts | 76,311,663 | 70,920,728 | 152,079 | 166,795 | 76,159,584 | 70,753,933 |
| Investment contracts | 32,422,762 | 23,787,779 | - | - | 32,422,762 | 23,787,779 |
| Total life insurance (see Note 20) | 108,734,425 | 94,708,507 | 152,079 | 166,795 | 108,582,346 | 94,541,712 |
| Less amounts deposited to the Company as part of a defined benefit plan for the Group's employees | 14,873 | 14,784 | - | - | 14,873 | 14,784 |
| Total life and savings | 108,719,552 | 94,693,723 | 152,079 | 166,795 | 108,567,473 | 94,526,928 |
| Insurance contracts included in the health insurance segment (see Note 21) | 2,764,349(1) | 8,279,568 | 45,247 | 40,259 | 2,719,102 | 8,239,309 |
| Total liabilities for insurance contracts and yield-dependent investment contracts | 111,483,901 | 102,973,291 | 197,326 | 207,054 | 111,286,575 | 102,766,237 |

(1) For further details, see Note 21C(5).

In yield-dependent insurance contracts, the insurance benefits payable to the beneficiary are dependent on or linked to the yield on certain investments of the Company, net of management fees. These contracts include, among other things, bonus-malus insurance plans in which the policyholder is credited/debited in accordance with the investment results of the Company's participating policies portfolio. In non-yield-dependent insurance contracts, the insurance benefits to which the policyholder is entitled are not dependent on the profit or loss from investments made by the Company.

The distinction between yield-dependent contracts and non-yield-dependent contracts is made at the individual coverage level, such that there are insurance policies with several coverages, some of which are yield-dependent contracts and some are non-yield-dependent contracts.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT

**A.(1) Liabilities in respect of insurance contracts included in the Property and Casualty Insurance Segment by type:**

| | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | NIS thousand | | | | | |
| Compulsory Motor and Liability Subsegments: | | | | | | |
| Provision for unearned premium | 720,405 | 645,265 | 192,258 | 174,527 | 528,147 | 470,738 |
| Contingent claims and provision for premium deficiency | 4,559,975 | 4,814,830 | 1,525,668 | 1,670,051 | 3,034,307 | 3,144,779 |
| Total Compulsory Motor and Liability Insurance Subsegments | 5,280,380 | 5,460,095 | 1,717,926 | 1,844,578 | 3,562,454 | 3,615,517 |
| Of which - total liability in respect of the Compulsory Motor Subsegment | 2,657,699 | 2,985,505 | 600,426 | 941,791 | 2,057,273 | 2,043,714 |
| Property and Other Subsegments: | | | | | | |
| Provision for unearned premium | 1,380,421 | 1,278,747 | 336,385 | 328,157 | 1,044,036 | 950,590 |
| Contingent claims | 1,155,322 | 1,111,737 | 641,548 | 644,442 | 513,774 | 467,295 |
| Total Property and Other Subsegments | 2,535,743 | 2,390,484 | 977,933 | 972,599 | 1,557,810 | 1,417,885 |
| Total liabilities in respect of insurance contracts included in the Property and Casualty Insurance Segment | 7,816,123 | 7,850,579 | 2,695,859 | 2,817,177 | 5,120,264 | 5,033,402 |
| Deferred acquisition costs: | | | | | | |
| Compulsory Motor and Liability Subsegments | 118,781 | 105,208 | 31,350 | 28,823 | 87,431 | 76,385 |
| Property and Other Subsegments | 290,443 | 240,816 | 75,892 | 55,201 | 214,551 | 185,615 |
| Total deferred acquisition costs | 409,224 | 346,024 | 107,242 | 84,024 | 301,982 | 262,000 |
| Liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs: | | | | | | |
| Compulsory Motor and Liability Subsegments | 5,161,599 | 5,354,887 | 1,686,576 | 1,815,755 | 3,475,023 | 3,539,132 |
| Property and Other Subsegments | 2,245,300 | 2,149,668 | 902,040 | 917,397 | 1,343,260 | 1,232,271 |
| Total liabilities in respect of property and casualty insurance contracts, net of deferred acquisition costs | 7,406,899 | 7,504,555 | 2,588,616 | 2,733,152 | 4,818,283 | 4,771,403 |

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

**A.(2) Liabilities in respect of insurance contracts included in the Property and Casualty Insurance Segment by calculation methods:**

| | As of December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | NIS thousand | | | | | |
| Actuarial assessments: | | | | | | |
| Total actuarial assessments by Ms. Anna Nahum, Property and Casualty Insurance Actuary | 5,652,265 | 5,869,323 | 2,146,605 | 2,291,622 | 3,505,660 | 3,577,701 |
| Total actuarial assessments by Ms. Luba Sharapov, Health Insurance Actuary | 6,683 | 6,245 | 122 | 135 | 6,561 | 6,110 |
| Total actuarial assessments | 5,658,948 | 5,875,568 | 2,146,727 | 2,291,757 | 3,512,221 | 3,583,811 |
| Provisions based on other estimates: | | | | | | |
| Claims Department's estimates in respect of known contingent claims | 24,565 | 26,942 | 17,929 | 19,220 | 6,636 | 7,722 |
| Addition for contingent claims in respect of claims incurred but not yet reported (IBNR) | 31,784 | 24,057 | 2,560 | 3,516 | 29,224 | 20,541 |
| Provision for unearned premium | 2,100,826 | 1,924,012 | 528,643 | 502,684 | 1,572,183 | 1,421,328 |
| Total liabilities in respect of insurance contracts included in the Property and Casualty Insurance Segment | 7,816,123 | 7,850,579 | 2,695,859 | 2,817,177 | 5,120,264 | 5,033,402 |

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## B. Change in liabilities in respect of insurance contracts included in the Property and Casualty Subsegments, net of deferred acquisition costs:

1. Compulsory Motor and Liability Subsegments

| | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | NIS thousand | | | | | |
| **Balance at beginning of year** | 5,354,887 | 5,318,313 | 1,815,755 | 1,805,482 | 3,539,132 | 3,512,831 |
| Ultimate cost of claims in respect of current underwriting year | 1,152,769 | 1,110,717 | 299,270 | 283,035 | 853,499 | 827,682 |
| Change in balances at beginning of year as a result of linkage to the CPI and investment income in accordance with the discount assumption implicit in the liabilities | 163,669 | 188,349 | 56,023 | 63,729 | 107,646 | 124,620 |
| Change in estimated ultimate cost of claims in respect of previous underwriting years (5) | (457,492) | (600,435) | (87,950) | (121,203) | (369,542) | (479,232) |
| **Total change in ultimate cost of claims** | 858,946 | 698,631 | 267,343 | 225,561 | 591,603 | 473,070 |
| Payments to settle claims during the year: | | | | | | |
| In respect of current underwriting year | (9,381) | (13,761) | (2,292) | (3,082) | (7,089) | (10,679) |
| In respect of previous underwriting years (6) | (1,042,853) | (648,296) | (394,230) | (212,206) | (648,623) | (436,090) |
| **Total payments for the period** | (1,052,234) | (662,057) | (396,522) | (215,288) | (655,712) | (446,769) |
| **Balance as of end of year** | 5,161,599 | 5,354,887 | 1,686,576 | 1,815,755 | 3,475,023 | 3,539,132 |

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims is: the balance of contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs plus total payments in respect of claims including direct and indirect expenses associated with the settlement of claims.
3. The payments include indirect costs associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the relevant underwriting year.
4. The ultimate cost of claims is revised based on the model in accordance with the actual development of claims.
5. The change in the estimated ultimate cost of claims for previous years in 2024 and 2023 - gross and retention, including the effect of the change in excess value of illiquid assets, in accordance with the revised circular regarding the valuation of property and casualty insurance claims. During the reporting period, there was a moderation in positive development in the Liability and Compulsory Motor Subsegments in relation to 2023. In 2023, and the estimated cost of claims in the Sale Law Guarantee Subsegment was revised, such that it will reflect the policyholders' adjusted credit risks. For further details, see Note 41, 5.2.2.5.
6. The increase in gross and retention payments in respect of previous underwriting years stems from the Compulsory Motor Subsegment following a cutoff agreement with the National Insurance Institute.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## B. Change in liabilities in respect of insurance contracts included in the Property and Casualty Subsegments, net of deferred acquisition costs: (cont.)

2. Property and Other Subsegments

| | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | Gross | | Reinsurance | | Retention | |
| | | | NIS thousand | | | |
| **Balance at beginning of year** | 2,149,668 | 1,501,097 | 917,397 | 426,117 | 1,232,271 | 1,074,980 |
| Ultimate cost of claims in respect of events in the reporting year (5) | 1,703,526 | 2,201,010 | 299,236 | 737,310 | 1,404,290 | 1,463,700 |
| Change in the ultimate cost of claims in respect of events prior to the reporting year (6) | (11,132) | 45,946 | (6,517) | 16,612 | (4,615) | 29,334 |
| Payments to settle claims during the year: | | | | | | |
| In respect of events in the reporting year (7) | (1,207,450) | (1,371,824) | (151,011) | (243,962) | (1,056,439) | (1,127,862) |
| In respect of events prior to the reporting year | (441,359) | (436,088) | (144,603) | (96,966) | (296,756) | (339,122) |
| **Total payments** | (1,648,809) | (1,807,912) | (295,614) | (340,928) | (1,353,195) | (1,466,984) |
| Change in provision for unearned premium reserve, net of deferred acquisition costs (8) | 52,047 | 261,817 | (12,462) | 78,286 | 64,509 | 183,531 |
| Change in provision for premium deficiency (9) | - | (52,290) | - | - | - | (52,290) |
| **Balance as of end of year** | 2,245,300 | 2,149,668 | 902,040 | 917,397 | 1,343,260 | 1,232,271 |

1. The opening and closing balances include: contingent claims, provision for premium deficiency, unearned premium net of deferred acquisition costs.
2. The ultimate cost of claims in respect of events in the reporting year includes the balance of contingent claims as of the end of the reporting year plus total payments in respect of claims in the reporting period, including direct and indirect expenses associated with the settlement of claims.
3. Payments to settle claims during the year include payments in respect of events prior to the reporting year.
4. Payments to settle claims include direct and indirect expenses associated with the settlement of claims (general and administrative expenses recorded in respect of the claims) attributed to the damage years.
5. The increase in the ultimate cost of claims in respect of events - gross - and reinsurance in 2023 compared to 2024 stems mainly from the Property Loss Insurance Subsegment in respect of an extraordinary claim which is covered (100%) by reinsurance.
6. The change in the gross ultimate cost of claims in respect of events prior to the reporting year in 2024 compared to 2023 is mainly attributed to the motor property, Property Loss and Business Subsegments. The change in reinsurance stems from the Property Loss and Business Insurance Subsegment.
7. The decrease in payments to settle claims during the year - gross - in 2024 compared to 2023 stems mainly from the Property Loss Insurance Subsegment in respect of an extraordinary claim in 2023 which is covered (100%) by reinsurance, and a decrease in the motor property claims. The decrease in retention stems from the Motor Property Subsegment.
8. The change in provision for unearned premium, net of gross deferred acquisition costs derives from the Motor Property and Property Loss Subsegments. Reinsurance stems from the Property Loss Insurance Subsegment.
9. The change in provision of premium deficiency stems from the Motor Property Subsegment.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## C.(1) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the Compulsory Motor and Liability Insurance Subsegments:

| | December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Underwriting year | | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (1) | | | | | | | | | | |
| Claims paid (cumulative) as of the end of the year | | | | | | | | | | | |
| After the first year | 8,586 | 11,888 | 14,260 | 20,705 | 10,245 | 8,857 | 11,961 | 8,725 | 14,355 | 9,511 | |
| After two years | 47,354 | 51,504 | 74,091 | 64,519 | 54,089 | 55,548 | 55,272 | 53,446 | 60,630 | | |
| After three years | 113,893 | 130,084 | 172,969 | 161,394 | 157,109 | 145,289 | 159,462 | 210,059 | | | |
| After four years | 199,560 | 216,483 | 300,766 | 268,844 | 249,151 | 241,758 | 359,658 | | | | |
| After five years | 288,563 | 297,897 | 397,464 | 356,089 | 342,335 | 383,967 | | | | | |
| After six years | 369,491 | 368,827 | 453,236 | 423,401 | 480,264 | | | | | | |
| After seven years | 436,046 | 433,328 | 523,623 | 543,570 | | | | | | | |
| After eight years | 502,770 | 507,911 | 619,176 | | | | | | | | |
| After nine years | 547,191 | 565,531 | | | | | | | | | |
| After ten years | 586,513 | | | | | | | | | | |
| Estimated cumulative claims (including payments) as of the end of the year: | | | | | | | | | | | |
| After the first year (2) | 816,537 | 918,813 | 960,693 | 1,059,388 | 1,025,042 | 1,060,180 | 1,233,586 | 1,197,280 | 1,148,885 | 1,152,899 | |
| After two years | 832,733 | 915,245 | 965,838 | 998,417 | 970,095 | 1,050,092 | 1,141,219 | 1,074,079 | 1,013,086 | | |
| After three years | 839,892 | 915,820 | 948,612 | 971,077 | 993,817 | 944,012 | 1,052,151 | 1,005,367 | | | |
| After four years | 820,247 | 873,202 | 934,979 | 965,368 | 920,391 | 841,015 | 980,410 | | | | |
| After five years | 803,886 | 848,913 | 920,045 | 898,185 | 857,293 | 810,959 | | | | | |
| After six years | 767,764 | 779,945 | 852,792 | 825,961 | 862,703 | | | | | | |
| After seven years | 755,972 | 738,042 | 823,253 | 789,053 | | | | | | | |
| After eight years | 713,305 | 704,834 | 783,665 | | | | | | | | |
| After nine years | 685,403 | 685,660 | | | | | | | | | |
| After ten years | 673,312 | | | | | | | | | | |
| Surplus with respect to the first year (3) | 143,225 | 233,154 | 177,028 | 270,335 | 162,339 | 249,221 | 253,176 | 191,913 | 135,799 | | 1,816,190 |
| Deviation rate in respect of the first year in % (4) | 17.5% | 25.4% | 18.4% | 25.5% | 15.8% | 23.5% | 20.5% | 16.0% | 11.8% | | 19.2% |
| The cumulative cost of claims as of December 31, 2024 | 673,312 | 685,660 | 783,665 | 789,053 | 862,703 | 810,959 | 980,410 | 1,005,367 | 1,013,086 | 1,152,899 | 8,757,114 |
| Aggregate payments through December 31, 2024 | 586,513 | 565,531 | 619,176 | 543,570 | 480,264 | 383,967 | 359,658 | 210,059 | 60,630 | 9,511 | 3,818,880 |
| Contingent claims as of end of the period | 86,799 | 120,129 | 164,489 | 245,483 | 382,439 | 426,992 | 620,752 | 795,308 | 952,456 | 1,143,388 | 4,938,234 |
| For years up to and including the underwriting year 2014 | | | | | | | | | | | 223,365 |
| Total gross liability in respect of insurance contracts in Compulsory Motor and Liability Insurance Subsegments less deferred acquisition costs as of December 31, 2024 | | | | | | | | | | | 5,161,599 |

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
(3) Surplus for the first year is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.
(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## C.(2) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the Compulsory Motor and Liability Insurance Subsegments:

| | December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Underwriting year | | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (1) | | | | | | | | | | |
| Claims paid (cumulative) as of the end of the year | | | | | | | | | | | |
| After the first year | 8,402 | 10,131 | 11,543 | 10,432 | 8,923 | 7,630 | 10,368 | 6,967 | 11,139 | 7,189 | |
| After two years | 41,201 | 44,295 | 44,045 | 37,697 | 34,996 | 40,959 | 37,028 | 40,298 | 48,458 | | |
| After three years | 104,992 | 118,297 | 105,260 | 88,951 | 87,012 | 91,187 | 96,422 | 161,800 | | | |
| After four years | 189,593 | 201,608 | 177,250 | 146,444 | 135,903 | 144,943 | 212,423 | | | | |
| After five years | 276,051 | 281,907 | 234,299 | 193,138 | 178,314 | 218,575 | | | | | |
| After six years | 350,899 | 351,250 | 270,927 | 230,701 | 243,309 | | | | | | |
| After seven years | 410,547 | 416,224 | 310,667 | 285,585 | | | | | | | |
| After eight years | 476,916 | 489,505 | 364,461 | | | | | | | | |
| After nine years | 521,055 | 546,425 | | | | | | | | | |
| After ten years | 558,764 | | | | | | | | | | |
| Estimated cumulative claims (including payments) as of the end of the year: | | | | | | | | | | | |
| After the first year (2) | 770,673 | 878,446 | 641,531 | 633,973 | 589,733 | 641,638 | 725,809 | 848,832 | 856,127 | 853,598 | |
| After two years | 801,154 | 882,305 | 634,582 | 592,212 | 543,935 | 641,037 | 667,728 | 749,942 | 760,776 | | |
| After three years | 812,225 | 871,740 | 627,855 | 568,004 | 550,515 | 554,257 | 599,639 | 698,041 | | | |
| After four years | 791,609 | 832,929 | 610,502 | 561,123 | 491,734 | 485,903 | 551,735 | | | | |
| After five years | 773,966 | 810,456 | 594,944 | 511,798 | 445,850 | 460,608 | | | | | |
| After six years | 732,540 | 746,999 | 537,209 | 470,354 | 434,450 | | | | | | |
| After seven years | 716,527 | 708,114 | 507,131 | 436,328 | | | | | | | |
| After eight years | 671,902 | 674,658 | 476,373 | | | | | | | | |
| After nine years | 647,149 | 657,335 | | | | | | | | | |
| After ten years | 636,482 | | | | | | | | | | |
| Surplus with respect to the first year (3) | 134,191 | 221,111 | 165,158 | 197,645 | 155,283 | 181,030 | 174,074 | 150,791 | 95,351 | | 1,474,634 |
| Deviation rate in respect of the first year in % (4) | 17.4% | 25.2% | 25.7% | 31.2% | 26.3% | 28.2% | 24.0% | 17.8% | 11.1% | | 22.3% |
| The cumulative cost of claims as of December 31, 2024 | 636,482 | 657,335 | 476,373 | 436,328 | 434,450 | 460,608 | 551,735 | 698,041 | 760,776 | 853,598 | 5,965,726 |
| Aggregate payments through December 31, 2024 | 558,764 | 546,425 | 364,461 | 285,585 | 243,309 | 218,575 | 212,423 | 161,800 | 48,458 | 7,189 | 2,646,990 |
| Contingent claims as of end of the period | 77,718 | 110,910 | 111,912 | 150,743 | 191,141 | 242,033 | 339,312 | 536,241 | 712,318 | 846,409 | 3,318,736 |
| For years up to and including the underwriting year 2014 | | | | | | | | | | | 156,287 |
| Total liabilities (retention) in respect of insurance contracts in the Compulsory Motor and Liability Subsegments, net of deferred acquisition costs as of December 31, 2024 | | | | | | | | | | | 3,475,023 |

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.
(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.
(3) Surplus for the first year is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.
(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## C.(3) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, gross, in the Compulsory Motor Insurance Subsegment:

| | December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Underwriting year | | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (1) | | | | | | | | | | |
| Claims paid (cumulative) as of the end of the year | | | | | | | | | | | |
| After the first year | 5,379 | 6,608 | 9,349 | 7,739 | 6,638 | 4,836 | 4,987 | 4,783 | 4,828 | 4,805 | |
| After two years | 23,151 | 27,522 | 41,051 | 36,166 | 35,074 | 31,621 | 36,105 | 33,734 | 34,131 | | |
| After three years | 70,412 | 82,343 | 112,548 | 111,391 | 115,262 | 101,211 | 120,158 | 171,736 | | | |
| After four years | 132,155 | 143,920 | 193,965 | 190,269 | 183,436 | 172,860 | 300,281 | | | | |
| After five years | 191,940 | 203,843 | 252,693 | 254,723 | 241,380 | 296,940 | | | | | |
| After six years | 239,752 | 242,975 | 293,864 | 297,341 | 356,245 | | | | | | |
| After seven years | 278,853 | 284,378 | 342,539 | 396,549 | | | | | | | |
| After eight years | 329,883 | 340,088 | 416,275 | | | | | | | | |
| After nine years | 356,630 | 381,747 | | | | | | | | | |
| After ten years | 376,839 | | | | | | | | | | |
| Estimated cumulative claims (including payments) as of the end of the year: | | | | | | | | | | | |
| After the first year (2) | 506,917 | 587,533 | 627,522 | 677,598 | 672,135 | 674,926 | 769,660 | 721,836 | 639,263 | 646,186 | |
| After two years | 518,258 | 566,283 | 610,005 | 629,964 | 639,345 | 674,189 | 725,883 | 675,135 | 582,706 | | |
| After three years | 515,462 | 554,524 | 575,846 | 610,508 | 647,819 | 576,475 | 679,494 | 624,743 | | | |
| After four years | 491,931 | 519,716 | 558,038 | 608,541 | 578,322 | 507,635 | 634,793 | | | | |
| After five years | 476,469 | 503,150 | 551,999 | 564,215 | 510,494 | 491,471 | | | | | |
| After six years | 439,400 | 446,966 | 517,858 | 513,431 | 503,742 | | | | | | |
| After seven years | 436,392 | 433,110 | 503,074 | 503,189 | | | | | | | |
| After eight years | 416,967 | 425,743 | 489,400 | | | | | | | | |
| After nine years | 405,794 | 419,907 | | | | | | | | | |
| After ten years | 401,136 | | | | | | | | | | |
| Surplus with respect to the first year (3) | 105,781 | 167,626 | 138,122 | 174,409 | 168,393 | 183,455 | 134,867 | 97,093 | 56,557 | | 1,226,303 |
| Deviation rate in respect of the first year in % (4) | 20.9% | 28.5% | 22.0% | 25.7% | 25.1% | 27.2% | 17.5% | 13.5% | 8.8% | | 20.8% |
| The cumulative cost of claims as of December 31, 2024 | 401,136 | 419,907 | 489,400 | 503,189 | 503,742 | 491,471 | 634,793 | 624,743 | 582,706 | 646,186 | 5,297,273 |
| Aggregate payments through December 31, 2024 | 376,839 | 381,747 | 416,275 | 396,549 | 356,245 | 296,940 | 300,281 | 171,736 | 34,131 | 4,805 | 2,735,551 |
| Contingent claims as of end of the period | 24,297 | 38,160 | 73,125 | 106,640 | 147,497 | 194,531 | 334,512 | 453,007 | 548,575 | 641,381 | 2,561,722 |
| For years up to and including the underwriting year 2014 | | | | | | | | | | | 55,477 |
| Total gross liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2024 | | | | | | | | | | | 2,617,199 |

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) Surplus for the first year is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## C.(4) Examination of development in estimated liabilities in respect of insurance contracts, net of deferred acquisition costs, retention, in the Compulsory Motor Insurance Subsegment:

| | December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Underwriting year | | | | | | | | | | |
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (1) | | | | | | | | | | |
| Claims paid (cumulative) as of the end of the year | | | | | | | | | | | |
| After the first year | 5,379 | 6,608 | 8,436 | 6,694 | 5,431 | 4,008 | 4,110 | 4,446 | 4,714 | 4,761 | |
| After two years | 23,151 | 27,522 | 27,698 | 20,742 | 19,555 | 19,690 | 23,001 | 28,186 | 32,115 | | |
| After three years | 70,412 | 82,343 | 66,464 | 52,791 | 54,013 | 52,905 | 71,226 | 139,326 | | | |
| After four years | 132,155 | 143,920 | 110,099 | 85,969 | 82,760 | 87,929 | 174,192 | | | | |
| After five years | 191,940 | 203,843 | 140,974 | 113,196 | 107,088 | 148,574 | | | | | |
| After six years | 239,752 | 242,975 | 162,123 | 131,043 | 154,157 | | | | | | |
| After seven years | 278,852 | 284,378 | 187,149 | 171,687 | | | | | | | |
| After eight years | 329,882 | 340,088 | 225,272 | | | | | | | | |
| After nine years | 356,629 | 381,747 | | | | | | | | | |
| After ten years | 376,838 | | | | | | | | | | |
| Estimated cumulative claims (including payments) as of the end of the year: | | | | | | | | | | | |
| After the first year (2) | 505,630 | 586,776 | 357,450 | 323,170 | 307,229 | 349,474 | 449,736 | 594,197 | 586,651 | 625,574 | |
| After two years | 517,700 | 565,724 | 335,078 | 282,347 | 278,914 | 351,433 | 418,429 | 538,916 | 537,593 | | |
| After three years | 515,389 | 554,428 | 318,358 | 272,078 | 280,885 | 284,049 | 385,918 | 498,179 | | | |
| After four years | 491,931 | 519,716 | 307,023 | 267,541 | 246,054 | 247,130 | 360,350 | | | | |
| After five years | 476,469 | 503,150 | 302,853 | 244,669 | 215,608 | 239,387 | | | | | |
| After six years | 439,400 | 446,966 | 281,312 | 220,987 | 212,884 | | | | | | |
| After seven years | 436,391 | 433,110 | 271,569 | 215,316 | | | | | | | |
| After eight years | 416,966 | 425,743 | 263,082 | | | | | | | | |
| After nine years | 405,792 | 419,907 | | | | | | | | | |
| After ten years | 401,135 | | | | | | | | | | |
| Surplus with respect to the first year (3) | 104,495 | 166,869 | 94,368 | 107,854 | 94,345 | 110,087 | 89,386 | 96,018 | 49,058 | | 912,480 |
| Deviation rate in respect of the first year in % (4) | 20.7% | 28.4% | 26.4% | 33.4% | 30.7% | 31.5% | 19.9% | 16.2% | 8.4% | | 22.4% |
| The cumulative cost of claims as of December 31, 2024 | 401,135 | 419,907 | 263,082 | 215,316 | 212,884 | 239,387 | 360,350 | 498,179 | 537,593 | 625,574 | 3,773,407 |
| Aggregate payments through December 31, 2024 | 376,838 | 381,747 | 225,272 | 171,687 | 154,157 | 148,574 | 174,192 | 139,326 | 32,115 | 4,761 | 1,808,669 |
| Contingent claims as of end of the period | 24,297 | 38,160 | 37,810 | 43,629 | 58,727 | 90,813 | 186,158 | 358,853 | 505,478 | 620,813 | 1,964,738 |
| For years up to and including the underwriting year 2014 | | | | | | | | | | | 55,429 |
| Total liability in respect of insurance contracts in compulsory motor insurance less deferred acquisition costs as of December 31, 2024 - retention | | | | | | | | | | | 2,020,167 |

(1) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

(2) The estimated ultimate claims as of the end of the first year includes the reserve for unearned premium net of deferred acquisition costs.

(3) Surplus for the first year is mainly affected by offsetting the excess fair value of illiquid assets in accordance with the revised circular regarding the assessment of property and casualty insurance claims, as well as from changes in the discount rate and development of the actuarial model. See Note 41, Section 5.2.2.5.

(4) The significance of the actuarial models is higher when the development of the claims is assessed together for all underwriting years. Accordingly, it will be more appropriate to assess the development of the estimates together for all underwriting years rather than separately for each underwriting year.

## NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

### D.(1) Accumulated data regarding underwriting years in the Compulsory Motor Insurance Subsegment:

| | Underwriting year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| | NIS thousand | | | | | | |
| For the year ended December 31, 2024 | | | | | | | |
| Gross premiums (1) | 820,156 | 719,570 | 707,213 | 664,825 | 583,169 | 570,584 | 566,893 |
| Comprehensive income - retention - in respect of the underwriting year (2) | 84,995 | 83,499 | 62,253 | 45,979 | 99,087 | 100,148 | 111,681 |
| Accumulated effect of investment revenues over accumulated comprehensive income - retention - in respect of underwriting year (3) | 24,907 | 54,921 | 52,785 | 44,043 | 49,433 | 53,891 | 60,280 |

1. The increase in premiums during the periods stems mainly from increase in scope of Company's sales.
2. The changes in retention comprehensive income are partially affected by a "quota share" reinsurance treaty and from the allocation of illiquid assets.
3. The decrease in investment revenues over the underwriting years stems mainly from the fact that investment income have not yet accumulated in the reporting year and in adjacent years.

### D.(2) Accumulated data regarding underwriting years in the Other Liability Insurance Subsegment:

| | Underwriting year | | | | | | |
|---|---|---|---|---|---|---|---|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| | NIS thousand | | | | | | |
| For the year ended December 31, 2024 | | | | | | | |
| Gross premiums (1) | 767,595 | 782,239 | 668,646 | 590,813 | 486,169 | 442,043 | 438,823 |
| Comprehensive income - retention - in respect of the underwriting year (2) | 23,753 | 86,764 | 51,867 | 50,459 | 45,675 | 53,195 | 87,424 |
| Accumulated effect of investment revenues over accumulated comprehensive income - retention - in respect of underwriting year (3) | 8,798 | 25,717 | 22,654 | 27,742 | 48,410 | 58,944 | 74,224 |

1. The increase in premium over the periods stems mainly from the professional liability and Third Party Insurance Subsegments.
2. The profitability is affected by the allocation of illiquid assets.
3. The decrease in investment revenues over the underwriting years stems mainly from the fact that investment income have not yet accumulated in the reporting year and in adjacent years.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## E.(1) Composition of comprehensive income (loss) in the Compulsory Motor Insurance Subsegment:

| | Comprehensive income (loss) in respect of current underwriting year (1) | Comprehensive income in respect of previous underwriting years (2) | Total comprehensive income, gross | Comprehensive income (loss) in respect of current underwriting year (1) | Comprehensive income in respect of previous underwriting years (2) | Total comprehensive income for the year – retention |
|---|---|---|---|---|---|---|
| | Gross | | | Retention | | |
| | NIS thousand | | | | | |
| For the year ended December 31: | | | | | | |
| 2024 | 85,299 | 256,402 | 341,701 | 84,995 | 225,180 | 310,175 |
| 2023 | 9,866 | 320,334 | 330,200 | 24,921 | 252,378 | 277,299 |
| 2022 | (75,346) | 163,306 | 87,960 | (48,741) | 112,823 | 64,082 |

1. The gross and retention comprehensive loss in respect of the current underwriting year in 2022 stems mainly from the revision of costs in the actuarial model.
2. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment income in 2024 and 2023.

## E.(2) Composition of comprehensive income (loss) in Other Liability Insurance Subsegments:

| | Comprehensive income in respect of current underwriting year (1) | Comprehensive income in respect of previous underwriting years (2) | Total comprehensive income, gross | Comprehensive income (loss) in respect of current underwriting year (1) | Comprehensive income in respect of previous underwriting years (2) | Comprehensive income – retention |
|---|---|---|---|---|---|---|
| | Gross | | | Retention | | |
| | NIS thousand | | | | | |
| For the year ended December 31: | | | | | | |
| 2024 | 75,467 | 315,878 | 391,345 | 23,753 | 272,067 | 295,820 |
| 2023 | 67,899 | 311,716 | 379,615 | 18,977 | 276,335 | 295,312 |
| 2022 | 12,619 | 77,585 | 90,204 | (15,324) | 104,230 | 88,906 |

1. The increase in comprehensive income - gross and retention - in respect of the current underwriting year in 2024 and 2023 compared with 2022 stems mainly from a revision to the estimated cost of claims in the Sale Law Guarantee Subsegment, such that it will reflect the policyholders' adjusted credit risks, and from an improvement in the profitability in the third-party professional liability insurance subsegment, and decrease in losses in respect of the third-party and employer liability subsegment.
2. The increase in comprehensive income - gross and retention - in respect of previous underwriting years in 2024 and 2023 compared with 2022 stems mainly from an increase in investment revenues, revision to the estimated cost of claims in the Sale Law Guarantee Subsegment, such that it will reflect the policyholders' adjusted credit risks, and from an improvement in the profitability in the employers' liability insurance, professional liability and third-party insurance subsegments. The comprehensive income in respect of previous underwriting years in 2022 includes investment losses compared with investment income in 2024 and 2023.

## NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

### F.(1) Assessment of development in estimated contingent claims - gross- in the Property and Other Insurance Subsegments:

| | As of December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (*) | | | | | | | | | | |
| **Claims paid (cumulative) as of the end of the year:** | | | | | | | | | | | |
| After the first year | 805,883 | 749,025 | 770,202 | 812,761 | 816,777 | 839,292 | 916,355 | 1,181,594 | 1,431,067 | 1,224,344 | |
| After two years | 1,099,795 | 989,229 | 995,270 | 1,075,147 | 1,077,628 | 1,055,299 | 1,231,855 | 1,565,419 | 1,795,770 | | |
| After three years | 1,127,790 | 1,022,717 | 1,023,094 | 1,118,051 | 1,108,816 | 1,086,500 | 1,271,346 | 1,609,510 | | | |
| After four years | 1,139,242 | 1,037,079 | 1,044,931 | 1,132,298 | 1,125,870 | 1,102,561 | 1,297,948 | | | | |
| After five years | 1,145,675 | 1,040,286 | 1,049,114 | 1,139,581 | 1,130,669 | 1,104,762 | | | | | |
| After six years | 1,147,916 | 1,042,097 | 1,053,095 | 1,143,280 | 1,137,938 | | | | | | |
| After seven years | 1,145,661 | 1,047,879 | 1,055,959 | 1,146,461 | | | | | | | |
| After eight years | 1,146,964 | 1,048,828 | 1,056,068 | | | | | | | | |
| After nine years | 1,139,922 | 1,049,071 | | | | | | | | | |
| After ten years | 1,133,999 | | | | | | | | | | |
| **Cumulative claims (including payments):** | | | | | | | | | | | |
| After the first year | 1,178,706 | 1,118,735 | 1,148,058 | 1,258,271 | 1,224,198 | 1,252,381 | 1,370,539 | 1,649,830 | 2,288,656 | 1,720,420 | |
| After two years | 1,187,262 | 1,098,055 | 1,101,847 | 1,193,054 | 1,180,041 | 1,163,483 | 1,324,996 | 1,682,812 | 2,263,043 | | |
| After three years | 1,174,851 | 1,088,852 | 1,067,921 | 1,170,980 | 1,158,271 | 1,130,738 | 1,329,995 | 1,679,536 | | | |
| After four years | 1,165,436 | 1,054,643 | 1,068,404 | 1,150,794 | 1,152,530 | 1,124,274 | 1,329,607 | | | | |
| After five years | 1,165,993 | 1,059,250 | 1,086,069 | 1,175,948 | 1,199,468 | 1,168,748 | | | | | |
| After six years | 1,159,899 | 1,050,530 | 1,059,963 | 1,145,251 | 1,150,475 | | | | | | |
| After seven years | 1,154,248 | 1,051,290 | 1,059,507 | 1,139,739 | | | | | | | |
| After eight years | 1,153,962 | 1,051,466 | 1,063,019 | | | | | | | | |
| After nine years | 1,142,046 | 1,050,890 | | | | | | | | | |
| After ten years | 1,135,087 | | | | | | | | | | |
| Estimated cumulative costs, as of December 31, 2024 | 1,135,087 | 1,050,890 | 1,063,019 | 1,139,739 | 1,150,475 | 1,168,748 | 1,329,607 | 1,679,536 | 2,263,043 | 1,720,420 | 13,700,565 |
| Aggregate payments through December 31, 2024 | 1,133,999 | 1,049,071 | 1,056,068 | 1,146,461 | 1,137,938 | 1,104,762 | 1,297,948 | 1,609,510 | 1,795,770 | 1,224,344 | 12,555,871 |
| **Outstanding contingent claims** | 1,088 | 1,819 | 6,951 | (6,722) | 12,537 | 63,986 | 31,659 | 70,026 | 467,273 | 496,076 | 1,144,693 |
| Contingent claims for the years up to and including damage year 2014 | | | | | | | | | | | 10,629 |
| **Total contingent claims in the subsegment as of December 31, 2024 - gross** | | | | | | | | | | | 1,155,322 |

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

# NOTE 19 - LIABILITIES IN RESPECT OF INSURANCE CONTRACTS INCLUDED IN THE PROPERTY AND CASUALTY INSURANCE SEGMENT (cont.)

## F.(2) Assessment of development in estimated contingent claims - retention - in the Property and Other Insurance Subsegments:

| | As of December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Total |
| | In NIS thousand, adjusted to the November 2024 CPI (*) | | | | | | | | | | |
| **Claims paid (cumulative) as of the end of the year:** | | | | | | | | | | | |
| After the first year | 677,165 | 674,682 | 658,543 | 662,983 | 682,825 | 681,832 | 791,310 | 1,039,703 | 1,176,571 | 1,071,221 | |
| After two years | 875,122 | 864,758 | 829,724 | 823,772 | 869,853 | 821,428 | 1,036,355 | 1,361,188 | 1,435,053 | | |
| After three years | 895,084 | 889,517 | 855,096 | 845,918 | 890,013 | 839,014 | 1,063,893 | 1,394,317 | | | |
| After four years | 903,230 | 900,197 | 865,467 | 855,573 | 896,040 | 847,301 | 1,071,549 | | | | |
| After five years | 906,521 | 903,705 | 868,910 | 859,075 | 900,358 | 849,382 | | | | | |
| After six years | 907,895 | 905,234 | 871,376 | 861,149 | 902,554 | | | | | | |
| After seven years | 904,450 | 905,797 | 871,390 | 862,301 | | | | | | | |
| After eight years | 904,100 | 905,924 | 871,462 | | | | | | | | |
| After nine years | 891,500 | 905,721 | | | | | | | | | |
| After ten years | 885,645 | | | | | | | | | | |
| **Cumulative claims (including payments):** | | | | | | | | | | | |
| After the first year | 919,905 | 939,290 | 936,858 | 932,244 | 959,628 | 949,583 | 1,112,328 | 1,401,156 | 1,523,911 | 1,419,072 | |
| After two years | 926,658 | 922,030 | 885,079 | 878,789 | 931,262 | 878,488 | 1,090,004 | 1,426,053 | 1,518,518 | | |
| After three years | 919,681 | 916,153 | 874,467 | 873,065 | 912,036 | 857,575 | 1,085,207 | 1,421,682 | | | |
| After four years | 915,701 | 909,805 | 877,392 | 866,911 | 904,713 | 853,804 | 1,084,208 | | | | |
| After five years | 914,661 | 913,050 | 886,988 | 880,515 | 936,469 | 884,624 | | | | | |
| After six years | 910,498 | 906,863 | 873,426 | 863,771 | 906,636 | | | | | | |
| After seven years | 905,502 | 906,327 | 872,621 | 862,314 | | | | | | | |
| After eight years | 904,752 | 906,479 | 872,368 | | | | | | | | |
| After nine years | 892,263 | 906,210 | | | | | | | | | |
| After ten years | 885,714 | | | | | | | | | | |
| Estimated cumulative costs, as of December 31, 2024 | 885,714 | 906,210 | 872,368 | 862,314 | 906,636 | 884,624 | 1,084,208 | 1,421,682 | 1,518,518 | 1,419,072 | 10,761,346 |
| Aggregate payments through December 31, 2024 | 885,645 | 905,721 | 871,462 | 862,301 | 902,554 | 849,382 | 1,071,549 | 1,394,317 | 1,435,053 | 1,071,221 | 10,249,205 |
| **Outstanding contingent claims** | 69 | 489 | 906 | 13 | 4,082 | 35,242 | 12,659 | 27,365 | 83,465 | 347,851 | 512,141 |
| Contingent claims for the years up to and including damage year 2014 | | | | | | | | | | | 1,633 |
| **Total contingent claims in the subsegment as of December 31, 2024 - retention** | | | | | | | | | | | 513,774 |

(*) The amounts presented above are adjusted to reflect the effect of inflation in order to allow examination of development in real values.

# NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENT

**A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures**

Data as at December 31, 2024:

| | Policies including a savings component (including appendices) by policy issuance date | | | | Policies without a savings component sold as a single policy | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | | | |
| | Until 1990 (*) | Until 2003 | Non yield-dependent | Yield-dependent | Individual | Collective | Total |
| | NIS thousand | | | | | | |
| 1. By insurance exposure: | | | | | | | |
| Liabilities in respect of insurance contracts | | | | | | | |
| Annuity without guaranteed coefficients | 439,479 | 16,178 | - | 456,284 | - | - | 911,941 |
| Annuity with guaranteed coefficients: | | | | | | | |
| Until May 2001 | 3,045,057 | 25,966,707 | - | - | - | - | 29,011,764 |
| From June 2001 | - | 3,926,531 | - | 31,206,506 | - | - | 35,133,037 |
| Annuity paid | 2,847,231 | 4,653,931 | - | 1,316,586 | 18,387 | - | 8,836,135 |
| Equity (without an annuity option) | 4,911,279 | 4,499,855 | - | 2,224,399 | - | - | 11,635,533 |
| Supplementary pension reserve (**) | 525,838 | 1,337,700 | - | 6,390 | - | - | 1,869,928 |
| Other risk-weighted components | 45,864 | 518,736 | - | 522,338 | 1,172,896 | 149,077 | 2,408,911 |
| Total in respect of insurance contracts | 11,814,748 | 40,919,638 | - | 35,732,503 | 1,191,283 | 149,077 | 89,807,249 |
| Liabilities in respect of investment contracts | - | - | - | 32,422,762 | - | - | 32,422,762 |
| Total | 11,814,748 | 40,919,638 | - | 68,155,265 | 1,191,283 | 149,077 | 122,230,011 |
| 2. By financial exposure: | | | | | | | |
| Yield-dependent | 115,635 | 40,418,667 | - | 67,851,374 | 343,479 | 5,270 | 108,734,425 |
| Non yield-dependent | 11,699,113 | 500,971 | - | 303,891 | 847,804 | 143,807 | 13,495,586 |
| Total | 11,814,748 | 40,919,638 | - | 68,155,265 | 1,191,283 | 149,077 | 122,230,011 |

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary pension reserve, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,728 million provision that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age.

For details, see Note 41, Section 5.1.4.

## NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

**A. Breakdown of liabilities in respect of insurance contracts and investment contracts by exposures (cont.)**

Data as at December 31, 2023:

| | Policies including a savings component (including appendices) by policy issuance date | | | | Policies without a savings component sold as a single policy | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | | | |
| | Until 1990 (*) | Until 2003 | Non yield-dependent | Yield-dependent | Individual | Collective | Total |
| | NIS thousand | | | | | | |
| 1. By insurance exposure: | | | | | | | |
| Liabilities in respect of insurance contracts | | | | | | | |
| Annuity without guaranteed coefficients | 432,306 | 17,144 | - | 457,086 | - | - | 906,536 |
| Annuity with guaranteed coefficients: | - | - | - | - | - | - | - |
| Until May 2001 | 3,031,337 | 23,524,228 | - | - | - | - | 26,555,565 |
| From June 2001 | - | 3,778,087 | - | 29,183,516 | - | - | 32,961,603 |
| Annuity paid | 2,615,307 | 3,812,646 | - | 1,162,654 | 17,138 | - | 7,607,745 |
| Equity (without an annuity option) | 4,850,126 | 4,472,462 | - | 2,251,764 | - | - | 11,574,352 |
| Supplementary pension reserve (**) | 603,829 | 1,349,360 | - | 42,357 | - | - | 1,995,546 |
| Other risk-weighted components | 46,077 | 511,153 | - | 482,230 | 1,012,744 | 143,751 | 2,195,955 |
| Total in respect of insurance contracts | 11,578,982 | 37,465,080 | - | 33,579,607 | 1,029,882 | 143,751 | 83,797,302 |
| Liabilities in respect of investment contracts | - | - | - | 23,787,779 | - | - | 23,787,779 |
| Total | 11,578,982 | 37,465,080 | - | 57,367,386 | 1,029,882 | 143,751 | 107,585,081 |
| 2. By financial exposure: | | | | | | | |
| Yield-dependent | 111,991 | 37,187,826 | - | 57,064,130 | 339,124 | 5,436 | 94,708,507 |
| Non yield-dependent | 11,466,991 | 277,254 | - | 303,256 | 690,758 | 138,315 | 12,876,574 |
| Total | 11,578,982 | 37,465,080 | - | 57,367,386 | 1,029,882 | 143,751 | 107,585,081 |

(*) Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.

(**) In addition to supplementary pension reserve, which is included in the liabilities in respect of insurance contracts, there is a NIS 1,901 million provision that will be carried to profit and loss over the remaining life of the policy until policyholders reach retirement age. For details, see Note 41, Section 5.1.4.

## NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

### B. Breakdown of results by type of policy

Data for the year ended December 31, 2024:

| | Policies including a savings component (including appendices) by policy issuance date | | | | Policies without a savings component as a single policy | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | | | |
| | Until 1990 (1) | Until 2003 | Non yield-dependent | Yield-dependent | Individual | Collective | Total |
| | NIS thousand | | | | | | |
| Gross premiums: | | | | | | | |
| Traditional/ mixed | 12,345 | 8,241 | - | - | - | - | 20,586 |
| Savings component | 28,732 | 963,475 | - | 1,939,654 | - | - | 2,931,861 |
| Other | 4,015 | 135,257 | - | 132,735 | 727,286 | 109,200 | 1,108,493 |
| Total | 45,092 | 1,106,973 | - | 2,072,389 | 727,286 | 109,200 | 4,060,940 |
| Financial margin including management fees (2) | 23,407 | 332,034 (3) | - | 446,257 | - | - | 801,698 |
| Payments and change in liabilities in respect of insurance contracts, gross | 852,497 | 6,029,868 | - | 6,621,414 | 531,703 | 76,710 | 14,112,192 |
| Payments and change in liabilities in respect of investment contracts | - | - | - | 3,643,386 | - | - | 3,643,386 |
| Total liabilities | | | | | | | 17,755,578 |
| Income (loss) from Life Insurance Business | 30,126 | 204,450 | - | 100,393 | (117,166) | 35,880 | 253,683 |
| Other comprehensive income (loss) from Life Insurance Business | 24,957 | 166 | - | 795 | 809 | 898 | 27,625 |
| Total comprehensive income (loss) from Life and Savings Business | 55,083 (4) | 204,616(4)(5) | - | 101,188(4) | (116,357) (6) | 36,778 | 281,308 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 9,744,639 | - | - | 9,744,639 |
| Annualized premium for insurance contracts - new business | - | 168 | - | 5,261 | 57,036 | - | 62,465 |
| One-time premium for insurance contracts | - | 2,328 | - | 754,087 | - | - | 756,415 |
| Annualized premium for investment contracts - new business | - | - | - | 51,835 | - | - | 51,835 |
| One-time premium for investment contracts | - | - | - | 9,535,441 | - | - | 9,535,441 |
| Transfers to the Company in respect of insurance contracts and investment contracts | - | - | - | 512,512 | - | - | 512,512 |
| Transfers from the Company in respect of insurance contracts and investment contracts | 63,228 | 1,305,657 | - | 3,907,752 | - | - | 5,276,637 |

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional revenues of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment revenues for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment revenues also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. In 2024, variable management fees in respect of participating policies in the amount of approx. NIS 105 million were charged.
4. Includes a profit in respect of the effect of changes in the discount rate and in the assumptions regarding mortality rates and annuity uptake totaling approx. NIS 47 million, before tax. For details, see Note 41, Section 5.1.
5. Including income in respect of the change in the K value, amounting to approx. NIS 210 million, before tax. For details, see Note 41, Section 5.1.
6. The loss includes, among other things, the effect of the Iron Swords War amounting to approx. NIS 34 million (retention); for details, see Note 1E.

## NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

### B. Breakdown of results by type of policy (cont.)

Data for the year ended December 31, 2023:

| | Policies including a savings component (including appendices) by policy issuance date | | | | Policies without a savings component sold as a single policy | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | | | |
| | Until 1990 (1) | Until 2003 | Non yield-dependent | Yield-dependent | Individual | Collective | Total |
| | | | | NIS thousand | | | |
| Gross premiums: | | | | | | | |
| Traditional/ mixed | 15,318 | 10,059 | - | - | - | - | 25,377 |
| Savings component | 31,935 | 1,010,457 | - | 2,343,422 | - | - | 3,385,814 |
| Other | 4,657 | 144,443 | - | 157,040 | 694,165 | 130,643 | 1,130,948 |
| Total | 51,910 | 1,164,959 | - | 2,500,462 | 694,165 | 130,643 | 4,542,139 |
| Financial margin including management fees (2) | (22,071) | 205,548 (3) | - | 400,947 | - | - | 584,424 |
| Payments and change in liabilities in respect of insurance contracts, gross | 793,692 | 3,993,585 | - | 5,415,055 | 407,795 | 89,489 | 10,699,616 |
| Payments and change in liabilities in respect of investment contracts | - | - | - | 2,083,371 | - | - | 2,083,371 |
| Total liabilities | | | | | | | 12,782,987 |
| Income (loss) from Life and Savings Business | (61,275) | (102,908) | - | 21,915 | 7,135 | 34,461 | (100,672) |
| Other comprehensive income (loss) from Life and Savings Business | 94,089 | 376 | - | 5,329 | 4,902 | 4,811 | 109,507 |
| Total comprehensive income (loss) from Life and Savings Business | 32,814 (4) | (102,532)(4) | - | 27,244 | 12,037 | 39,272 | 8,835 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 5,241,397 | - | - | 5,241,397 |
| Annualized premium for insurance contracts - new business | - | 274 | - | 12,482 | 56,639 | - | 69,395 |
| One-time premium for insurance contracts | - | 3,381 | - | 847,464 | - | - | 850,845 |
| Annualized premium for investment contracts - new business | - | - | - | 29,271 | - | - | 29,271 |
| One-time premium for investment contracts | - | - | - | 5,029,344 | - | - | 5,029,344 |
| Transfers to the Company in respect of insurance contracts and investment contracts | - | - | - | 737,872 | - | - | 737,872 |
| Transfers from the Company in respect of insurance contracts and investment contracts | 24,516 | 840,487 | - | 3,282,979 | - | - | 4,147,982 |

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional revenues of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment revenues for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment revenues also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of December 31, 2023, the estimated management fees which were not collected due to negative return in respect of participating policies amounted to approx. NIS 449 million.
4. Includes profit in respect of the effect of the changes in the discount rate and in the assumptions regarding the cost of claims in permanent health insurance products totaling approx. NIS 153 million, before tax. For details, see Note 41, Section 5.1.

## NOTE 20 - ADDITIONAL DATA ABOUT THE LIFE AND SAVINGS SEGMENTT (cont.)

**B. <u>Breakdown of results by type of policy</u> (cont.)**

Data for the year ended December 31, 2022:

| | Policies including a savings component (including appendices) by policy issuance date | | | | Policies without a savings component sold as a single policy | | |
|---|---|---|---|---|---|---|---|
| | | | Since 2004 | | | | |
| | Until 1990 (1) | Until 2003 | Non yield-dependent | Yield-dependent | Individual | Collective | Total |
| | | | | NIS thousand | | | |
| Gross premiums: | | | | | | | |
| Traditional/ mixed | 18,310 | 11,225 | - | - | - | - | 29,535 |
| Savings component | 34,744 | 1,022,111 | - | 3,460,607 | - | - | 4,517,462 |
| Other | 5,817 | 148,804 | - | 169,999 | 617,400 | 122,179 | 1,064,199 |
| Total | 58,871 | 1,182,140 | - | 3,630,606 | 617,400 | 122,179 | 5,611,196 |
| Financial margin including management fees (2) | 57,890 | 206,820 (3) | - | 380,001 | - | - | 644,711 |
| Payments and change in liabilities in respect of insurance contracts, gross | 465,040 | (915,658) | - | 1,178,225 | 337,718 | 104,553 | 1,169,878 |
| Payments and change in liabilities in respect of investment contracts | - | - | - | (1,243,690) | - | - | (1,243,690) |
| Total liabilities | | | | | | | (73,812) |
| Income (loss) from Life and Savings Business | 568,976 | (11,941) | - | 8,568 | 12,932 | 13,304 | 591,839 |
| Other comprehensive income (loss) from Life and Savings Business | 16,634 | (38) | - | 490 | 409 | 1,428 | 18,923 |
| Total comprehensive income (loss) from Life and Savings Business | 585,610(4) | (11,979) (4) | - | 9,058 | 13,341 | 14,732 | 610,762 |
| Proceeds in respect of investment contracts credited directly to insurance reserves | - | - | - | 7,335,455 | - | - | 7,335,455 |
| Annualized premium for insurance contracts - new business | - | 462 | - | 36,261(*) | 68,947 (*) | - | 105,670 |
| One-time premium for insurance contracts | - | 3,754 | - | 1,694,895 | - | - | 1,698,649 |
| Annualized premium for investment contracts - new business | - | - | - | 30,464 | - | - | 30,464 |
| One-time premium for investment contracts | - | - | - | 7,090,856 | - | - | 7,090,856 |
| Transfers to the Company in respect of insurance contracts and investment contracts | - | - | - | 1,554,756 | - | - | 1,554,756 |
| Transfers from the Company in respect of insurance contracts and investment contracts | 21,588 | 600,326 | - | 2,223,138 | - | - | 2,845,052 |

1. Products issued until 1990 (including increases in respect thereof) were mainly guaranteed return policies that were backed mainly by designated bonds.
2. The financial margin does not include additional revenues of the Company collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies is based on actual investment revenues for the reporting year less the product of the annual guaranteed rate of return, multiplied by the average reserve per year in the various insurance reserves. In this matter, investment revenues also includes the change in the fair value of available-for-sale financial assets that is charged to the statement of comprehensive income. In yield-dependent contracts, the financial margin is the total fixed and variable management fees calculated on the basis of the yield and average balance of insurance reserves.
3. As of December 31, 2022, the estimated management fees which were not collected due to negative return in respect of participating policies amounted to approx. NIS 643 million.
4. Includes profit in respect of the effect of the changes in assumptions, mortality tables, discount rate in the calculation of the supplementary retirement pension reserve and paid pensions totaling approx. NIS 671 million. For details, see Note 41, Section 5.1.

(*) Reclassified.

# NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT

## A. Breakdown of insurance liabilities by financial exposure

| | Data as at December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Yield-dependent | 642,329 | 2,122,020 | - | - | 2,764,349 |
| Other | 2,018,622 | 470,529 | 1,283,244 | 27,581 | 3,799,976 |
| Total | 2,660,951 | 2,592,549 | 1,283,244 | 27,581 | 6,564,325 |

| | Data as at December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Yield-dependent | 569,897 | 7,709,671 | - | - | 8,279,568 |
| Other | 1,691,594 | 653,329 | 1,435,267 | 31,643 | 3,811,833 |
| Total | 2,261,491 | 8,363,000 | 1,435,267 | 31,643 | 12,091,401 |

## B. Breakdown of liabilities in respect of insurance contracts by insurance exposure

| | Data as at December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Annuity paid | 421,828 | 1,509,993 | - | - | 1,931,821 |
| Other risk-weighted components | 2,239,123 | 1,082,556 | 1,283,244 | 27,581 | 4,632,504 |
| Total | 2,660,951 | 2,592,549 | 1,283,244 | 27,581 | 6,564,325 |

| | Data as at December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Annuity paid | 385,792 | 1,999,865 | - | - | 2,385,657 |
| Other risk-weighted components | 1,875,699 | 6,363,135 | 1,435,267 | 31,643 | 9,705,744 |
| Total | 2,261,491 | 8,363,000 | 1,435,267 | 31,643 | 12,091,401 |

## NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

### C. Breakdown of results by type of policy

| | Data for the year ended December 31, 2024 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Gross premiums | 282,253 | - | 1,778,415 (1) | 92,206 (1) | 2,152,874 |
| Payments and change in liabilities in respect of insurance contracts, gross | 539,248 | 686,757 | 813,088 | 38,671 | 2,077,764 |
| Income (loss) from Health Insurance Business | (97,290) | (12,922) | 376,881 | 17,206 | 283,875 |
| Other comprehensive income (loss) from Health Insurance Business | - | - | 5,520 | 156 | 5,676 |
| Comprehensive income (loss) from Health Insurance Business | (97,290) (2) | (12,922) (2) | 382,401 | 17,362 | 289,551 |
| Annualized individual premium - new business | 8 (4) | - | 185,607 | - | 185,615 |

(1) Of this, individual premiums in the amount of NIS 1,212,006 thousand and collective premiums in the amount of NIS 658,615 thousand.

| | Data for the year ended December 31, 2023 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Gross premiums | 280,228 | 1,245,009 | 1,674,467 (1) | 112,245 (1) | 3,311,949 |
| Payments and change in liabilities in respect of insurance contracts, gross | 306,712 | 2,184,549 | 1,035,069 | 50,026 | 3,576,356 |
| Income (loss) from Health Insurance Business | 218,675 | (36,973) | 129,195 | 15,431 | 326,328 |
| Other comprehensive income (loss) from Health Insurance Business | - | - | 20,705 | 589 | 21,294 |
| Comprehensive income (loss) from Health Insurance Business | 218,675 (2) | (36,973) (2) | 149,900 | 16,020 | 347,622 |
| Annualized individual premium - new business (4) | 24 (4) | - | 99,234 | - | 99,258 |

(1) Of this, individual premiums in the amount of NIS 1,160,951 thousand and collective premiums in the amount of NIS 625,761 thousand.

## NOTE 21 - BREAKDOWN OF INSURANCE LIABILITIES INCLUDED IN THE HEALTH INSURANCE SEGMENT (cont.)

### C. Breakdown of results by type of policy (cont.)

| | Data for the year ended December 31, 2022 | | | | |
|---|---|---|---|---|---|
| | Long-term care | | Other (3) | | |
| | Individual | Collective (5) | Long-term | Short-term | Total |
| | NIS thousand | | | | |
| Gross premiums | 268,396 | 1,107,617 | 1,545,413 | 139,110 | 3,060,536 |
| Payments and change in liabilities in respect of insurance contracts, gross | (660,586) | 304,476 | 1,014,645 | 71,820 | 730,355 |
| Revenues from Health Insurance Businesses | 966,680 | 46,978 | 90,269 | 16,834 | 1,120,761 |
| Other comprehensive income (loss) from Health Insurance Business | - | - | 552 | (1,412) | (860) |
| Comprehensive income from Health Insurance Businesses | 966,680 (2) | 46,978 (2) | 90,821 | 15,422 | 1,119,901 |
| Annualized individual premium - new business (4) | 67 (4) | - | 114,290 | - | 114,357 |

(1) Of this, individual premiums in the amount of NIS 1084435 thousand and collective premiums in the amount of NIS 600,088 thousand.

(2) The loss in 2024 includes an increase in the insurance reserves (LAT) of NIS 113 million and the income (loss) in 2023 and 2022 includes a decrease in the insurance reserves (LAT) of NIS 151 million and a total of NIS 985 million, respectively. For further details, see Note 37, Section 5.1.8.

(3) The most material coverage included in other long-term health insurance in each of the years is medical expenses; in short-term health insurance - travel insurance.

(4) During 2019 and at the beginning of 2020, Phoenix Insurance announced the discontinuation of sale in the individual long-term care insurance portfolio. Since that date, the Company had a run-off long-term care insurance portfolio (signing on to the new policies is only available to children who exercise their coverage continuity right when they become adults, and to those insured under collective long-term care insurance policies, who leave the country).

(5) Until December 31, 2023, Phoenix Insurance 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, Phoenix Insurance 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, Phoenix Insurance 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.

# NOTE 22 - CHANGE IN GROSS LIABILITIES IN RESPECT OF YIELD-DEPENDENT AND NON-YIELD-DEPENDENT LIFE INSURANCE CONTRACTS, INVESTMENT CONTRACTS AND HEALTH INSURANCE CONTRACTS

| | Life and Savings | | | | Reinsurance |
|---|---|---|---|---|---|
| | Insurance contracts | Investment contracts | Total | Health Insurance | assets in health insurance |
| | | | NIS thousand | | |
| Balance as of January 1, 2023 | 80,028,937 | 20,815,236 | 100,844,173 | 10,518,864 | 558,155 |
| Interest, linkage differences and investment income (1) | 6,100,092 | 2,083,371 | 8,183,463 | 941,936 | - |
| Increase in premiums charged to liabilities (2) | 3,686,901 | 4,930,408 | 8,617,309 | 1,288,579 | - |
| Decrease in respect of management fees on accruals | (442,772) | (168,076) | (610,848) | - | - |
| Decrease in respect of claims, redemptions and end of term | (5,779,974) | (3,873,160) | (9,653,134) | (2,562) | - |
| Changes due to change in assumptions (3) | (38,777) | - | (38,777) | 3,031 | 2,859 |
| Other changes (4) | 242,895 | - | 242,895 | (658,446) | 165,160 |
| Balance as of December 31, 2023 | 83,797,302 | 23,787,779 | 107,585,081 | 12,091,402 | 726,174 |
| Interest, linkage differences and investment income (1) | 9,879,396 | 3,643,385 | 13,522,781 | 916,746 | - |
| Increase in premiums charged to liabilities (2) | 3,269,095 | 9,409,515 | 12,678,610 | 183,702 | - |
| Decrease in respect of management fees on accruals | (572,815) | (210,671) | (783,486) | - | - |
| Decrease in respect of claims, redemptions and end of term | (6,719,468) | (4,207,246) | (10,926,714) | (1,692) | - |
| Changes due to change in assumptions (3) | (80,464) | - | (80,464) | (198,708) | (58,932) |
| Other changes (4) | 234,203 | - | 234,203 | (6,427,125) | (81,776) |
| Balance as of December 31, 2024 | 89,807,249 | 32,422,762 | 122,230,011 | 6,564,325 | 585,466 |

(1) Interest, linkage differences and investment income- this line item includes interest, linkage differences and investment income in respect of the balance as of the beginning of the year, plus interest, linkage differences and investment gains in respect of premiums paid solely for savings, which were recorded in the reporting period.

(2) Increase in respect of premiums recorded under liabilities - this premium does not include all premiums recognized as income by the Company. The premium includes the premiums in respect of savings with some of the premiums being fixed-premium products, net of management fees collected as a percentage of the premium.

(3) Changes in assumptions
Life insurance - in 2024, the change in assumptions stems from a revision to assumptions regarding the mortality rate and the annuity uptake rates. In 2023, the change in assumptions arises mainly from a revision to assumptions regarding the cost of claims in permanent health insurance products.
Health insurance - in 2024, the changes in assumptions stem from the update of assumptions regarding morbidity rates, cancellations and expenses. In 2023, the changes in assumptions stem from revising assumptions about cancellation rates and expenses.

For further details regarding the change in liabilities (retention), see Note 41, Section 5.1.10.

(4) Other changes - the line item includes changes in the contingent claims reserve, reserve for periodic claims, IBNR, paid annuities etc. (in accordance with the assumptions used at the end of the previous year). The line item also includes the effect of interest, linkage differences and investment income not included under the “interest, linkage differences and investment income” item, such as: interest, linkage differences and investment income on claim payments and non-saving premiums. In addition, the other changes include the transfer of the Maccabi Health Services Insured Fund (hereinafter: “**Maccabi**”) in the amount of approx. NIS 5,534 million. For further details, see Note 41, Section 5.1.8.

# NOTE 23 - INCOME TAXES

## A. Tax laws applicable to the Group companies

1. General

A. The revenues of the Company and all Group companies is subject to corporate income tax in accordance with the Income Tax Ordinance (hereinafter - the "**Ordinance**"). Furthermore, the revenues of Group companies classified as "Financial Institutions" as defined in the Value Added Tax Law, 1975 is subject to profit tax and payroll tax. It is noted that the operations of companies classified as financial institutions in the insurance, Retirement (Pension and Provident) and finance subsegments constitute most of the Group's operations.

B. As of 2008, results for tax purposes are measured in nominal values,excluding certain adjustments for changes in the CPI in the period up to December 31, 2007. Adjustments relating to capital gains continue to apply until profit realization date.

2. Tax arrangements unique to the insurance industry

A. Agreement with the tax authorities

1. Israel Insurance Association and the tax authorities have in place sectoral agreements which address tax issues unique to the industry (hereinafter - the "**Tax Agreement**"). The latest sectoral agreement signed between the tax authorities and the Life Insurance Association is in respect of tax years 2020-2022. The accounting treatment applied to the tax line items in the financial statements is based on the said agreements' principles.
The sectoral agreements address, among other things, the following issues:

A. Deferred Acquisition Costs (DAC) - direct expenses incurred by insurance companies to purchase life insurance contracts in respect of underwriting years through 2014 shall be deductible for tax purposes in equal shares over four years, and in respect of underwriting years 2015 through 2020 - over ten years. Such expenses relating to canceled life insurance contracts shall be deductible for tax purposes in the cancellation year.
Purchase expenses in respect of Retirement (Pension and Provident) contracts (as defined in the agreement) in respect of underwriting years 2015 through 2020 shall be deductible for tax purposes in equal shares over 10 years or in accordance with the period over which they are expensed in the books of accounts, as decided by the insurance company. The expense in respect of Retirement (Pension and Provident) contracts cannot be brought forward.
Deferred acquisition costs relating to critical illnesses and hospitalization insurance are amortized over a six-year period, in accordance with their amortization period as per the books of accounts.

B. Attribution of expenses to preferred revenues - expenses will be attributed to revenues subject to reduced tax rates and to tax-exempt revenues earned by insurance companies (hereinafter - "**Preferred Revenues**"), which will result with some of the Preferred Revenues becoming taxable at the full tax rate in accordance with the attribution rate. The attribution rate set in the agreement depends on the source of funds generating the Preferred Revenues.

C. The method employed to tax income from assets held as investments matches yield-dependent liabilities.

D. The last agreement signed in February 2024 extends the validity of the last agreement relating to the tax years 2017-2019 by three additional years such that it will also apply to tax years 2020-2022 with the exception of the tax applicable to the cancellation of the reserve to extraordinary risks in life insurance - see Section 2 below.

## NOTE 23 - TAXES ON INCOME (cont.)

**A. <u>Tax laws applicable to the Group companies</u> (cont.)**

2. <u>Tax arrangements unique to the insurance industry</u> (cont.)

A. <u>Agreement with the tax authorities</u> (cont.)

2. The Economic Arrangements Law (Legislative Amendments for the Implementation of the Budgetary Targets and Economic Policy for the 2007 Fiscal Year), 2007 of January 11, 2007 sets out rules regarding the tax that applies to the cancellation of the reserve for extraordinary risks in life insurance, which was included in the financial statements through December 31, 2006. According to the rules, a portion of the reserve, which is calculated at 0.17% of the amount of the insurance at risk (own retention) in life insurance, and respect of which the capital requirement was defined, shall be tax-exempt. The sectoral taxation agreement indicates that the basis for the exemption is the capital requirement, which is reflected as stated above; it is further indicated that if the capital requirement is cancelled or reduced, the parties shall discuss the tax consequences of such a change, if any.
In accordance with the sectoral taxation agreement for tax years 2020-2022 as stated above, it was agreed that:
A. In respect of 2020 income for corporate income tax purposes will be attributed and profit tax at a rate of 0.01% of the insured amount at risk - own retention - as calculated as of December 31, 2006. As a result of the said arrangement, Phoenix Insurance recorded in 2023 a tax expense of approx. NIS 4 million.
B. If the new capital regulations regarding components relating to special risks in life insurance are cancelled or reduced, the parties will discuss the resulting implications, if any.

B. <u>Application of IFRS 17 and IFRS 9</u>
Further to Notes 2 and 45 of the Financial Statements, as of January 1, 2025, for the first time Phoenix Insurance will apply the IFRS 17 and IFRS 9 reporting standards. As of the publication date of the Financial Statements, the manner of handling the tax reports of the insurance companies has not yet been arranged following the implementation of the aforementioned reporting standards.

1. <u>The OECD's International Tax Reform (hereinafter - "**Pillar Two**")</u>

The Pillar Two provisions apply to multinational groups whose turnover in the consolidated report of the consolidated parent company equals or exceeds EUR 750 million in at least two of the four years preceding the tax year under examination. As a result, the Group is examining the effects of the International Tax Reform on its financial statements.

The Company's entities operating in Israel - the Company has not yet started implementing the temporary exemption for the year ended December 31, 2024, since the Pillar Two rules have not yet been enacted or substantively enacted.

The Company's entities operating outside Israel - it is unclear whether the Pillar Two rules create further temporary differences in respect of which deferred taxes should be created, and which tax rate should be used in the measurement of the deferred taxes. In response to this uncertainty, in May 2023 the IASB published an amendment to IAS 12 - Income Tax - which grants a mandatory temporary exemption from the implementation of the provisions of the standard in respect of accounting for and disclosing deferred tax assets and liabilities arising from the adoption of the Pillar Two rules. The Group applies the Temporary Exemption, and therefore no disclosure was given and deferred tax assets and liabilities arising from the adoption of the Pillar Two rules were not recognized in the financial statements as of December 31, 2024.

## NOTE 23 - TAXES ON INCOME (cont.)

**B. Tax rates applicable to the Group companies**

1. The statutory tax applicable to financial institutions, including Phoenix Insurance Company, which constitutes most of the Group's activities, is composed of corporate income tax and profit tax.

   Following is the statutory tax rates applicable to the Group companies:

| | Corporate income tax rate | Profit tax rate | Total tax rate in financial institutions |
|---|---|---|---|
| | | % | |
| Year | | | |
| 2022-2024 | 23.00 | 17.00 | 34.19 |
| 2025 and onwards | 23.00 | 18.00 | 34.75 |

2. In March 2024 an amendment was published to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "**Order**"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated.
   The deferred tax balances included in the financial statements as of December 31, 2024 take into account the effects which arise from the increase in tax rates as described above.
   The effect of the change in tax rates in the first quarter led to an increase of approx. NIS 8 million in the balances of deferred tax liability.

**C. Tax assessments**

The Company and most of the consolidated companies has tax assessments, which are considered to be final through tax year 2019, in accordance with Section 145 of the Income Tax Ordinance.
Phoenix Insurance was issued with deductions assessments on various issues for 2019-2022. Phoenix Insurance filed an objection to this assessment.

**D. Carryforward losses for tax purposes**

The Company has carryforward business losses totaling approx. NIS 83,069 thousand and NIS 113,581 thousand as of December 31, 2024 and December 31, 2023, respectively. As of December 31, 2024, the tax asset balance amounts to approx. NIS 15 million.

The consolidated companies, except KSM Mutual Funds, as detailed below, have carryforward business losses totaling approx. NIS 208 thousand and approx. NIS 284 thousand as of December 31, 2024 and December 31, 2023, respectively. As of December 31, 2024, the tax asset balance amounts to approx. NIS 20 million.

KSM Mutual Funds has carryforward business losses totaling approx. NIS 318 million and approx. NIS 386 million as of December 31, 2024 and December 31, 2023, respectively. As of December 31, 2024, the tax asset balance amounts to approx. NIS 65 million.

The tax assets amount is equal to the balances of losses that can be offset in the foreseeable future.

Furthermore, the consolidated companies have carryforward capital losses totaling approx. NIS 98,615 thousand and approx. NIS 97,692 thousand as of December 31, 2024 and December 31, 2023, respectively.

# NOTE 23 - TAXES ON INCOME (cont.)

## E. Income tax included in the income statements

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Current taxes | 802,877 | 321,279 | 721,553 |
| Deferred taxes in respect of the creation and reversal of temporary differences (see also Section H below) | 49,868 | (65,616) | (210,066) |
| Taxes for previous years | (4,113) | 7,084 | (7,151) |
| Adjustment of deferred tax balances following a change in tax rates | (2,442) | - | - |
| Income tax | 846,190 | 262,747 | 504,336 |

## F. Income tax relating to other comprehensive income line items

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| In respect of available-for-sale financial assets | 160,499 | 147,481 | (133,322) |
| Actuarial gain (loss) in respect of defined benefit plans | 42 | 96 | 1,044 |
| Revaluation of property, plant, and equipment | (3,744) | 2,658 | 28,558 |
| Adjustment of deferred tax balances following a change in tax rates | 10,033 | - | - |
| | 166,830 | 150,235 | (103,720) |

## G. Change in income tax relating to equity line items

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Share-based payment | (13,653) | (818) | 2,362 |

## NOTE 23 - TAXES ON INCOME (cont.)

### H. Deferred taxes

Composition:

| | Deferred acquisition costs | Available-for-sale financial assets | Property, plant and equipment and investment property | Losses for tax purposes (1) | Intangible assets (2) | Other (3) | Total |
|---|---|---|---|---|---|---|---|
| | NIS thousand | | | | | | |
| Balance of deferred tax asset (liability) as of January 1, 2023 | (54,529) | (162,144) | (263,632) | 98,096 | (133,728) | (1,311) | (517,248) |
| Changes carried to profit and loss | 21,217 | 7,461 | (8,832) | 19,521 | 15,989 | 10,260 | 65,616 |
| Changes carried to other comprehensive income | - | (147,481) | (2,658) | - | - | (96) | (150,235) |
| Changes carried to equity | - | - | - | - | - | 818 | 818 |
| Additions in respect of a company consolidated for the first time | - | - | - | - | (53,943) | - | (53,943) |
| Balance of deferred tax asset (liability) as of December 31, 2023 | (33,312) | (302,164) | (275,122) | 117,617 | (171,682) | 9,671 | (654,992) |
| Changes carried to profit and loss | 12,331 | (66,774) | (616) | (17,113) | 26,859 | (4,556) | (49,868) |
| Changes carried to other comprehensive income | - | (160,499) | 3,744 | - | - | (42) | (156,797) |
| Changes carried to equity | - | - | - | - | - | 13,653 | 13,653 |
| Additions in respect of companies consolidated for the first time | - | - | - | - | (18,398) | - | (18,398) |
| Effect of the change in tax rate on profit and loss | (1,128) | 5,302 | (1,247) | - | (891) | 406 | 2,442 |
| Effect of the change in tax rate on other comprehensive income | - | (10,033) | - | - | - | - | (10,033) |
| Balance of deferred tax asset (liability) as of December 31, 2024 | (22,109) | (534,168) | (273,241) | 100,504 | (164,112) | 19,133 | (873,993) |

(1) See Section D above.
(2) The balance includes amounts in respect of tax reserve for intangible assets in respect of companies consolidated for the first time; for further details, see Note 4 and Note 5C.
(3) The remaining amounts stem mainly from tax reserves in respect of investees accounted for by the equity method, and employee benefits.

Deferred taxes are presented in the balance sheet as follows:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Deferred tax assets | 101,984 | 109,330 |
| Liability in respect of deferred taxes | (975,977) | (764,322) |
| | (873,993) | (654,992) |

## NOTE 23 - TAXES ON INCOME (cont.)

### I. Theoretical tax

Following is a reconciliation between the tax amount that would have applied had all revenues and expenses, profits and losses in the income statement been taxed at the statutory tax rate, and the income tax amount recognized in the income statement:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Income before income tax | 2,776,406 | 1,147,684 | 1,854,280 |
| Statutory tax rate applicable to financial institutions (see Section B above) | 34.19% | 34.19% | 34.19% |
| Tax calculated according to total statutory tax rate | 949,253 | 392,393 | 633,978 |
| Deduction due to non-application of profit tax to companies which are not financial institutions (1) | (48,218) | (44,494) | (57,723) |
| Increase (decrease) in income tax resulting from the following factors: | | | |
| Non-deductible expenses and tax exempt revenues | (6,404) | 1,545 | 8,180 |
| Group's share of income from subsidiaries | (24,360) | (13,293) | (20,463) |
| Measurement basis differences | 795 | 1,998 | 1,056 |
| Other losses and differences for which deferred taxes were not created (2) | (22,200) | (37,508) | (29,667) |
| Differences in respect of investees (3) | 3,352 | (43,186) | (24,326) |
| Update of deferred tax balances due to changes in tax rates | (2,442) | - | - |
| Taxes for previous years | (4,113) | 7,084 | (7,151) |
| Other | 527 | (1,792) | 452 |
| Income tax | 846,190 | 262,747 | 504,336 |
| Average effective tax rate | 30.5% | 22.9% | 27.2% |

(1) Stems mainly from Company's income in its separate financial statements and subsidiaries, whose tax rate is lower than approx. 34.19%.

(2) In particular, tax differences resulting from the utilization of carryforward losses and the creation for the first time of deferred tax assets in respect of carryforward losses.

(3) 2023 - mainly in respect of profit arising from assuming control in Phoenix Private.
2022 - mainly in respect of profits from assuming control in Phoenix Capital and Dorbit.

# NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS

Employee benefits include short-term benefits, post-employment benefits, other long-term benefits and termination benefits.
The Note does not include share-based employee benefits; for information about share-based payment, see Note 37 regarding share-based payments.
For further information about benefits to key management personnel, see Note 42 regarding related and interested parties.

**Post-employment benefits**

Under labor laws in Israel and the Israeli Severance Pay Law, the Company is required to pay severance pay to employees upon dismissal or retirement, or to make regular contributions to defined contribution plans in accordance with Section 14 of the Severance Pay Law, as described below. The Company's liability in respect of the above is accounted for as a post-employment benefit. The Company's liability in respect of employee benefits is calculated based on employment agreements in force and the employee's salary and employment period that give rise to the right to receive severance pay.
Post-employment employee benefits are normally funded by contributions classified as a defined benefit plan or as a defined contribution plan as detailed below.

1. Defined contribution plans

The provisions of Section 14 to the Severance Pay Law, 1963 apply to some of the severance pay payments; pursuant to that section, the Group's regular contributions to pension funds and/or insurance companies' policies exempt it from any further obligation to the employees in respect of whom the amounts were deposited as described above. These contributions and contributions in respect of pension constitute defined contribution plans.

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Expenses in respect of defined contribution plans | 127,509 | 120,769 | 112,169 |

2. Defined benefit plan

The portion of the severance pay payments which is not covered by contributions to defined contribution plans as described above is accounted for by the Group as a defined benefit plan under which a liability in recognized in respect of employee benefits, and the Group deposits amounts with central severance pay funds and qualifying insurance policies in respect of that liability.

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Liabilities in respect of unfunded defined benefit plan | 172 | 806 |
| Liability in respect of funded defined benefit plan (see Section A) | 58,526 | 56,019 |
| Total liabilities in respect of defined benefit plan | 58,698 | 56,825 |
| Less fair value of plan assets (see Section B2 below) | 29,100 | 27,606 |
| Total liability for defined benefit plans, net | 29,598 | 29,219 |
| Short-term benefits | 55,135 | 45,187 |
| Total liability for employee benefits, net | 84,733 | 74,406 |

# NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

## A. Changes in the present value of a liability in respect of a defined benefit plan

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Balance as of January 1 | 56,019 | 50,006 |
| Expenses charged to profit and loss: | | |
| Cost of interest | 3,289 | 2,371 |
| Cost of current service | 1,601 | 1,323 |
| Cost of past service | - | - |
| Actuarial gain recognized in other comprehensive income, net: | | |
| Actuarial losses (gains) arising from changes in the demographic assumptions | 119 | - |
| Actuarial losses (gains) arising from changes in the financial assumptions | 32 | (408) |
| Other actuarial losses (gains) | 511 | 300 |
| Additional changes: | | |
| Benefits paid | (3,687) | (3,334) |
| Commencement of consolidation | 642 | 5,761 |
| Balance as of December 31 | 58,526 | 56,019 |

## B. Changes in the present value of a assets in respect of a defined benefit plan

1. Plan assets
   Plan assets include assets held by the long-term employee benefits fund and by qualifying insurance policies.

2. Change in fair value of plan assets:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Balance as of January 1 | 27,606 | 22,184 |
| Expenses charged to profit and loss | | |
| Interest revenues | 1,001 | 956 |
| Actuarial gain (loss), recognized in other comprehensive income, net: | | |
| Actual return, less interest income | 901 | 183 |
| Additional changes: | | |
| Plan contributions by employers | 555 | 539 |
| Benefits paid | (963) | (1,797) |
| Commencement of consolidation | - | 5,541 |
| Balance as of December 31 | 29,100 | 27,606 |

## C. Main actuarial assumptions in determining the liability for the defined benefit plan

| | 2024 | 2023 |
|---|---|---|
| | % | |
| Discount rate on December 31 (*) | 2.80 | 2.80 |
| Rate of expected real wage increase | 1.50 | 1.50 |
| Expected inflation rate | 2.40 | 2.50 |

(*) The discount rate is based on high-quality CPI-linked corporate bonds.

## NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

### D. Amounts, timing and uncertainties of future cash flows

Following are potential changes that are considered to be reasonable as of the end of the reporting period for each actuarial assumption, assuming that all other actuarial assumptions remain unchanged:

| | 2024 | 2023 |
|---|---|---|
| | NIS thousand | |
| Sensitivity test to the change in the rate of expected real wage increase | | |
| **The change is the result of:** | | |
| 1% increase in salaries | 1,337 | 1,578 |
| Sensitivity test to changes in the liability discount rate: | | |
| **The change is the result of:** | | |
| 1% increase in the discount rate | (1,167) | (1,234) |
| 1% decrease in the discount rate | 1,507 | 1,695 |

### E. Expenses charged to profit and loss

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Cost of current service | 1,601 | 1,323 | 1,486 |
| Cost of interest | 3,289 | 2,371 | 1,324 |
| Cost of past service | - | - | - |
| Interest revenues in respect of plan assets | (1,001) | (956) | (583) |
| | 3,889 | 2,738 | 2,227 |

## NOTE 24 - ASSETS AND LIABILITIES FOR EMPLOYEE BENEFITS (cont.)

### F. Collective agreement

In December 2021, a new collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between Phoenix Insurance and the New Histradrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "**Agreement**"); the two companies jointly: "**Phoenix**").

In accordance with the new collective agreement, the provisions of the previous collective agreements in Phoenix Insurance will continue to apply during the term of the Agreement, and in Phoenix Pension and Provident they were applied as from January 1, 2022, except for changes defined in the new agreement, the principal points of which are:

1. Pay rises - during the term of the Agreement, Phoenix will pay permanent employees and employees in probation period an average pay rise of 3.03% per year in accordance with the conditions set in the Agreement. The pay rises payable to hourly employees in the different call centers shall be in accordance with the tables included in the agreement.

2. Minimum wage - the gross monthly minimum wage for a full-time employee as from 2022 will be NIS 6,000, and in 2024 it will be NIS 6,500.

3. Pension insurances - increasing pension contributions for employees by 1%, of which 0.5% will be contributed by the employer and 0.5% will be contributed by the employee. In total, pension contributions (by the employer and by the employee) will not amount to less than 22.83%.

4. Annual bonus - should Phoenix meet 100% of the profit targets set by its Board of Directors in relation to that year, Phoenix shall allocate a budget for payment of bonus to employees; the total cost of the bonus shall be equal to 6.835% of the annual payroll cost in the year preceding the year in which the bonus will be paid. In respect of meeting the targets at the range between 70% to 130% of the profit targets, the bonus budget will increase or decrease linearly in the relevant range. If Phoenix fails to meet 70% of the profit targets set in relation to that year - there will be no entitlement to bonus in respect of that year.

5. Dental and health insurance - Phoenix shall take steps to insure its employees under a collective dental insurance policy and will work to improve the existing health insurance at an overall cost of approx. NIS 5 million per year.

6. Final settlement of claims and industrial peace - the Agreement constitutes a full and final settlement of the parties' claims for the Agreement's term. The parties to the Agreement have undertaken to maintain mutual industrial peace regarding the matters settled in the Agreement.

The estimated annual cost of workforce-related expenses (excluding costs conditional upon meeting targets) in respect of the years of Phoenix's agreement is approx. NIS 23.6 million. The annual cost of the annual bonuses awarded in respect of 2022, 2023 and 2024 are NIS 21.6 million, NIS 27 million and NIS 32.4 million, respectively.

In the reporting year, negotiations towards signing a new collective bargaining agreement commenced, as well as negotiations on the relocation agreement to the new Rishon LeZion campus.

## NOTE 25 - PAYABLES AND CREDIT BALANCES

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Employees and other liabilities in respect of compensation and salaries | 198,709 | 161,259 |
| Accrued expenses | 422,905 | 325,621 |
| Trade payables | 197,539 | 194,042 |
| Government institutions and authorities (*) | 496,286 | 116,363 |
| Liabilities to investees and interested parties | 24,655 | 25,476 |
| Deferred acquisition costs in respect of reinsurance | 107,242 | 84,024 |
| Insurance companies and insurance brokers: | | |
| Deposits by reinsurers (**) | 1,575,030 | 1,660,450 |
| Other accounts | 77,311 | 114,378 |
| Total companies and insurance agents | 1,652,341 | 1,774,828 |
| Insurance agents | 276,142 | 304,747 |
| Prepaid premium | 91,073 | 81,711 |
| Profit participation in collective insurance | 1,858 | 28,235 |
| Policyholders and planholders | 29,541 | 77,685 |
| Interest payable | 35,990 | 42,292 |
| Payables for financial investments | 396,530 | 259,435 |
| Other liabilities | 198,489 | 193,447 |
| Total payables and credit balances | 4,129,300 | 3,669,165 |

(*) The balance as of December 31, 2024, includes netting with the National Insurance Institute in respect of a cut-off agreement in the Compulsory Motor Insurance Subsegment.

(**) For a breakdown of assets and liabilities by linkage bases, see Note 41.
For payables and credit balances that constitute related parties, see Note 42.

# NOTE 26 - LIABILITIES IN RESPECT OF STRUCTURED PRODUCTS

**A. Following is the composition of liabilities in respect of structured products and liabilities of special purpose consolidated companies:**

| | See below | December 31 2024 | December 31 2023 |
|---|---|---|---|
| | | NIS thousand | |
| Structured bonds | B | 109,000 | 147,000 |
| Liabilities of special purpose consolidated companies | E | 25,000 | 24,000 |
| Total | | 134,000 | 171,000 |

**B.** As of December 31, 2024, the Group has one Series of structured bonds, which was issued in a private placement.

**C. Further details on the composition of assets and liabilities of the special purpose companies**

| | December 31 2024 | December 31 2023 |
|---|---|---|
| | NIS thousand | |
| Backing assets, net | 110,000 | 173,000 |
| Certificates | 109,000 | 147,000 |
| Liabilities | 25,000 | 24,000 |
| | (24,000) | 2,000 |

(*) As of balance sheet date, approx. NIS 25 million in principal and interest were received in cash, which were repaid in January 2025 against liabilities.

**D. Details about the designated companies**

| The Company | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | Holding rate (%) | |
| Netivim Debentures Ltd. (*) | 100 | 100 |

(*) Illiquid structured bonds.

**E. Liability of special purpose consolidated companies:**

| | December 31 2024 | December 31 2023 |
|---|---|---|
| | NIS thousand | |
| Short sale of held-for-trading securities in series accounts: | | |
| Amounts payable in respect of securities | 25,000 | 24,000 |

# NOTE 27 - FINANCIAL LIABILITIES

This note provides information regarding the contractual terms of financial liabilities. Further information regarding the Group's exposure to interest rate risk, foreign currency and liquidity risks is provided in Note 41 regarding risk management.

## A. Breakdown of financial liabilities

| | See below | Carrying amount As of December 31 2024 | Carrying amount As of December 31 2023 | Fair value As of December 31 2024 | Fair value As of December 31 2023 |
|---|---|---|---|---|---|
| | | NIS thousand | | | |
| Financial liabilities presented at amortized cost: | | | | | |
| Loans from banking corporations | H | 1,637,920 | 748,800 | 1,637,920 | 748,800 |
| Short-term credit from banking corporations | I | 940,794 | 263,000 | 940,794 | 263,000 |
| Loans from non-bank entities | J | 369,983 | 886,621 | 382,733 | 886,621 |
| Bonds | D-G | 3,032,715 | 2,495,765 | 2,998,174 | 2,439,861 |
| Subordinated notes (1) | D-G | 3,823,946 | 4,480,493 | 3,734,799 | 4,388,401 |
| Notes - additional Tier 1 capital (1) | D-G | 373,606 | 217,644 | 358,660 | 240,359 |
| Trade receivables for credit cards | K | 1,901,977 | 1,754,711 | 1,901,977 | 1,754,711 |
| Repo in respect of non-yield-dependent contracts (2) | | 982,168 | 833,501 | 982,168 | 833,501 |
| Other (3) | | 31,373 | 54,069 | 31,373 | 54,069 |
| Total financial liabilities presented at amortized cost | | 13,094,482 | 11,734,604 | 12,968,598 | 11,609,323 |
| Financial liabilities presented at fair value through profit and loss: | | | | | |
| Derivatives held for yield-dependent contracts | | 1,051,636 | 1,052,783 | 1,051,636 | 1,052,783 |
| Derivatives held for non-yield-dependent contracts | | 250,065 | 439,993 | 250,065 | 439,993 |
| Repo in respect of yield-dependent contracts (2) | | 945,080 | 1,180,841 | 945,080 | 1,180,841 |
| Liability for short sale of liquid securities | | 1,658,885 | 1,038,609 | 1,658,885 | 1,038,609 |
| Other | | 21,000 | 6,000 | 21,000 | 6,000 |
| Total financial liabilities presented at fair value through profit and loss | | 3,926,666 | 3,718,226 | 3,926,666 | 3,718,226 |
| Lease liabilities (4) | | 168,158 | 123,079 | | |
| Total financial liabilities | | 17,189,306 | 15,575,909 | | |

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

(4) Disclosure of fair value was not required.

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## B. Details on paid interest and linkage:

| | Linkage basis | As of December 31 2024 Carrying amount | Interest rate |
|---|---|---|---|
| | | NIS thousand | % |
| Financial liabilities presented at amortized cost: | | | |
| | Linked to foreign currency | 1,518,961 | 4.5%-7% |
| | NIS | 9,255,204 | 1.94%-7% |
| | CPI-linked | 2,320,317 | 0.44%-2.31% |
| | | 13,094,482 | |

| | Linkage basis | As of December 31 2023 Carrying amount | Interest rate |
|---|---|---|---|
| | | NIS thousand | % |
| Financial liabilities presented at amortized cost: | | | |
| | Linked to foreign currency | 934,502 | 5.3%-5.8% |
| | NIS | 9,175,469 | 1.94%-6.97% |
| | CPI-linked | 1,624,633 | 0.44%-2.31% |
| | | 11,734,604 | |

## C. Financial liabilities presented at fair value:

Fair value of financial liabilities by level:

The following table presents an analysis of financial liabilities presented at fair value.

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | NIS thousand | | | |
| Liability for short sale of liquid securities | 1,679,885 | - | - | 1,679,885 |
| Repo in respect of yield-dependent contracts | - | 945,080 | - | 945,080 |
| Derivatives | 236,686 | 1,052,980 | 12,035 | 1,301,701 |
| Financial liabilities presented at fair value | 1,916,571 | 1,998,060 | 12,035 | 3,926,666 |
| Financial liabilities presented at amortized cost, the fair value of which is disclosed | 9,476,749 | 3,586,360 | 31,373 | 13,094,482 |

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| | NIS thousand | | | |
| Liability for short sale of liquid securities | 1,044,609 | - | - | 1,044,609 |
| REPO in respect of yield-dependent contracts | - | 1,180,841 | - | 1,180,841 |
| Derivatives | 160,897 | 1,321,446 | 10,433 | 1,492,776 |
| Financial liabilities presented at fair value | 1,205,506 | 2,502,287 | 10,433 | 3,718,226 |
| Financial liabilities presented at amortized cost, the fair value of which is disclosed | 8,558,559 | 3,121,976 | 54,069 | 11,734,604 |

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

**D. Repayment in years subsequent to the reporting date:**

1. Subordinated notes (assuming early redemption):

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| First year | 767,500* | 398,831 |
| Second year | 785,911 | 1,060,849* |
| Third year | - | 770,095 |
| Fourth year | 200,000 | - |
| Fifth year and onwards | 2,103,637 | 2,293,361 |
| | 3,857,048 | 4,523,136 |
| Less - discount and deferred acquisition costs | (33,102) | (42,643) |
| | 3,823,946 | 4,480,493 |

2. Bonds

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| First year | 1,331,081** | 248,093 |
| Second year | 173,160 | 592,154** |
| Third year | 173,160 | 173,160 |
| Fourth year | 473,006 | 173,160 |
| Fifth year and onwards | 975,532 | 1,416,051 |
| | 3,125,939 | 2,602,618 |
| Less - discount and deferred acquisition costs | (93,224) | (106,853) |
| | 3,032,715 | 2,495,765 |

(*) The repayment in the first year in the amount of NIS 767,500 thousand is for Bonds (Series H). The repayment in the second year in the comparative figures in the amount of NIS 1,060,849 thousand includes the Bonds (Series J) which were repaid in full early redemption in October 2024.

(**) The repayments in the first year in the amount of NIS 1,331,081 thousand consist of Phoenix Financial Bonds (Series 4 and 6) Bonds, Gama Bonds (Series B and C), as well as Gama Series 2 and 3 CPs.
The repayment in the second year of the comparative figures in the amount of NIS 592,154 thousand includes the Gama Bonds (Series B and Series C).

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### E. Material financial liabilities presented at amortized cost - further details - Phoenix Insurance Company Ltd.:

| As of December 31, 2024 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Series | Issuance date | Par value on issuance date, in NIS million. | Rating and rating agency | Lin-kage terms | Nominal interest | Carrying amount in NIS million (**) | Fair value in NIS million(*) | Payment dates of principal | Interest payment dates | Type of capital (see F below) |
| E | 4.2015 | 409.12 (Including expansion of May 5, 2016) | Midroog / Maalot ilAA/Aa2 | Linked | 2.25% | 469 | 475 | One installment on October 31, 2026 | Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2026 (inclusive) | Hybrid Tier 2 |
| H | 01.2017 | 767.5 (including expansion of July 3, 2017) | Midroog / Maalot ilAA/Aa2 | NIS | 3.61% | 768 | 762 | One installment on July 31, 2025 | Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2025 (inclusive) | Hybrid Tier 2 |
| H | 11.2018 | 308.3 | Midroog / Maalot ilAA/Aa2 | NIS | 3.3% | 308 | 302 | One installment on August 31, 2026 | Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2026 (inclusive) | Tier 2 Capital |
| K | 7.2019 | 1,293.36 (including expansions in 2019 and 2022) | Midroog / Maalot ilAA/Aa2 | NIS | 2.62% | 1,276 | 1,184 | One installment on April 30, 2029 | Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2029; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2029) | Tier 2 Capital |
| L | 8.2021 | 1,574 (Including expansion of November 5, 2023) | Maalot ilAA- | CPI-linked | 2.09% | 374 | 359 | Single installment on February 5, 2032 | Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032) | Additional Tier 1 capital |
| M | 7.2022 | 200 | Midroog / Maalot ilAA/Aa2 | NIS | The Bank of Israel's variable quarterly interest rate plus a 1.75% spread | 199 | 207 | One installment on October 31, 2028 | Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2022 through 2028 and on October 31, 2028 (the last interest payment date) | Tier 2 Capital |
| N | 12.2023 | 300 | Midroog / Maalot ilAA/Aa2 | Linked | 2.31% | 308 | 306 | Single installment on February 28, 2030 | Quarterly interest on February 28, May 31, August 31 and November 30 of each of the years 2024 through 2030 and on February 28, 2030 - the last interest payment date (inclusive) | Tier 2 Capital |
| O | 12.2023 | 500 | Midroog / Maalot ilAA/Aa2 | NIS | 4.69% | 496 | 499 | One installment on June 30, 2030 | Quarterly interest on March 31, June 30, September 30 and December 30 of each of the years 2024 through 2030 and on June 30, 2030 - the last interest payment date (inclusive) | Tier 2 Capital |

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## E. Material financial liabilities presented at amortized cost - further details - Phoenix Financial Ltd.: (cont.)

| As of December 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Series** | **Issuance date** | **Par value on issuance date, in NIS million** | **Rating and rating agency** | **Linkage terms** | **Nominal interest** | **Carrying amount in NIS million (**)** | **Fair value in NIS million (*)** | **Payment dates of principal** | **Interest payment dates** |
| Bonds (Series 4) | 05.2019 | 338 Including expansions as from February 3, 2021 | Midroog Aa2 Ma'alot ILAA- | NIS | The Bank of Israel's variable quarterly interest rate plus a 1.28% spread | 398 | 402 | 2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028. | Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July 31, 2028). |
| Bonds (Series 5) | 02.2020 | 823 Including expansions as from September 7, 2020, February 3, 2021 and October 24, 2023. | Midroog Aa2 Ma'alot ILAA- | Linked | 0.44% | 950 | 899 | 6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal | Semi-annual interest rates on November 1 and May 1. |
| Bonds (Series 6) | 01.2022 | 613 Including expansions as from January 26, 2023 and October 24, 2023 | Midroog Aa2 Ma'alot ILAA- | NIS | 1.94% | 527 | 522 | First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032. | Semi-annual interest on June 30 and December 31. |
| Bonds (Series B) | 4.2022 | 216 | Midroog Aa3 | NIS | 3% | 151 | 150 | The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025. | The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025. |

(*) Net of interest accrued since the date of the last installment.
(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### E. Material financial liabilities presented at amortized cost - further details - Gama Management and Clearing Ltd.: (cont.)

| As of December 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Series | Issuance date | Par value on issuance date, in NIS million | Rating and rating agency | Linkage terms | Nominal interest | Carrying amount in NIS million (**) | Fair value in NIS million (*) | Payment dates of principal | Interest payment dates |
| Bonds (Series C) | 4.2022 | 385 | Midroog Aa3 | NIS | Bank of Israel's variable semi-annual interest rate plus a 1.35% margin | 269 | 274 | The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025. | The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025. |
| CPs (Series 2) | 2.2022 | 300 | Midroog P-1.il | NIS | Interest in the range of Prime to Prime minus 1.0% | 238 | 238 | The CP series is for a period of one year with an option for renewal by additional periods of one year, up to a maximum of 5 years | The CP series is for a period of one year with an option for renewal by additional periods of one year, up to a maximum of 5 years |
| CPs (Series 3) | 6.2024 | 500 | Midroog P-1.il | NIS | The Bank of Israel Interest plus 0.3% per year | 500 | 513 | The principal will be repaid in a single installment on June 10, 2025 | The interest will be payable in single installment on June 10, 2025 |

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## E. Material financial liabilities presented at amortized cost - further details - Phoenix Insurance Company Ltd.: (cont.)

| As of December 31, 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Series | Issuance date | Par value on issuance date, in NIS million. | Rating and rating agency | Linkage terms | Nominal interest | Carrying amount in NIS million (**) | Fair value in NIS million(*) | Payment dates of principal | Interest payment dates | Type of capital (see F below) |
| D | 09.2014 | 398.8 | Midroog / Maalot Aa2/ilAA- | NIS | 3.85% | 398 | 398 | One installment on January 31, 2024 | Semi-annual interest on January 31 and July 31 of each of the years 2015 through 2024 (inclusive) | Hybrid Tier 3 |
| E | 4.2015 | 409.12 (including expansion of May 5, 2016) | Midroog / Maalot ilAA/Aa3 | Linked | 2.25% | 449 | 464 | One installment on October 31, 2026 | Semi-annual interest on April 31 and October 31 of each of the years 2015 through 2026 (inclusive) | Hybrid Tier 2 |
| F | 11.2015 | 410.7 (including expansion of June 7, 2016) | Midroog / Maalot Aa3/ ilAA- | NIS | 3.05% | - | - | One installment on January 31, 2023 | Semi-annual interest on January 31 and July 31 of each of the years 2016 through 2023 (inclusive) | Hybrid Tier 2 |
| H | 01.2017 | 767.5 (including expansion of July 3, 2017) | Midroog / Maalot ilAA/Aa3 | NIS | 3.61% | 769 | 759 | One installment on July 31, 2025 | Semi-annual interest on January 31 and July 31 of each of the years 2017 through 2025 (inclusive) | Hybrid Tier 2 |
| H | 11.2018 | 308.3 | Midroog / Maalot ilAA/Aa3 | NIS | 3.3% | 307 | 301 | One installment on August 31, 2026 | Semi-annual interest on February 28 and August 31 of each of the years 2019 through 2026 (inclusive) | Tier 2 Capital |
| J | 11.2018 | 293.3 (including expansion of April 10, 2019) | Midroog / Maalot ilAA/Aa3 | NIS | Bank of Israel's variable quarterly interest rate plus a 1.34% margin | 293 | 296 | One installment on January 31, 2025 | Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2025 and on January 31, 2025 (the last interest payment date) | Tier 2 Capital |
| K | 7.2019 | 1,293.36 (including expansions in 2019 and 2022) | Midroog / Maalot ilAA/Aa3 | NIS | 2.62% | 1,271 | 1,170 | One installment on April 30, 2029 | Semi-annual interest on April 30 and October 31 of each of the years 2019 through 2029; (the first installment will be paid on October 31, 2019 and the last interest installment will be paid on April 30, 2029) | Tier 2 Capital |
| L | 8.2021 | 1,574 (Including expansion of November 5, 2023) | Maalot ilAA- | CPI-linked | 2.09% | 218 | 240 | Single installment on February 5, 2032 | Semi-annual interest on February 5 and August 5 of each of the years 2022 through 2032; (the first installment will be paid on February 6, 2022 and the last interest installment will be paid on February 5, 2032) | Additional Tier 1 capital |
| M | 7.2022 | 200 | Midroog / Maalot ilAA/Aa3 | NIS | The Bank of Israel's variable quarterly interest rate plus a 1.75% spread | 200 | 210 | One installment on October 31, 2028 | Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2022 through 2028 and on October 31, 2028 (the last interest payment date) | Tier 2 Capital |
| N | 12.2023 | 300 | Midroog / Maalot ilA/Aa3 | Linked | 2.31% | 297 | 297 | Single installment on February 28, 2030 | Quarterly interest on February 28, May 31, August 31 and November 30 of each of the years 2024 through 2030 and on February 28, 2030 - the last interest payment date (inclusive) | Tier 2 Capital |
| O | 12.2023 | 500 | Midroog / Maalot ilAA/Aa3 | NIS | 4.69% | 496 | 494 | One installment on June 30, 2030 | Quarterly interest on March 31, June 30, September 30 and December 30 of each of the years 2024 through 2030 and on June 30, 2030 - the last interest payment date (inclusive) | Tier 2 Capital |

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### E. Material financial liabilities presented at amortized cost - further details - Phoenix Financial Ltd. (cont.)

| As of December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Series** | **Issuance date** | **Par value on issuance date, in NIS million** | **Rating and rating agency** | **Linkage terms** | **Nominal interest** | **Carrying amount in NIS million (**)** | **Fair value in NIS million (*)** | **Payment dates of principal** | **Interest payment dates** |
| Bonds (Series 4) | 05.2019 | 338 Including expansions as from February 3, 2021 | Midroog Aa3 Ma'alot ilAA- | NIS | The Bank of Israel's variable quarterly interest rate plus a 1.28% spread | 396 | 407 | 2 equal installments of 12% in each of the years 2020 through 2021 and 4 installments of 19% each in 2025 through 2028. | Quarterly interest on January 31, April 30, July 31 and October 31 of each of the years 2019 through 2028 (with the first payment paid on July 31, 2019 and the last interest payment paid on July 31, 2028). |
| Bonds (Series 5) | 02.2020 | 823 Including expansions as from September 7, 2020, February 3, 2021 and October 24, 2023. | Midroog Aa3 Ma'alot ilAA- | Linked | 0.44% | 958 | 897 | 6 variable annual payments, which will be paid on May 1 in each of the years 2022 to 2024, on May 1, 2028 and May 1 in each of the years 2029 to 2030, with each of the first payments up to and including the third payment repaying 4% of the principal, the fourth payment being repaying 28% of the fund and the fifth and sixth payments repaying 30% of the principal | Semi-annual interest rates on November 1 and May 1. |
| Bonds (Series 6) | 01.2022 | 613 Including expansions as from January 26, 2023 and October 24, 2023 | Midroog Aa2 Ma'alot ilAA- | NIS | 1.94% | 541 | 534 | First installment of 4% of the principal on December 31, 2024, 3 equal installments of 12% each in each of the years 2025-2027, 3 equal installments of 10% each in each of the years 2028-2030, and 2 equal installments of 15% each in each of the years 2031 and 2032. | Semi-annual interest on June 30 and December 31. |

(*) Net of interest accrued since the date of the last installment.
(**) The carrying amount of bonds' balances, net of discount and deferred issuance expenses.

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## E. Material financial liabilities presented at amortized cost - further details - Gama Management and Clearing Ltd. (cont.)

| As of December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Series | Issuance date | Par value on issuance date, in NIS million | Rating and rating agency | Linkage terms | Nominal interest | Carrying amount in NIS million (**) | Fair value in NIS million (*) | Payment dates of principal | Interest payment dates |
| Bonds (Series B) | 4.2022 | 216 | Midroog Aa3 | NIS | 3% | 215 | 213 | The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025. | The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025. |
| Bonds (Series C) | 4.2022 | 283 | Midroog Aa3 | NIS | Bank of Israel's variable semi-annual interest rate plus a 1.35% margin | 383 | 391 | The principal is repayable in three unequal annual installments; the first installment, constituting 30% of the principal amount, shall be made on October 18, 2024; the second installment, constituting 30% of the principal amount, shall be made on April 18, 2025, and the third and last installment, constituting 40% of the principal amount, shall be made on October 18, 2025. | The interest on the outstanding balance of the bonds' principal will be paid in semi-annual installments, on April 18 and October 18 of each of the years 2022 through 2025. The first interest payment was paid on October 18, 2022, and the last principal and interest payments will be paid on October 18, 2025. |

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## E. Material financial liabilities presented at amortized cost - further details (cont.)

**Comments**:

1. The Notes (Series D-O) were issued by Phoenix Capital Raising - which is wholly-owned by Phoenix Insurance, which is wholly-owned by the Company.
   Bonds (Series 4-6) issued by the Company.
2. All series are traded on the TASE.
3. The series are classified to level 1 for the purpose of determining fair value.
4. Repayments, issuances and expansion of series

The Company
Issuance of further series of Bonds (Series 5 and Series 6) by the Company by way of series expansion
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.

Phoenix Insurance (bonds issued by Phoenix Capital Raising)
Early redemption of Bonds (Series D)
On January 31, 2024, Phoenix Capital Raising executed a full early redemption of the principal of the Bonds (Series D) and the interest accrued thereon at the total of approx. NIS 399 million, in accordance with the conditions precedent of the deed of trust, and the approval of the Capital Market, Insurance and Savings Authority.

Early redemption of Bonds (Series J)
On October 31, 2024, Phoenix Capital Raising executed a full early redemption of the Bonds (Series J) principal and the interest in respect of it in the amount of approx. NIS 298 million, in accordance with the conditions precedent of the Deed of Trust and the approval of the Capital Market, Insurance and Savings Authority.

Phoenix Gama
Issue of CPs (Series 2)
On February 6, 2022, and on March 7, 2022, Gama raised from institutional entities that are not interested parties in the Company a total amount of NIS 200 million and NIS 100 million, respectively, through the CPs (Series 2), whose consideration was used for Gama's ongoing operations. The CP bears interest in the range between Prime and Prime minus 1.0%. The CP series is for a period of one year with an option for renewal by additional periods of one year, up to a maximum of 5 years During the period, each of the parties may give notice of a shortening of the CP period, subject to the provision of 60 days prior notice. Gamma has not provided any collateral, and no financial covenants have been set. The CP balance as of December 31, 2024, is NIS 237,500 thousand due to partial repayment of the CP in 2023 in accordance with its terms.

Issue of CPs (Series 3)
On May 20, 2024, Gama published a shelf prospectus, according to which Gama published a shelf offering report for issuance and listing on the TASE of commercial papers (CP) Series 3 in the amount of up to NIS 573,334 thousand p.v., bearing variable interest calculated as a weighted average of the Bank of Israel's interest rates that were applicable during the interest period, plus a fixed annual spread that will be set in a tender, which will not exceed 0.3% per year. The principal of the CPs and the interest in respect thereof shall be repaid in a single installment on June 10, 2025. The CP principal and interest shall not be linked to any linkage basis or to any currency.

Accordingly, on June 10, 2024, approval was given by the TASE for the listing of up to NIS 500,000 thousand p.v. of CPs (Series 3), issued to the public. In accordance with the TASE guidelines, the trading unit of a CP is NIS 10 p.v., in light of this, up to 50,000,000 trading units will be listed.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital

#### 1. Hybrid Tier 2 and Tier 3 capital

In accordance with the prospectuses of the Series D, E, F and H, the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:

**"Suspending circumstances in respect of hybrid Tier 2 and Tier 3 capital"** - in accordance with the Insurance Commissioner's Directives mean the existence of one or more of the following circumstances:

A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

B. The amount of the Company's eligible own funds dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's Directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to the Company' ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's Directives), provided that it first obtained the Insurance Commissioner's approval.

D. The Company's Board of Directors ordered the deferral of interest and/or principal payments, to the extent that it decided that there is a real concern as to Company's ability to repay on time liabilities which are ranked higher than the notes in terms of the repayment priority, provided that it obtained the Insurance Commissioner's advance approval to do so.

E. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in the Company's eligible shareholders' equity, or if it realized that there is real concern as to the Company' ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's Directives). For that purpose, "eligible own funds" means the eligible shareholders' equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's Directives.

F. Principal or interest payments that were delayed as described above, shall be delayed until the suspending circumstances no longer exist, and under no circumstances for more than three years from the original repayment date of the principal of bonds.

Furthermore, in March 2018 the Commissioner published its position - Definition of Recognized Capital and Required Capital in Hybrid Capital Instruments. This position clarifies the appropriate interpretation of the terms "required capital" and "recognized capital" in the terms of hybrid capital instruments with regard to suspending circumstances while distinguishing between insurers that obtained the Commissioner's approval as to the performance of an initial audit of the solvency ratio report by an auditor, and insurers that have not yet obtained such approval. With regard to insurers that received such approval from the Commissioner, the term "required capital" shall be interpreted in accordance with the definition of the term "minimum capital requirement" (MCR), and the term "equity" shall be interpreted in accordance with the definition of the term "equity" in the Solvency Circular. As to insurers that have not yet obtained the Commissioner's approval, the terms "equity" and "equity required for solvency purposes" shall be interpreted in accordance with their definition in the Insurer's Solvency Equity Requirement circular.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

**F. Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)**

**2. Tier 2 capital**

In accordance with the prospectuses of the Series I-K and M-O, the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:

**"Suspending circumstances in respect of Tier 2 capital"** - in accordance with the Insurance Commissioner's Directives mean the existence of one or more of the following circumstances:

With regard to deferral of interest payments:
In accordance with the latest financial statements published by the Company prior to payment date, The Company does not have distributable profits as defined in the Companies Law.

With regard to deferral of principal and/or interest payments:

A. In accordance the latest financial statements published by the Company prior to payment date, the Company's equity is lower than the equity required to establish suspending circumstances, and as of the report publication date, the Company did not supplement its equity.

B. The Company's Board of Directors ordered the deferral of interest or principal payments, to the extent that it reached the conclusion that there is a real concern as to the Company's ability to maintain the required capital for suspending circumstances or repay on time liabilities which are ranked higher than the bonds in terms of the repayment priority, provided that it obtained the Commissioner's advance approval to do so.

C. The Commissioner ordered the deferral of interest or principal payments, to the extent that it realized that there is a decrease in Phoenix Insurance's solvency ratio, or that there is a real concern as to the Company's ability to meet the solvency capital requirement.

**3. Additional Tier 1 capital**

The terms of the additional Tier 1 capital instrument (Series L) include loss absorption mechanisms as detailed below:

1. In accordance with the prospectuses of the Additional Tier 1 capital (Series L), the principal payments and/or interest payments shall be deferred upon the occurrence of suspending circumstances as defined below:
   **"Suspending circumstances in respect of Additional Tier 1 capital"** - in accordance with the Insurance Commissioner's Directives mean the existence of one or more of the following circumstances:
   A. Lack of distributable profits of the Company as defined in the Companies Law, as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

   B. The amount of Phoenix Insurance's eligible own funds dropped below the equity it is required to maintain (in accordance with the legal provisions applicable thereto and/or in accordance with the Insurance Commissioner's Directives), as per the latest financial statements (annual or quarterly) published before the relevant interest and/or principal repayment date.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

F. **Subordinated notes - hybrid Tier 2 and Tier 3 capital, Tier 2 capital and additional Tier 1 capital (cont.)**

3. **Additional Tier 1 capital (cont.)**

1. (cont.)

C. The Company's Board of Directors ordered the postponement of the interest payment or the postponement of the principal payment if it reached the conclusion that there is a real concern as to Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to Phoenix Insurance and/or in accordance with the Insurance Commissioner's Directives), provided that it first obtained the Insurance Commissioner's approval.

D. The Insurance Commissioner ordered the deferral of interest and/or principal payments due to a significant decrease in Phoenix Insurance's eligible shareholders' equity, or if it realized that there is real concern as to Phoenix Insurance's ability to meet the capital requirements applicable thereto (in accordance with the legal provisions applicable to Phoenix Insurance and/or in accordance with the Insurance Commissioner's Directives).

E. For that purpose, "eligible own funds" means the eligible shareholders' equity of an Israeli insurer as defined in the legal provisions applicable to insurers and/or in the Insurance Commissioner's Directives.

2. The instrument's principal which was not repaid on time due to suspending circumstances as stated above:

A. Shall not accrue interest on arrears of any type whatsoever.

B. Will be paid when the delaying circumstances cease, in accordance with the resolution of the insurance company's Board of Directors, and after obtaining the Commissioner's advance approval.

3. The instrument's principal shall be derecognized or converted into ordinary shares when any of the following applies:

A. In accordance with the financial statements preceding the published financial statements, an insurance company's equity is lower than the capital requirement, and the insurance company did not supplement its equity as of the publication date of the latest financial statements.

B. In accordance with the latest published financial statements, an insurance company's solvency ratio is lower than 75%, and the insurance company did not supplement its equity as of the publication date of the financial statements.

C. In the auditor's report or review report attached to the latest published financial statements prior to the payment date, the independent auditor of an insurance company has drawn attention to notes describing significant doubts as to the insurance company's ability to continue as a going concern.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### G. Early redemption

1. Series D

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the bonds when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which Phoenix Capital Raising may execute full or partial early redemption shall be January 31, 2024 (hereinafter - the "**First Early Redemption Date**"). Subsequent to the First Early Redemption Date, Phoenix Capital Raising will be allowed to execute full or partial early redemption of the bonds on each interest payment date. To the extent that Phoenix Capital Raising does not exercise its right to execute early redemption on the First Early Redemption Date, the relevant bondholders will be paid additional interest in addition to the interest which the bonds bear at that time in respect of the remaining period (from the First Early Repayment Date on which the early redemption right was not exercised through the actual repayment date); the additional interest rate will be equal to 50% of the original risk margin set in relation to the bonds as defined in the shelf prospectus. For information regarding early redemption of Series D, see Section E above.

2. Series E, F and H

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series E, F and H) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series E, F and H) will not be executed on October 31, 2026, January 31, 2023 and July 31, 2025, respectively (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series E, F and H).

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series E, F and H bonds shall be May 1, 2020, January 1, 2021 and July 31, 2022, respectively, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions detailed in the deed of trust shall apply, whereby Phoenix Capital Raising shall pay Series E, F and H bondholders the higher of the following amounts: (1) The market value of the outstanding balance of Bonds (Series E, F and H) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series E, F and H) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series E, F and H) which will be repaid early (principal amount plus interest (and in the case of Bonds (Series E) - linkage as well), discounted by a discount rate and at the terms listed in the deed of trust.

3. Series I and J

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series I and J) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series E, F and H) will not be executed on August 31, 2026 and January 31, 2025, respectively (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series I and J).

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## G. Early redemption (cont.)

3. Series I and J (cont.)

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Bonds (Series I and J) shall be October 31, 2023, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions as detailed in the deed of trust shall apply, whereby the Company shall pay Series I and J bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series I and J) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series I and J) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of Bonds (Series I and J) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust. For information regarding early redemption of Series J, see Section E above.

4. Series K

The Company shall have the right to execute full or partial early redemption of the Bonds (Series K) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series K) will not be executed on April 30, 2029 (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series K).

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Bonds (Series K) shall be July 30, 2024, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions detailed in the deed of trust shall apply, whereby the Company shall pay Series K bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series K) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series K) in circulation which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series K) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

5. Series L

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series L) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. The first date on which Phoenix Capital Raising may execute early redemption shall be ten (10) years after the issuance date, i.e., February 5, 2031 (hereinafter - the "**First Early Redemption Date**"). After the First Early Redemption Date and subject to obtaining the Commissioner's approval, the Company will be allowed to execute partial or full early repayment of the subordinated notes on the first interest payment date that will take place 5 years after the First Early Redemption Date, and subsequently, once every 5 years on the next interest payment date.

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## G. Early redemption (cont.)

5. Series L (cont.)

Notwithstanding the above, insofar as changes are made to the regulations applicable to Phoenix, as a result of which the classification of the subordinated notes as additional Tier 1 capital is adversely affected, the Company will be allowed to execute full or partial early redemption of the subordinated notes. In such a case, the early redemption will be executed in accordance with the par value of the subordinated notes, plus interest accrued in respect thereof through that date; the early redemption will be executed immediately prior to the interest payment date closest to the date of such a change.

In April 2024, the Company sold approx. NIS 140 million of its holdings in the subordinated notes recognized as Tier 1 capital instrument by Phoenix Insurance and listed on the main list of the TASE, to entities listed in the First Addendum to the Securities Law, 1968.

The abovementioned sale was accounted for as debt issuance in the Company's financial statements.

For details regarding the terms of Bonds (PHONIX B12), see section E above.

6. Series M

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series M) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series M) will not be executed on October 31, 2028 (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the repayment date of Bonds (Series M).

It should be clarified that the First Early Redemption Date for a full or partial redemption of the Series M bonds shall be October 30, 2028, in accordance the terms set out in the deed of trust, and if early redemption will take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions detailed in the deed of trust shall apply, whereby the Company shall pay Series M bondholders the higher of the following amounts: (1) the market value of the outstanding balance of Bonds (Series K) in circulation that will be determined based on the bonds' average closing price during the thirty trading days prior to the date on which the Board of Directors passed the resolution to execute early redemption. (2) The outstanding par value of the Bonds (Series K) in circulation, which will be repaid early, i.e., the principal amount plus interest and linkage differences, through the actual early redemption date. (3) The balance of cash flows of the Bonds (Series K) in respect of which early redemption is executed (principal amount plus interest) discounted by a discount rate and at the terms listed overleaf in the deed of trust.

7. Series N

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series N) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series N) will not be executed on February 28, 2030 (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through Bonds (Series N) repayment date.

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## G. Early redemption (cont.)

7. Series N (cont.)

It should be clarified that the First Early Redemption Date, whether full or partial, of Bonds (Series N) shall be February 28, 2030, in accordance the terms set out in the deed of trust, and if early redemption shall take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions detailed in the deed of trust shall apply, including whereby the Company shall pay the holders of Bonds (Series N) the outstanding par value of the bonds in circulation up for early redemption, i.e., the principal (the par value repayable by way of early redemption) with added interest and linkage differences accrued thereto as of the payment date. In case of full early redemption, the said payment shall be made against the provision of the bonds to the Company no later than 5 business days prior to the payment date.

8. Series O

Phoenix Capital Raising shall have the right to execute full or partial early redemption of the Bonds (Series O) when certain conditions set out in the deed of trust are met, without giving bondholders and/or the trustee a right of choice. If early redemption of the Bonds (Series O) will not be executed on June 30, 2030 (hereinafter - the "**Effective Date for Additional Interest**"), the bonds shall bear additional interest at a rate of 50% of the original risk margin set in relation to the relevant series of bonds as defined in the shelf prospectus, for a period starting on the Effective Date for Additional Interest through the Bonds (Series O) repayment date.
It should be clarified that the First Early Redemption Date, whether full or partial, of Bonds (Series O) shall be June 30, 2030, in accordance the terms set out in the deed of trust, and if early redemption shall take place as from that date until the Effective Date for Additional Interest (excluding early redemption on the Effective Date for Additional Interest), the provisions detailed in the deed of trust shall apply, including whereby the Company shall pay the holders of Bonds (Series O) the outstanding par value of the bonds in circulation up for early redemption, i.e., the principal (the par value repayable by way of early redemption) with added interest and linkage differences accrued thereto as of the payment date. In case of full early redemption, the said payment shall be made against the provision of the bonds to the Company no later than 5 business days prior to the payment date.

9. Gama Bonds (Series B and C)

Gama will be allowed to redeem the bonds by way of full or partial early redemption only after sixty (60) days have elapsed from the listing date of the Bonds, provided that the amount of each such early repayment will not be lower than NIS 1 million.
Early redemption will not take place more than once quarter.
The amount that will be paid to the bondholders in the event of early redemption shall be the higher of: (1) the market value of the outstanding bonds that are due for early redemption, which will be determined in accordance with the average closing price of the bonds in the thirty (30) trading days that preceded the date on which the Board of Directors passed the resolution to execute the early redemption. (2) The outstanding par value of the Bonds that are due for early repayment, that is to say - principal plus interest (including interest on arrears if it becomes payable prior to the announcement regarding the execution of the early redemption by the Company, and which accrued and not yet paid prior to the redemption date), calculated until the early redemption date. (3) The balance of cash flows of the bonds which are due for early redemption (principal plus interest), discounted by a discount rate and at the terms listed in the deed of trust.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### H. Loans from banking corporations

As of the report date, loans were taken from banking corporations totaling approx. NIS 1,638 million.

In September 2024, Gama entered into four loan agreements with two banking corporations (hereinafter: the "**Lenders**") for the provision of credit in a total amount of NIS 350 million from each corporation, for a total of NIS 700 million, as part of the management of its sources, and as a response to the continued increase in Gama's business activities. The Lenders advanced to Gama loans, which will bear interest of between Prime and Prime minus 0.5%. The principal of each of the loans will be repaid at the end of 30 months from the loan date and the interest in respect of the loans will be paid quarterly.

In December, Phoenix Agencies recycled the loan it had, the balance of which as of the date of recycling was approx. NIS 285 million to approx. NIS 200 million. The loan is at an interest rate of Prime+0.32%, which is repaid, both principal and interest, on a quarterly basis until December 2026, as well as a renewable on-call once a week in the amount of approx. NIS 85 million at Prime.

In August 29, 2024, Phoenix Pension and Provident Funds took a NIS 500 million loan for a period of three years, and a one-year credit facility of NIS 150 million. The loan was used to repay an existing loan of approx. NIS 330 million and credit of approx. NIS 146 million. The above loan bears interest at a rate of Prime minus 0.55%, and the credit facility bears interest at a rate of Prime minus 0.8%. The loan and the credit facility include a guarantee provided by the Company. The loan principal will be repaid in a single installment at the end of 3 years from the date on which the loan was advanced. The interest in respect of the loan will be paid every quarter.

### I. Short-term credit from banking corporations

As of the report date, Company's subsidiaries have short-term credit totaling approx. NIS 941 million. The increase in short-term credit from banking corporations in the reporting period resulted from short-term credit from banking corporations in the amount of approx. NIS 185 million taken by Phoenix Insurance.

During the reporting period, Phoenix Capital, a subsidiary of Phoenix Advanced Investments, which is engaged in alternative investments, invested approx. NIS 370 million as an initial investment in the KKR alternative investment fund. Against this investment, Phoenix Capital took a bank loan of approx. NIS 370 million; the loan is fully guaranteed by Phoenix Insurance based on market price. As part of Phoenix Capital's activity, this investment is designated in full for distribution to "qualified customers"; Phoenix Capital shall use those proceeds to repay the loan in full. The investment is presented in the financial statements as an investment in an investee and the loan balance, under financial liabilities. As of December 31, 2024, the balance of the investment and the loan amounts to approx. NIS 236 million.

In addition, the short-term credit balances from banking corporations taken by Phoenix Pension & Provident and Excellence are NIS 126 million and NIS 344 million, respectively.

### J. Loans from non-bank entities

As of the report date, Company's subsidiaries have loans from institutional entities totaling approx. NIS 370 million, compared to approx. NIS 887 million as of December 31, 2023. The decrease in the balance of these loans resulted mainly from a decrease of approx. NIS 515 million in the balance of loans Gama gave to non-banking corporations.

Total loans from non-banking corporations includes loans taken by Gama in the amount of approx. NIS 288 million, loans taken by Phoenix Agencies in the amount of approx. NIS 78 million, as well as loans taken by Phoenix Insurance in the amount of approx. NIS 4 million.

# NOTE 27 - FINANCIAL LIABILITIES (cont.)

## K. Trade receivables for credit cards

The balance represents a liability for trade receivables in respect of credit vouchers that have been transferred to Gama by credit card companies as part of its factoring and clearing agreements as an aggregator and have yet to be paid to Gama's customers. The balance is short-term and will be repaid several days after the reporting period, according to the payment date agreed upon with each customer.

## L. The Company's rating

Midroog
In January 2024, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook.
On August 19, 2024, Midroog announced that it upgrades the rating of Phoenix Insurance from Aa1 to Aaa.
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 February 2025, Midroog announced that it is reiterating the Company's rating and that of the bonds issued by it at Aa2.il, with a stable outlook.

Maalot S&P
In July 2024, S&P Maalot reiterated the Company's ilAA rating with a stable outlook, and Phoenix Insurance Company's ilAAA rating with a stable outlook.
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.

S&P Global Ratings
In July 2024, international credit rating agency S&P Global Ratings (hereinafter - "**S&P**") reiterated Phoenix Insurance's 'A-' international rating with a stable outlook.

Moody's
In May 2024, international credit rating agency Moody's (hereinafter - "**Moody's**") reiterated the existing A2 rating of Phoenix Insurance with a negative rating outlook.
In October 2024, following the downgrade of the State of Israel's credit rating, Moody's announced that it was downgrading the international credit rating of Phoenix Insurance from A2 to Baa1 with a negative outlook, with Moody's noting that the independent financial strength of Phoenix Insurance remained at A2.

## M. Shelf prospectuses

In August 2024, the Israel Securities Authority approved the extension of the term of the Company's shelf prospectus by one further year, through August 23, 2025. For further details, see the immediate report dated August 15, 2024 (Ref. No.: 2024-01-083445). Concurrently, the Israel Securities Authority also approved the extension of the shelf prospectus of Phoenix Capital Raising (2009) Ltd., a wholly owned subsidiary of Phoenix Insurance, which is raising debt for Phoenix Insurance.

On May 20, 2024, Gama published a prospectus that also constitutes a shelf prospectus by virtue of which it may issue various types of securities in accordance with the provisions of the law - ordinary shares of the Company, non-controvertible bonds (including by way of expansion of existing series of Company's bonds as may be from time to time), bonds convertible into Company shares (including by way of expansion of existing series of bonds convertible into Company's shares as may be from time to time), option warrants exercisable into Company shares, option warrants exercisable into bonds, and option warrants exercisable into bonds convertible into Company shares, liquid securities and any other security that may be lawfully issued through the shelf offering report to be published by virtue of this shelf prospectus.

## NOTE 27 - FINANCIAL LIABILITIES (cont.)

### N. Changes in liabilities stemming provided by financing activity

| | Loans from non-bank entities | Loans and short-term credit from banking corporations | Trade recei-vables for credit cards | Bonds | Subor-dinated notes | Notes - additional Tier 1 capital | Liability for REPO | Other (*) | Total liabilities stemming from financing activity |
|---|---|---|---|---|---|---|---|---|---|
| | NIS thousand | | | | | | | | |
| Balance as of January 1, 2023 | 827,333 | 577,658 | 1,571,513 | 2,128,984 | 4,074,461 | 210,536 | 722,370 | 145,218 | 10,258,073 |
| Commencement of consolidation | - | - | - | - | - | - | - | 10,706 | 10,706 |
| Cash flow | 59,288 | 433,980 | - | 405,376 | 382,516 | - | 1,161,948 | (54,467) | 2,388,641 |
| Effect of changes in the Consumer Price CPI | - | 162 | - | (39,959) | 23,519 | 7,108 | 130,024 | - | 120,854 |
| Other changes | - | - | 183,198 | 1,363 | - | - | - | (9,091) | 175,470 |
| Recognition of lease liabilities | - | - | - | - | - | - | - | 90,780 | 90,780 |
| Balance as of December 31, 2023 | 886,621 | 1,011,800 | 1,754,711 | 2,495,765 | 4,480,493 | 217,644 | 2,014,342 | 183,148 | 13,044,524 |
| Commencement of consolidation | - | - | - | - | - | - | - | 7,719 | 7,719 |
| Cash flow | (516,638) | 1,564,354 | - | 535,523 | (692,180) | 141,150 | (30,756) | (112,500) | 888,953 |
| Effect of changes in the Consumer Price CPI | - | - | - | - | 35,633 | 14,812 | (56,338) | 22,903 | 17,010 |
| Other changes | - | 2,560 | 147,266 | 1,427 | - | - | - | (8,090) | 143,163 |
| Recognition of lease liabilities | - | - | - | - | - | - | - | 127,351 | 127,351 |
| Balance as of December 31, 2024 | 369,983 | 2,578,714 | 1,901,977 | 3,032,715 | 3,823,946 | 373,606 | 1,927,248 | 220,531 | 14,228,720 |

(*) Mainly in respect of a lease liability and options to acquire an investee

# NOTE 28 - PREMIUMS EARNED

| | For the year ended December 31, 2024 | | |
|---|---|---|---|
| | Gross | Reinsurance | Retention |
| | | NIS thousand | |
| Life insurance premiums | 4,060,940 | 262,332 | 3,798,608 |
| Health insurance premiums (**) | 2,152,875 | 156,433 | 1,996,442 |
| Property and casualty insurance premiums | 4,836,500 | 1,268,353 | 3,568,147 |
| Total premiums | 11,050,315 | 1,687,118 | 9,363,197 |
| Less change in unearned premium balance (*) | 181,601 | 25,959 | 155,642 |
| Total premiums earned | 10,868,714 | 1,661,159 | 9,207,555 |

| | For the year ended December 31, 2023 | | |
|---|---|---|---|
| | Gross | Reinsurance | Retention |
| | | NIS thousand | |
| Life insurance premiums | 4,542,139 | 273,029 | 4,269,110 |
| Health insurance premiums | 3,311,950 | 234,510 | 3,077,440 |
| Property and casualty insurance premiums | 4,469,007 | 1,203,429 | 3,265,578 |
| Total premiums | 12,323,096 | 1,710,968 | 10,612,128 |
| Change in unearned premium balance (*) | 334,710 | 78,441 | 256,269 |
| Total premiums earned | 11,988,386 | 1,632,527 | 10,355,859 |

| | For the year ended December 31, 2022 | | |
|---|---|---|---|
| | Gross | Reinsurance | Retention |
| | | NIS thousand | |
| Life insurance premiums | 5,611,196 | 282,181 | 5,329,015 |
| Health insurance premiums | 3,060,536 | 222,362 | 2,838,174 |
| Property and casualty insurance premiums | 3,716,921 | 1,061,884 | 2,655,037 |
| Total premiums | 12,388,653 | 1,566,427 | 10,822,226 |
| Change in unearned premium balance (*) | 251,422 | (3,667) | 255,089 |
| Total premiums earned | 12,137,231 | 1,570,094 | 10,567,137 |

(*) In principle, in property and casualty insurance; see Note 19.
(**) A decrease mainly due to the termination of a collective long-term care insurance agreement for the members of Maccabi Healthcare Services (hereinafter: "**Maccabi**").
See Note 21C(5)

# NOTE 29 - INVESTMENT INCOME, NET, FINANCE AND OTHER REVENUES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Gains (losses) on assets held against yield-dependent liabilities | | | |
| Investment property | 101,439 | 86,522 | 348,868 |
| Financial investments: | | | |
| Liquid debt assets | 1,367,822 | 1,381,084 | (1,413,194) |
| Illiquid debt assets | 775,603 | 727,396 | (43,747) |
| Shares | 4,654,855 | 1,687,101 | (2,983,121) |
| Other investments | 6,307,959 | 3,863,875 | (2,964,246) |
| Cash and cash equivalents | 788,399 | 785,283 | 437,873 |
| Total gains (losses) on assets held against yield-dependent liabilities, net | 13,996,077 | 8,531,261 | (6,617,567) |
| Gains on assets held against non yield-dependent liabilities, capital and other | | | |
| Revenues from investment property: | | | |
| Revaluation of investment property | 5,098 | 14,513 | 96,200 |
| Current revenues in respect of investment property | 37,321 | 36,879 | 38,265 |
| Total revenues from investment property | 42,419 | 51,392 | 134,465 |
| Gains (losses) on financial investments, excluding interest, linkage differences, exchange rate differences and dividend in respect of: | | | |
| Available-for-sale assets (a) | 221,412 | (328,976) | (552,023) |
| Assets presented at fair value through profit or loss (B) | 261,724 | (387,138) | (378,543) |
| Assets presented as loans and receivables (C) | 65,982 | (42,318) | 37,471 |
| | 549,118 | (758,432) | (893,095) |
| Interest revenues (*) and linkage differences on financial assets not accounted for at fair value through profit and loss | 1,519,568 | 1,584,421 | 1,430,956 |
| Interest revenues (*) and linkage differences on financial assets accounted for at fair value through profit and loss and on other assets (**) | 125,914 | 175,782 | 166,395 |
| Gain (loss) on exchange rate differences on investments not accounted for at fair value through profit and loss and on other assets (**) | (7,910) | 7,383 | 142,865 |
| Dividend revenues | 344,505 | 318,509 | 81,150 |
| Total investment revenues (losses), net and finance income | 16,569,691 | 9,910,316 | (5,554,831) |
| (*) The above revenues includes interest in respect of impaired financial assets which are not presented at fair value through profit and loss | 19,464 | 18,840 | - |

(**) Regarding exchange rate differences in respect of financial liabilities, see Note 37.

## A. Gains (losses), net on investments for available-for-sale assets

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Net gains on realized securities | 505,378 | 290,390 | 318,278(*) |
| Net impairments carried to profit and loss | (283,966) | (619,366) | (870,301) |
| Total gains (losses) on investments for assets presented as available-for-sale assets | 221,412 | (328,976) | (552,023) |

(*) Reclassified.

# NOTE 29 - INVESTMENT INCOME, NET, FINANCE AND OTHER REVENUES (cont.)

**B. Gains (losses) on investments in respect of assets presented at fair value through profit or loss**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Changes in net fair value, including realization gains: | | | |
| In respect of held-for-trading assets | 205,103 | (508,846) | (353,576)(*) |
| In respect of assets designated on initial recognition | 56,621 | 121,708 | (24,967) |
| Total gains (losses) on investments for assets presented at fair value through profit or loss | 261,724 | (387,138) | (378,543) |

(*) Reclassified.

**C. Gains (losses) on investments for assets presented as loans and receivables:**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Net gains on realization of assets presented as loans and receivables | - | 10,500 | 27,995 |
| Net appreciations (impairments) carried to profit and loss | 65,982 | (52,818) | 9,476 |
| Total investment income (losses) for assets presented as loans and debit balances | 65,982 | (42,318) | 37,471 |

# NOTE 30 - REVENUES FROM MANAGEMENT FEES

**Composition**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Management fees in the Retirement (Pension and Provident) Subsegments | 827,892 | 750,982 | 670,387 |
| Management fees from Investment House and Wealth | 511,413 | 357,257 | 288,318 |
| Variable management fees for life insurance contracts (*) | 105,266 | - | - |
| Fixed management fees for life insurance contracts | 463,561 | 439,763 | 447,850 |
| Management fees for investment contracts | 210,671 | 168,076 | 139,858 |
| Total management fees from planholders and policyholders | 2,118,803 | 1,716,078 | 1,546,413 |
| Other management fees | 7,545 | 5,538 | 1,315 |
| Total revenues from management fees | 2,126,348 | 1,721,616 | 1,547,728 |

(*) Starting in the last quarter of 2024, the Company began charging variable management fees. As of December 31, 2023 and December 31, 2022, the estimated management fees which were not collected due to negative yield in respect of participating policies amounted to approx. NIS 449 million and approx. NIS 643 million, respectively.

# NOTE 31 - REVENUES FROM FEES AND COMMISSIONS

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Fees and commissions from Distribution (Agencies) | 645,410 | 558,153 | 471,812 |
| Reinsurance fees and commissions, net of change in deferred acquisition costs in respect of reinsurance | 362,548 | 329,577 | 364,100 |
| Total revenues from fees and commissions | 1,007,958 | 887,730 | 835,912 |

## NOTE 32 - REVENUES FROM INVESTMENT HOUSE AND WEALTH AND OTHER FINANCIAL SERVICES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Revenues from stock exchange and trading services, net | 331,000 | 277,000 | 174,000 |
| Revenues from trust services | 62,000 | 52,000 | 49,000 |
| Total revenues from Investment House and Wealth and other financial services | 393,000 | 329,000 | 223,000 |

## NOTE 33 - REVENUES FROM FACTORING AND ACQUIRING AND OTHER REVENUES

### A. Revenues from factoring and acquiring:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Income under the effective interest method | 41,676 | 40,213 | 55,350 |
| Revenues from aggregator fees and commissions and other | 34,957 | 29,848 | 18,577 |
| Revenues from sale of vouchers | 115,456 | 111,357 | 75,255 |
| Change in credit loss provision | (3,481) | (2,634) | (6,428) |
| Total revenues from factoring and acquiring | 188,608 | 178,784 | 142,754 |

### B. Other revenues:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Providing consulting services | 8,829 | 9,527 | 8,857 |
| Capital gain on disposal of property, plant & equipment | 546 | 98 | 2 |
| Provision of services | 9,027 | 4,858 | - |
| Gain from a change in holding rates and disposal of investment in investees | 2,757 | 128,980 | 108,490 |
| Profit from sale of provident funds | | - | 14,215 |
| Revenues from distribution fees | 949 | 3,567 | 4,204 |
| Other revenues | 5,628 | 9,107 | 9,012 |
| Total sales revenues | 27,736 | 156,137 | 144,780 |

## NOTE 34 - PAYMENTS AND CHANGE IN LIABILITIES IN RESPECT OF INSURANCE CONTRACTS AND INVESTMENT CONTRACTS - RETENTION

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| For life insurance contracts: | | | |
| Paid and contingent claims - death, disability and other | 805,821 | 679,315 | 677,447 |
| Less - reinsurance | 127,420 | 88,815 | 73,944 |
| | 678,401 | 590,500 | 603,503 |
| Redeemed policies | 6,190,803 | 5,365,948 | 3,966,370 |
| Expired policies | 300,655 | 215,747 | 172,311 |
| Pension | 639,344 | 561,772 | 507,309 |
| Total claims | 7,809,203 | 6,733,967 | 5,249,493 |
| Increase in liabilities in respect of life insurance contracts (except for a change in contingencies) - retention | 6,028,421 | 3,690,963 | (4,260,569) |
| Increase in liabilities in respect of investment contracts due to the yield component | 3,643,385 | 2,083,371 | (1,243,690) |
| Total payments and change in liabilities in respect of life insurance contracts and investment contracts - retention | 17,481,009 | 12,508,301 | (254,766) |
| Total payments and change in liabilities in respect of property and casualty insurance contracts: | | | |
| Gross | 2,489,772 | 2,848,452 | 2,234,066 |
| Reinsurance | 544,860 | 979,490 | 570,707 |
| Retention | 1,944,912 | 1,868,962 | 1,663,359 |
| Total payments and change in liability in respect of health insurance contracts: | | | |
| Gross | 2,087,804 | 3,576,357 | 730,355 |
| Reinsurance | 93,084 | 419,814 | 272,140 |
| Retention | 1,994,720 | 3,156,543 | 458,215 |
| Increase in reserves of provident fund management companies | 97,061 | 88,921 | 98,221 |
| Total payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 21,517,702 | 17,622,727 | 1,965,029 |

## NOTE 35 - FEES AND COMMISSIONS, MARKETING EXPENSES AND OTHER PURCHASE EXPENSES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Purchase expenses: | | | |
| Purchase fees | 1,097,095 | 1,115,147 | 1,117,571 |
| Other purchase expenses | 560,404 | 528,053 | 543,192 |
| Change in deferred acquisition costs | (161,918) | (233,040) | (442,736) |
| Total purchase expenses | 1,495,581 | 1,410,160 | 1,218,027 |
| Other fees and commissions | 753,152 | 692,889 | 626,945 |
| Other marketing expenses | 76,939 | 72,650 | 88,833 |
| Total fees and commissions, marketing expenses and other purchase expenses | 2,325,672 | 2,175,699 | 1,933,805 |

# NOTE 36 - GENERAL AND ADMINISTRATIVE EXPENSES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Salaries and related expenses (1) | 1,675,541 | 1,558,129 | 1,418,510 |
| Depreciation and amortization | 460,030 | 359,146 | 329,504 |
| Office maintenance and communications | 99,523 | 93,196 | 85,309 |
| IT services | 210,333 | 177,872 | 155,171 |
| Marketing and advertising | 141,967 | 123,246 | 126,007 |
| Legal and professional advice (2) | 130,518 | 172,605 | 119,347 |
| Other | 344,993 | 319,376 | 283,326 |
| Total (*) | 3,062,905 | 2,803,570 | 2,517,174 |
| Less: | | | |
| Amounts classified under change in liabilities and payments in respect of insurance contracts | (125,844) | (125,138) | (116,414) |
| Amounts classified under fees and commissions, marketing expenses and other purchase expenses | (623,765) | (572,564) | (595,476) |
| Total general and administrative expenses | 2,313,296 | 2,105,868 | 1,805,284 |
| (*) General and administrative expenses include automation expenses totaling | 637,558 | 522,353 | 476,535 |

(1) Some of the change in expenses arises from changes in the Company's holding structure, see Notes 1 and 4. Salary and related expenses are affected by performance-based compensation and the revision to the collective agreement; for details regarding the collective agreement, see Note 24F.

(2) In 2023, most of the change in the legal and professional advice line item arises from provisions in respect of class actions and legal fees; for further details, see Note 43.

# NOTE 37 - SHARE-BASED PAYMENT

## A. Expense recognized in the books of accounts

The expense recognized in the financial statements for services received from employees is presented in the following table:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Expense recognized with respect to the Company's share-based payment transactions. | 19,417 | 16,221 | 17,555 |
| Total expense recognized from share-based payment transactions of investees against increase of the minority interest (see Section C-G to the note) | 25,491 | 15,259 | 5,918 |
| Total expense recognized with respect to share-based payment transactions | 44,908 | 31,480 | 23,473 |

## B. Share-based payment of the Company

### 2018 plan

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 and officers of the Company and companies under its control. The plan was approved under the work income track pursuant to Section 102 to the Income Tax Ordinance.

Performance terms - 2018 plan

The options shall vest subject to the offeree's meeting the following performance conditions, on a cumulative basis:

(1) At least 90% of the adjusted return on equity target - return on equity shall be calculated as the annualized average of the return of comprehensive income on the Company's weighted equity.
The yield target shall be set as part of the annual work plan set by the Company's Board of Directors by March 31 of each calendar year.
The fulfillment of the performance conditions described above shall be calculated as of publication date of the annual consolidated financial statements for each of the vesting years. That is to say, for the first tranche, the performance conditions shall be measured in respect of the 2020 results; for the second tranche, the performance conditions will be measured in respect of the 2021 results; and for the third tranche, the performance conditions will be measured in respect of the 2022 results.
If the performance conditions were not fulfilled in a specific year, fulfillment will be measured for each subsequent year after the relevant year until the option's expiry date.

(2) The economic solvency ratio metric - meeting the capital requirements taking into account the transitional period in accordance with the Commissioner's circular of June 2017 regarding provisions for the implementation of Solvency II-based economic solvency regime of insurance companies (hereinafter: the "**Solvency Circular**"). Compliance with the capital requirements to be published in the financial statements will be assessed on vesting date in respect of the three calendar years preceding the vesting date.

An offeree's eligibility for all options vested on a specific vesting date shall be conditional upon cumulatively meeting requirements of the above two metrics. Failure to meet the requirements will result with the offeree's not being eligible for options. If the Company's Board of Directors will change the definitions of the metrics described above as part of the annual compensation plan, these changes shall also apply to the terms of the options.

**B. <u>Share-based payment of the Company</u> (cont.)**

**<u>2018 plan</u> (cont.)**

<u>Following are the assumptions used in the fair value measurement of the share options settled with Company's equity instruments in accordance with the 2018 plan:</u>

A. <u>Expected volatility of share price</u>
The expected volatility (standard deviation) was based on the historical volatility of the parent company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility.

B. <u>Risk-free interest rate</u>
The interest rate used to calculate the value of the options to offerees was calculated based on a risk-free nominal yield to maturity curve, which is based on the yield of non-linked "Shahar" government bonds.

C. <u>Churn rate (after the vesting period)</u>
A certain attrition rate of approx. 10% was assumed by the model between the vesting date and the expiry of the option. No attrition rate was assumed by the model for the vesting period.

D. <u>Dividend</u>
The exercise price of the options allotted under this plan is adjusted to reflect dividends. Therefore, the calculation of the value of the options does not take into account future distribution of dividends.

**<u>Revised 2018 Plan</u>**

On June 25, 2024, the Company's Board of Directors approved a revision to the equity compensation plan, which will enable the Company to allocate restricted share units of NIS 1 par value (RSUs) in addition to the allocation of options to offerees,. The plan was approved under the work income track.

<u>Performance conditions - restricted share units (RSUs)</u>

The economic solvency ratio metric - The vesting of the RSUs is subject to the Company's compliance with the economic solvency ratio metric - meeting the capital requirements taking into account the transitional period in accordance with the Commissioner's circular of June 2017 regarding provisions for the implementation of Solvency II-based economic solvency regime of insurance companies (hereinafter: the "**Solvency Circular**"). Compliance with the capital requirements to be published in the financial statements will be assessed on vesting date in respect of the three calendar years preceding the vesting date.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. <u>Share-based payment of the Company</u> (cont.)**

<u>Allocations for 2019-2025:</u>

1. <u>Allocations in 2019</u>

A. On February 3 2019, 3,876,000 options were allotted to 79 employees of the Company and its subsidiaries. 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 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the 2018 Plan) and the employee's continued employment by the Company. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 21.35 in respect of the first tranche, NIS 21.99 in respect of the second tranche, and NIS 22.63 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 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 57.51).
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 per one option was estimated at approx. NIS 3.92 and the total value of options allotted was estimated at approx. NIS 15.2 million as of that date.

<u>Inputs used in the fair value measurement of the share options settled with Company's equity instruments:</u>

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 24.51% | 1.03% | March 31, 2021 | March 31, 2023 |
| 2 | 23.86% | 1.29% | March 31, 2022 | March 31, 2024 |
| 3 | 24.56% | 1.53% | March 31, 2023 | March 31, 2025 |

B. On April 30 2019 (hereinafter: the "**Award Date**"), the Company's Board of Directors approved the allotment of 556,000 options. The options were allotted to 12 Company employees (hereinafter: "**Group B**"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 22.49 in respect of the first tranche, NIS 23.11 in respect of the second tranche, and NIS 23.72 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 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 per one option was estimated at approx. NIS 3.82 and the total value of options allotted was estimated at approx. NIS 2.1 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 62.49). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

1. Allocations in 2019 (cont.)

C. On October 30 2019 (hereinafter: the "**Award Date**"), the Company's Board of Directors approved the allotment of 200,000 options. The options were allotted to two Company officers (hereinafter: "**Group C**"). The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 23.68 in respect of the first tranche, NIS 24.33 in respect of the second tranche, and NIS 24.99 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 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 per one option was estimated at approx. NIS 3.31 and the total value of options allotted was estimated at approx. NIS 0.66 million as of that date. The options include a benefit limit, whereby the maximum benefit arising to offerees from the exercise of each option shall not exceed 200% of the price of Company's share on the last trading day before the Award Date (maximum share price of NIS 63.84). Except for the exercise price and the benefit limit, the other terms of the option are identical to the terms of the 2018 plan.

D. Forced exercise - In accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price. During the reporting period and subsequent to the balance sheet date, forced exercise of the outstanding balance of the Tranche 3 options was carried out.

2. Allocations in 2020

A. On September 15, 2020, the Company's Board of Directors approved the allotment of 5,228,000 options to 76 of the Group's employees, officers, and service providers of the Company and Group Companies. 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 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the 2018 Plan) and the employee's continued employment by the Company. The exercise price of each option (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 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 the price of Company's share on the day before the allotment (NIS 15.17). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 32.17 for the first tranche, NIS 33.17 for the second tranche, and NIS 34.17 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 2.12, and the total value of the options allotted was estimated at that date at approx. NIS 11 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price (*) | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 30.31% | 0.13% | April 7, 2022 | April 7, 2023 |
| 2 | 28.82% | 0.21% | April 7, 2023 | April 7, 2024 |
| 3 | 27.78% | 0.32% | April 7, 2024 | April 7, 2025 |

(*) Expected volatility of share price

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

2. Allocations in 2020 (cont.)

A. (cont.)

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approx. 80% and in April - approx. 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-time components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%.
The resulting standard deviation rates are lower by approx. 1.49%-2.35% than the standard deviation rates prior to the adjustments.
Except for the aforesaid, the other terms of the options are identical to the terms of the 2018 plan.

B. Options awarded to the Company's CEO - on September 15 2020, the Company's Board of Directors approved the allotment of 350,000 options to the Company's CEO. On October 22 2020, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 17 in respect of the first tranche, NIS 18 in respect of the second tranche, and NIS 19 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 offeree from the exercise of each option shall not exceed the price of Company's share on the day before the allotment (NIS 17.69). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 34.69 for the first tranche, NIS 35.69 for the second tranche, and NIS 36.69 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 per one option was estimated at approx. NIS 3.37 and the total value of options allotted was estimated at approx. NIS 1.2 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 30.74% | 0.11% | April 7, 2022 | April 7, 2023 |
| 2 | 28.73% | 0.20% | April 7, 2023 | April 7, 2024 |
| 3 | 28.19% | 0.29% | April 7, 2024 | April 7, 2025 |

The assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

2. Allocations in 2020 (cont.)

C. Forced exercise - in accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price of NIS 32.17 in respect of the first tranche and 33.17 for the second tranche. Therefore, in October 2022, a forced exercise was carried out for a total of 1,747,671 options in respect of the first tranche, and in April 2023 a forced exercise was carried out for a total of 1,689,338 options in respect of the second tranche.

3. Allocations in 2021

A. On May 26 2021, the Company's Board of Directors approved the allotment of 3,849,000 options to 126 of the Group's employees, officers and service providers in the Company and Group Companies. 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 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the 2018 Plan) and the employee's continued employment by the Company.
The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 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 31.89). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 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 4.3, and the total value of the options allotted was estimated at that date at approx. NIS 17 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price (*) | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 30.56% | 0.28% | April 7, 2023 | April 7, 2024 |
| 2 | 28.80% | 0.43% | April 7, 2024 | April 7, 2025 |
| 3 | 28.24% | 0.64% | April 7, 2025 | April 7, 2026 |

(*) Expected volatility of share price

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

3. Allocations in 2021 (cont.)

A. (cont.)

The expected volatility (standard deviation) was based on the historical volatility of the Company's share price (based on daily margins). The expected volatility of the share price reflects the assumption that the historical volatility of the share price constitutes a good indication of future volatility. However, due to the coronavirus crisis, the standard deviation of the yield in March 2020 was approx. 80% and in April - approx. 59%; as a result, the appraiser estimated that the aforesaid measurement includes one-time components relating to the coronavirus crisis, in respect of which the calculation of standard deviation should be adjusted. The adjustment of the yield's standard deviation was carried out by giving low weight to the observations (daily change rates) from March 2020 and April 2020. Observations from March were given a weight of 33.3% and observations from April were given weight of 66.7%, while all other observations in the entire relevant period were given a weight of 100%. The resulting standard deviation rates are lower by approx. 1.37%-2.07% than the standard deviation rates prior to the adjustments.
Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

B. Options awarded to the Company's CEO - on May 26 2021, the Company's Board of Directors approved the allotment of 88,000 options to the Company's CEO. On July 5 2021, the Company's general meeting approved the said allotment of options. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 33.5 in respect of the first tranche, NIS 35 in respect of the second tranche, and NIS 36.5 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 eve of the Board of Directors' approval (NIS 32.49). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 49.45 for the first tranche, NIS 50.95 for the second tranche, and NIS 52.45 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 per one option was estimated at approx. NIS 4.47 and the total value of options allotted was estimated at approx. NIS 0.4 million.

Following are the assumptions used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 31.37% | 0.18% | April 7, 2023 | April 7, 2024 |
| 2 | 29.49% | 0.32% | April 7, 2024 | April 7, 2025 |
| 3 | 28.75% | 0.47% | April 7, 2025 | April 7, 2026 |

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A above.

C. Forced exercise - in accordance with the options plan, in which it is determined that the maximum benefit which will arise to the offerees from the exercise of each option will not exceed a maximum share price; during the reporting period, there was a forced exercise of the remaining options from the first and second tranche.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. <u>Share-based payment of the Company</u> (cont.)**

4. <u>Allocations in 2022</u>

A. On January 31 2022, the Company's Board of Directors approved the allotment of 4,793,593 options to 178 of the Group's employees, officers and service providers of the Company and Group Companies. 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 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the 2018 Plan) and the employee's continued employment by the Company.

The exercise price of each option is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 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 an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 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 4.18, and the total value of the options allotted was estimated at that date at approx. NIS 20 million.

<u>Inputs used in the fair value measurement of the share options settled with Company's equity instruments:</u>

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 33.64% | 0.42% | April 1, 2023 | April 10, 2025 in lieu of June 1, 2024 (*) |
| 2 | 32.16% | 0.60% | April 1, 2024 | April 10, 2025 |
| 3 | 30.31% | 0.79% | April 1, 2025 | April 10, 2026 |

(*) See Section C below.

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

B. Options awarded to the Company's CEO - on March 8, 2022, the Company's General Meeting approved the allotment of 90,000 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 40.5 in respect of the first tranche, NIS 41.5 in respect of the second tranche, and NIS 43.5 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 an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.55). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 52.5 for the first tranche, NIS 54.5 for the second tranche, and NIS 56.5 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 per one option was estimated at approx. NIS 4.05 and the total value of options allotted was estimated at approx. NIS 0.4 million.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

4. Allocations in 2022 (cont.)

B. (cont.)

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 34.41% | 0.96% | April 1, 2023 | April 10, 2025 in lieu of June 1, 2024 (*) |
| 2 | 32.63% | 1.17% | April 1, 2024 | April 10, 2025 |
| 3 | 30.77% | 1.27% | April 1, 2025 | April 10, 2026 |

(*) See Section C below.

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

C. On April 24, 2024, the Company's Board of Directors approved - after the approval of the Compensation Committee - the postponement of the deadline for the exercise of the first tranche from June 1, 2024 to April 10, 2025. These options vested on April 1, 2023.
The incremental fair value was calculated based on an appraisal received from an external appraiser calculated using the binomial model. The incremental fair value per one option was estimated at approx. NIS 2.7 and the total value of the benefit, which was recognized as an expense in the reporting period, was estimated at approx. NIS 3.8 million as of that date. Out of this amount, the value of the benefit to the CEO is approx. NIS 82 thousand; the Compensation Committee decided in respect of the CEO that the suggested change regarding the extension of the exercise period constitutes an immaterial change in relation to his existing service and employment terms. For further details regarding the postponement of the exercise date, see the Company's report of April 24, 2024 (Ref. No.: 2024-01-040690).

D. Forced exercise - In accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price. During the reporting period and subsequent to the balance sheet date, a forced exercise of the remaining options was conducted for the first and second tranche.

5. Allocations in 2023

A. On January 27 2023, the Company's Board of Directors approved the allotment of 3,154,398 options to 142 of the Group's employees, officers and service providers in the Company and Group Companies. 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 par value each (conversion ratio 1:1). The options shall vest in three equal tranches, subject to the fulfillment of the performance conditions (as detailed in the 2018 Plan) and the employee's continued employment by the Company.
The exercise price of each option is NIS 41.5 in respect of the first tranche, NIS 42.5 in respect of the second tranche, and NIS 43.5 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 an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 38.09). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 57 for the first tranche, NIS 60 for the second tranche, and NIS 63 for the third tranche.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

5. Allocations in 2023 (cont.)

A. (cont.)

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 6.12, and the total value of the options allotted was estimated at that date at approx. NIS 19 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 29.29% | 4.13% | September 1, 2024 | October 1, 2025 |
| 2 | 30.68% | 3.93% | September 1, 2025 | June 27, 2026 |
| 3 | 32.61% | 3.78% | September 1, 2026 | June 27, 2027 |

Except for the aforesaid, the other terms of the option are identical to the terms of the 2018 plan.

B. Options awarded to the Company's CEO - on August 2, 2023, the Company's General Meeting approved the allotment of 57,190 options to the Company's CEO. The exercise price of each option as of Award Date (adjusted to reflect dividends) is NIS 41.5 in respect of the first tranche, NIS 42.5 in respect of the second tranche, and NIS 43.5 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 an average 45% of the price of Company's share on the eve of the Board of Directors' approval (NIS 37.80). Therefore, the maximum share price for the purpose of calculating the benefit is NIS 57 for the first tranche, NIS 60 for the second tranche, and NIS 63 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 per one option was estimated at approx. NIS 5.87 and the total value of options allotted was estimated at approx. NIS 0.3 million.

Inputs used in the fair value measurement of the share options settled with Company's equity instruments:

| Tranche | Expected volatility of share price | Risk-free interest rate | Vesting date | Expiry date |
|---|---|---|---|---|
| 1 | 29.87% | 4.16% | September 1, 2024 | October 1, 2025 |
| 2 | 29.55% | 4.01% | September 1, 2025 | June 27, 2026 |
| 3 | 32.85% | 3.89% | September 1, 2026 | June 27, 2027 |

All other assumptions used in measuring the fair value of the share options settled using the Company's equity instruments, and the performance terms applicable to the options' vesting are identical to Section A.

C. Forced exercise - In accordance with the options plan, in which it is determined that the maximum benefit that will arise to the offerees from the exercise of each option will not exceed a maximum share price. Subsequent to the balance sheet date, a forced exercise of the outstanding balance of the First Tranche options was executed.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

### B. <u>Share-based payment of the Company</u> (cont.)

6. <u>Allocations in 2024</u>

A. On August 21, 2024, the Company's Board of Directors approved the allocation of RSUs to employees of the Company and its subsidiaries, some of whom are Company officers, and to service providers of the Company (hereinafter- the "**Offerees**") a total of up to approx. 760 thousand unlisted RSUs, at a par value of NIS 1, offered without cash consideration (offered in consideration of work or services provided by the Offerees to the Company). Under the theoretical assumption of all RSUs being exercised, the resulting shares and taking into account the Company's issued and paid up share capital as of the approval date by the Board of Directors, shall constitute approx. 0.3% of the Company's issued and paid-up share capital and voting rights (and approx. 0.3%, respectively, fully diluted). The RSUs shall vest in two tranches: first tranche - two-thirds, second tranche - one third, after two years and three years, respectively, 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 its adjustment to the dividends expected during the vesting period, while using the assumption of an average dividend yield rate of approx. 6% per year and a risk-free interest of 4.3%. The average value of one restricted share unit was estimated at approx. NIS 32.3, and the total value of the RSUs was estimated at approx. NIS 24.6 million. During 2024, approx. 724 thousand RSUs were allocated.

B. On September 29, 2024, the Company's General Meeting approved the allocation of 3,098 restricted share units (RSUs) at a par value of NIS 1 per RSU; they are not listed, offered without cash consideration to the Company's CEO. The terms of the option and the assumptions made in the calculation of the fair value are identical to those set in Section A above. 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 its adjustment to the dividends expected during the vesting period, while using the assumption of an average dividend yield rate of approx. 6% per year and a risk-free interest of 4.35%. The average value of one restricted share unit was estimated at approx. NIS 35.9, and the total value of the RSUs was estimated at approx. NIS 111 thousand.

7. <u>Allocations in 2025 - subsequent to the balance sheet date</u>

A. 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 37 - SHARE BASED PAYMENT (cont.)

**B. Share-based payment of the Company (cont.)**

7. Allocations in 2025 - Subsequent to the balance sheet date (cont.)

B. 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 par value 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. In accordance with the Board of Directors' resolution, a total of approx. 40 thousand options will be allocated to the Company's CEO, as mentioned above, subject to the approval of an extraordinary general meeting of the Company; as of the report publication date the general meeting has not yet taken place. The performance conditions are as detailed below:

1. Solvency ratio - in accordance with the 2018 plan, as detailed above.
2. Normalized earnings per share target - at a rate of at least 70% of the normalized earnings per share target set.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

### C. Movement during the year - Share-based payment of the Company

1. Movement from share-based payment transactions of the Company from options

Following is a table presenting the number of share options, the weighted average of their exercise price, and the changes made in the employee option plans during the current year:

| | 2024 | | 2023 | | 2022 | |
|---|---|---|---|---|---|---|
| | Number of Options | Weighted Average of Adjusted Exercise Price | Number of Options | Weighted Average of Adjusted Exercise Price | Number of Options | Weighted Average of Adjusted Exercise Price |
| Movement from share-based payment transactions of the Company from options | | | | | | |
| Share options as of beginning of year | 13,064,760 | 43.40 | 13,563,318 | 27.65 | 11,954,026 | 22.21 |
| Share options granted during the year | - | - | 3,211,588 | 42.50 | 4,883,593 | 41.83 |
| Share options exercised during the year | (6,441,897) | 25.32 | (3,115,812) | 15.75 | (2,404,802) | 13.60 |
| Share options forfeited/expired during the year | (397,521) | 37.50 | (594,333) | 30.02 | (869,499) | 27.77 |
| Share options as of end of year | 6,225,342 | 40.88 | 13,064,761 | 43.40 | 13,563,318 | 27.65 |
| Exercisable share options as of end of the year | 1,845,630 | 35.86 | 3,306,787 | 28.73 | 909,080 | 15.45 |

A. The weighted average of the remaining contractual life of the share options as of December 31, 2024 is 1.32 years (2023 - 1.59 years, 2022 - 2.08 years).

B. For details regarding dividend distributions - see Note 16H.

2. Movement from share-based payment transactions of the Company from RSUs

| | Number of shares |
|---|---|
| **Restricted shares as of January 1, 2024** | **-** |
| Restricted shares awarded during the year | 727,633 |
| Restricted shares forfeited during the year | (13,634) |
| **Restricted shares as of December 31, 2024** | **713,999** |

The weighted average of the remaining contractual life of the RSUs as of December 31, 2024 is 1.98 years.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

### D. Share-based payment in an investee - Gama

In January and March 2024, Gama's Board of Directors approved an award of 5,033,585 options to Gama's shares to employees and officers of Gama. In addition, Gama's Board of Directors approved the allocation of 1,049,613 options to officers, who are not employees of the Company, and to employees of related companies of the Company. Furthermore, the Company's Board of Directors approved an allotment of up to 1,207,146 options for future award. Out of the total number of options allocated as described above, 156,325 options were allocated to the Chairman of the Company's Board of Directors, and 223,322 options were allocated to the Company's CEO. The award of options to the Company's Chairman and CEO was approved in an extraordinary general meeting of the Company held on March 2, 2024. For further details, see the immediate report dated March 7, 2024 (Ref. No. 2024-01-020488). On August 26, 2024, the Company allotted 886,280 illiquid and non-transferable options, exercisable into 886,280 ordinary shares of the Company of NIS 0.01 par value each, without consideration, to Gama's CEO and CFO, as a private offering out of the pool of options for future awards set as mentioned above. The fair value of the offered options was calculated by an external appraiser using Black Scholes Merton (B-S-M) model. The average value of one option was estimated at approx. NIS 4.142, and the total value of the options allotted was estimated at that date at approx. NIS 29 million. The fair value as of the award date, was based on the following assumptions: The value of the underlying asset per share - in accordance with the value of Gama's share capital, as estimated by the same appraiser and the share capital as of the award date, risk-free interest of 4.15% and standard deviation of 31.86%. As of December 31, 2024 the underlying asset was valued at NIS 15.02 per share of Gama.

Following are data of the share options settled with Gama's equity instruments:

| Allocation date | Tranche | Adjusted exercise price | Vesting date | Expiry date |
|---|---|---|---|---|
| February 1, 2024 | 1 | 13.72 | January 31, 2026 | January 31, 2029 |
| February 1, 2024 | 2 | 14.22 | January 31, 2027 | January 31, 2029 |
| February 1, 2024 | 3 | 14.72 | January 31, 2028 | January 31, 2029 |
| July 1, 2024 | 1 | 13.82 | June 30, 2026 | June 30, 2029 |
| July 1, 2024 | 2 | 14.32 | June 30, 2027 | June 30, 2029 |
| July 1, 2024 | 3 | 14.82 | June 30, 2028 | June 30, 2029 |
| September 1, 2024 | 1 | 14.00 | August 1, 2026 | August 1, 2029 |
| September 1, 2024 | 2 | 14.50 | August 1, 2027 | August 1, 2029 |
| September 1, 2024 | 3 | 15.00 | August 1, 2028 | August 1, 2029 |

### E. Share-based payment in an investee - Phoenix Investment House

In June 2023, after approval by the Board of Directors of Phoenix Investment House, the Company's Board of Directors and their respective Compensation Committees, (illiquid) options were allocated to employees of Phoenix Investment House 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 1,285,797 (each option is convertible into one ordinary share), which constitute approx. 7.2% of the fully diluted issued capital of Phoenix Investment House. Out of the total number of options allocated as described above, 63,321 options were allocated to the Chairman of the Company's Board of Directors, and 78,771 options were allocated to the Company's CEO. The award of options to the Company's Chairman and CEO was approved in an extraordinary general meeting of the Company held on August 2, 2023. For further details, see the immediate reports dated June 28, 2023 and August 2, 2023 (Ref. Nos.: 2023-01-060334 and 2023-01-088974, respectively).
The fair value of the offered options was calculated by an external appraiser using Black Scholes model. The average value of one option was estimated at approx. NIS 16.62, and the total value of the options allotted was estimated at that date at approx. NIS 21 million.

In August 2024, the Board of Directors of Phoenix Investment House approved the allocation of (illiquid) options to employees and officers of Phoenix Investment House Group (hereinafter - the "**Offerees**"); the total number of options that were allocated was 200,000, which constitute approx. 1% of the fully diluted issued capital of Phoenix Investment House.

# NOTE 37 - SHARE BASED PAYMENT (cont.)

## E. Share-based payment in an investee - Phoenix Investment House (cont.)

The fair value of the offered options was calculated by an external appraiser using Black Scholes model. The average value per one option was estimated at approx. NIS 23.95 and the total value of options allotted was estimated at approx. NIS 5 million as of that date.

The fair value calculated 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 Investment House's share capital, as estimated by the same appraiser and the share capital as of the award date; as from July 2023 - risk-free interest rate of 3.86% and an average standard deviation of 35.95% and as from August 2024 - a risk-free interest rate of 4.34% and an average standard deviation of 29%.

As of December 31, 2024 the underlying asset was valued at NIS 128.5 per share of Phoenix Investment House.

Following are data of the share options settled with Phoenix Investment House’s equity instruments:

| Allocation date | Tranche | Dividend-adjusted exercise price | Vesting date | Expiry date |
|---|---|---|---|---|
| June 22, 2023 | 1 | 51.63 | April 1, 2025 | May 1, 2027 |
| June 22, 2023 | 2 | 51.63 | April 1, 2026 | May 1, 2027 |
| June 22, 2023 | 3 | 51.63 | April 1, 2027 | May 1, 2027 |
| August 9, 2023 | 1 | 51.63 | April 1, 2025 | May 1, 2027 |
| August 9, 2023 | 2 | 51.63 | April 1, 2026 | May 1, 2027 |
| August 9, 2023 | 3 | 51.63 | April 1, 2027 | May 1, 2027 |
| September 1, 2024 | 1 | 88.17 | September 1, 2025 | December 31, 2027 |
| September 1, 2024 | 2 | 88.17 | September 1, 2026 | December 31, 2027 |
| September 1, 2024 | 3 | 88.17 | September 1, 2027 | December 31, 2027 |

## F. Share-based payment in an investee - Phoenix Agencies

In June 2023, Phoenix Agencies’ Board of Directors approved an award of 1,022,789 options to Phoenix Agencies’ shares to employees and officers of Phoenix Agencies and other Group companies. The total value of the options is estimated at approx. NIS 60 million. During the reporting period, a total of approx. 928 thousand options were allocated. Of the value of the abovementioned allocation, options at the value of approx. NIS 350 thousand were allocated to the Chairman of the Company’s Board of Directors, and options at the value of NIS 500 thousand were allocated to the Company’s CEO. The award of options, as part of the approval of the compensation terms and conditions, to the Company’s Chairman and CEO was approved in an extraordinary general meeting of the Company held on September 29, 2024.

The fair value of the allocated options was calculated by an external appraiser using binomial model. The average value of one option was estimated at approx. NIS 59.83, and the total value of the options allotted was estimated at that date at approx. NIS 55 million.
The calculated fair value as of the award date, was based on the following assumptions: The value of the underlying asset per share- in accordance with the value of Phoenix Agencies' 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 between 20% and 21%. As of December 31, 2024 the underlying asset was valued at NIS 233-258 per share of Phoenix Agencies.

## NOTE 37 - SHARE BASED PAYMENT (cont.)

### F. Share-based payment in an investee - Phoenix Agencies (cont.)

Following are data of the share options settled with Phoenix Agencies' equity instruments allocated during the reporting period:

| Allocation date | Tranche | Dividend-adjusted exercise price | Vesting date | Expiry date |
|---|---|---|---|---|
| August 18, 2024 | 1 | 211 | August 18, 2026 | March 31, 2028 |
| August 18, 2024 | 2 | 223 | August 18, 2027 | March 31, 2029 |
| August 18, 2024 | 3 | 235 | August 18, 2028 | March 31, 2030 |
| June 2, 2024 | 1 | 211 | June 2, 2026 | March 31, 2028 |
| June 2, 2024 | 2 | 223 | June 2, 2027 | March 31, 2029 |
| June 2, 2024 | 3 | 235 | June 2, 2028 | March 31, 2030 |
| June 2, 2024 | 1 | 174 | June 2, 2026 | March 31, 2028 |
| June 2, 2024 | 2 | 174 | June 2, 2027 | March 31, 2029 |
| June 2, 2024 | 3 | 174 | June 2, 2028 | March 31, 2030 |
| November 21, 2024 | 1 | 219 | November 21, 2026 | September 19, 2028 |
| November 21, 2024 | 2 | 231 | November 21, 2027 | September 19, 2029 |
| November 21, 2024 | 3 | 243 | November 21, 2028 | September 19, 2030 |

On March 11, 2025 Phoenix Agencies' Board of Directors approved an additional allocation totaling approx. 47,000 options totaling approx. NIS 2.5 million.

### G. Share-based payment in an investee - Phoenix Capital Partners

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.

## NOTE 38 - OTHER EXPENSES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Amortization of intangible assets | 112,437 | 94,237 | 70,354 |
| Results of Modified-Re reinsurance (*) | 17,327 | (1,741) | 1,187 |
| Restructuring expenses | - | 11,839 | - |
| Loss on impairment of property, plant & equipment and other losses | 13,871 | 31,825 | 19,555 |
| Total other expenses | 143,635 | 136,160 | 91,096 |

(*) The results of Modified-Re reinsurance in 2024 include netting in respect of previous years due to portfolio improvement.

## NOTE 39 - FINANCE EXPENSES

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Interest expense and linkage differences in respect of: | | | |
| Subordinated notes | 197,890 | 163,905 | 163,465 |
| Bonds and loans | 221,480 | 179,097 | 121,209 |
| Loss (profit) from early redemption | 1,272 | (16,106) | - |
| Interest expenses (including linkage differences) for reinsurers | 52,927 | 30,297 | 14,700 |
| Exchange rate differences, net, in respect of reinsurers' deposits | 98 | 6,188 | 18,650 |
| Finance expenses (income) for banking corporations | 66,806 | 23,678 | (3,004) |
| Fees and commissions and other finance expenses | 6,966 | 6,658 | 3,514 |
| Total finance expenses | 547,439 | 393,717 | 318,534 |

## NOTE 40 - EARNINGS PER SHARE

Calculation of the basic diluted earnings per share was based on the net income attributable to the shareholders divided by the weighted average of the number of the outstanding ordinary shares, as follows:

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Profit attributable to Company's shareholders | 1,817,826 | 777,403 | 1,257,124 |

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| Weighted average of the number of ordinary shares | No. of shares (in thousands) NIS 1 p.v. | | |
| Balance as of January 1 | 253,091 | 252,446 | 252,541 |
| Effect of Company Shares held by the Company (*) | (2,384) | (447) | (1,314) |
| Effect of shares issued in the year | 1,356 | 1,190 | 369 |
| Weighted average number of ordinary shares used in calculation of basic earnings per share as of December 31 | 252,063 | 253,189 | 251,596 |
| Effect of potential dilutive shares | 2,026 | 2,405 | 4,262 |
| Weighted average number of ordinary shares used in calculation of diluted earnings per share as of December 31 | 254,089 | 255,594 | 255,858 |

(*) For details regarding the acquisition of the Company's shares, see Note 16.

## NOTE 41 - RISK MANAGEMENT

The Group operates in the following main operating segments: Life Insurance and Long-Term Savings, Health Insurance, Property and Casualty Insurance, Retirement (Pension and Provident), Credit, Distribution (Agencies), Investment House and Wealth, including alternative investment funds, ETFs, mutual funds, portfolio management and Brokerage.

The Group's activities in the above areas expose it to the following main risks:

- Macroeconomic risks, including the state of the economy and employment levels.
- Market risks, including interest rate risk and ALM.
- Liquidity risks.
- Credit risks including credit risks of reinsurers.
- Cyber risks.
- Operational risks including IT systems, outsourcing, and embezzlement and fraud risks.
- Insurance risks including pricing and underwriting risks and catastrophe risk (including earthquake, war, terror and pandemic).
- Sustainability risks (ESG), including climate change risks.
- AI risks
- Legal risks, including legal precedents, class actions and lawsuits.
- Regulatory and compliance risks.
- Reputational risk.
- Business risks, including competitive and portfolio retention level risks.

Macroeconomic risks - risks arising from the state of the economy and employment levels. A recession and a decline in the level of employment may lead to a decrease in amounts deposited into the various long-term savings channels, as well as to withdrawal of pension and mid-term savings (advanced education funds) for the purpose of consumption in the present, increase in bad debts, reduction in insurance coverage purchased through insurance policies and increase in the number of insured events and claims (due to increased prevalence of theft and fraud), filing claims at an earlier date and fiercer competition in the various areas of activity. In October 2023, the Iron Swords War broke out in Israel; the War affected the business environment (for details, see Note 1E).

## NOTE 41 - RISK MANAGEMENT (cont.)

Market risks - the risk that the fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the Consumer Price Index and foreign currency, as well as asset liability management risk (ALM). Upon the outbreak of the War, which was initially followed by sharp slumps in the capital market and higher levels of uncertainty and market volatility were among the factors that led to the decision of international rating agencies to downgrade Israel’s credit rating; for details, see Note 1E.

Liquidity risks - the risk of loss as a result of a possible need to dispose of assets at below-market prices, and raising resources unexpectedly and within a short time, or difficulty in meeting commitments, which may result from uncertainty regarding the date on which the Group will meet its commitments.

Credit risks - risk of loss as a result of non-compliance of a borrower/reinsurer with its commitments or as a result of changes in credit spreads in the capital market.

Operational risks - the risk of loss or harm to the Group’s reputation due to inadequacy or failure of internal processes, people and systems or as a result of external events.

Cyber risks - risk of loss, reputational damage to the Group, damage to the privacy of policyholders and planholders, and additional risks which may arise from a cyber event, including unauthorized use of identity, disruption of activity by impairing network activity or shutdown of services, damage to systems, theft of digital assets, infecting systems with malicious codes or malware, penetrating systems or disclosure of information.

Insurance risks - life and health insurance risks and actuarial risk in a pension fund (the actuarial risks in the pension fund apply to the planholders when their impact on the management company concerns management fees) arising from the uncertainty as to the payment of expected future claims with respect to assumptions concerning mortality rates/longevity, morbidity/disability rates, expenses, policyholders’ behavior, cancellations or redemptions. Property and casualty insurance risks stem primarily from uncertainty as to pricing, models and assessment of reserves and catastrophe.

ESG risks, including climate change risks - these risks are becoming more significant, both in the area of financial investments (due to their impact on investment portfolios), and in the insurance activity, due to their possible impact on the Company's insurance liabilities. Emerging climate risks may be affected by:

- Physical risks arising from the materialization of damage to property, land and infrastructures due to an increase in the severity of extreme climate events, and due to the gradual change in various climate phenomena, such as heat waves and rising sea levels.
- The risks associated with the transition of countries and companies to low-carbon business and operational models as a result of, among other things, legislation and regulatory changes.

AI risk - this risk is an emerging risk in view of the progress and developments in the spheres of artificial intelligence technologies and their potential to revolutionize our lives. Artificial intelligence technology gives rise to a range of risks including privacy risks, creating deep fake content, bias and prejudice, privacy protection risks, and cyber risks. The implementation of artificial intelligence-based systems in the Company may expose the Company to such risks, among other things.

Legal risks - the Group is exposed to judicial decisions that may constitute a binding legal precedent with respect to its insurance activity, change the scope of its liabilities, and incur costs that were not anticipated when entering into the insurance policies or in prior assessments of insurance liabilities. In addition, the Group is exposed to lawsuits that have the potential to become class actions, with exposure to high amounts.

Legislation and regulatory risks, including application of IFRS 17 and IFRS 9 - risks arising from the effect of regulatory changes on financial reporting, business operations and profitability. Non-compliance with regulatory requirements may result in the imposition of sanctions and fines on the Group.

## NOTE 41 - RISK MANAGEMENT (cont.)

Legislation and regulatory risks, including application of IFRS 17 and IFRS 9 (cont.)

In addition, under the process of adopting IFRS 17 and IFRS 9 as from the Company's financial statements as of January 1, 2025, the Company implements and integrates dedicated IT systems, which are necessary for applying the provisions, and maps the required controls and the flow of information to the financial statements. Since the adoption of these standards involves operational and business complexities, the Company conducted reviews and training sessions to the business teams and members of the Balance Sheet Committee with respect to the application of the Standards. For details regarding the Company's preparations and quantitative disclosure regarding the expected effect of the application of IFRS 17 and IFRS 9 on the financial statement items, see Note 45.

Reputational risk - the reputation of the Group, its financial strength and its good name constitute an important factor in the scope of its operations and profitability, in engaging new customers and in retaining existing customers. This risk may be a consequential risk of the materialization of other risks. Including the downgrading of the credit rating of group entities or securities issued by the group.

Business risks - risk of harm to the Group's profitability as a result of changes in the business environment, including an increase in the intensity of competition in the Group's areas of activity. Competition may be intensified by, among other things, fiercer competition between existing competitors, new competitors, and introduction of new distribution channels. Activity in the life insurance, Retirement (Pension and Provident) Subsegments is exposed to policy cancellations and redemptions during the contract period. The Group's ability to maintain its existing portfolio depends, among other things, on its ability to achieve attractive yields relative to its competitors.
The public's tendency to choose alternative products within the various areas or the public's tendency not to take out insurance may affect the demand for the Group's products and profitability in its various areas of activity.

This note provides information on the Company's exposure to the abovementioned risks, the Company's objectives, policies and processes regarding risk measurement and management. Further quantitative disclosure is included throughout the consolidated financial statements.

### 1. Description of risk management procedures and methods

The overall responsibility to establish and monitor the Group's risk management framework lies with its Group's Board of Directors and management. The chief risk officer is directly responsible for risk management at Phoenix Insurance and Phoenix Pension & Provident Fund and receives reports on the risks inherent in the operations of the principal companies in the Group from the companies' risk officers.

During 2024, the Company's Risk Management Committee was set up, which convened twice and assessed Group-level risks and the risks in subsidiaries. This committee is composed of 5 directors: Dr. Ehud Shapira (Independent Director) (Chairman of the Committee), Benjamin Gabbay, (Chairman of the Board), Zubin Taraporevala, Hanadi Said, and Stella Cohen.

For details regarding the main activities in the Group and their risk management processes, see Sections 1.1-1.4 below.

#### 1.1. The Insurance, Retirement (Pension And Provident) Activity

Risk Management at Phoenix Insurance Company and Phoenix Pension and Provident (hereinafter, jointly - "**Phoenix Insurance, Pension and Provident**") aims to support and protect the companies against unexpected losses that may prevent them from achieving their business objectives, while complying with regulatory requirements.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

Phoenix Insurance, Pension and Provident's risk management policy is based on a firm-wide risk management concept. According to this concept, the risk management processes (identification, measurement and evaluation, monitoring and mitigation, monitoring and reporting) for each material type of risk, are carried out across the Company's activities. The key elements of this approach are overall, forward-looking, measurable, monitored and dynamic risk management. As part of this policy, the Risk Management Department works to identify, assess and mitigate emerging risks, in particular AI risks arising from the greater use of artificial intelligence-based technologies, physical climate risks and transition risks that stem, among other things, from legislative and regulatory changes in the field of environmental protection in Israel and across the world.

The risk management unit works to implement a risk management culture in Phoenix Insurance, Pension and Provident that reflects an understanding of the business activities and the risks involved, while constantly challenging the various business lines by the control and risk management functions.

The risk management process is carried out in collaboration with supporting units that include the actuarial, investment, reinsurance and comptroller functions.

At least once a year, the Board of Directors and the investment committees are presented with a risk exposure report than includes identification and mapping out of the risks that are material to the financial strength of the corporation, a description of the level of exposure to identified risks, a description of the control measures for these risks and recommendations for improvement of controls, as needed.

The extent of the exposure to risk and changes in the risk profile are assessed and updated on a regular basis in accordance with the changes in the business environment and regulatory changes in Israel and abroad. Accordingly, the changes that were identified in the risk profile and the change in the assessment of the exposure are presented to the Board of Directors’ committees and the investment committees.

The insurance company conducts an annual Own Risk and Solvency Assessment of the insurance company under the ORSA report, and the results are reported to the Risk Management Committee and Board of Directors.

The Group attaches great importance to the involvement of the Board of Directors and the investment committees in the risk management process. The Board of Directors appointed risk management committees on its behalf for Phoenix Insurance and Phoenix Pension and Provident Funds, which convened 12 and 3 times, respectively, during 2024. Phoenix Insurance’s Risk Management Committee is composed of 3 directors: Hila Conforti (Independent Director) - Chairperson of the Committee, Benjamin Gabbay, (Chairman of the Board), and Stella Cohen. The risk management committees discuss issues pertaining to risk management and even provide recommendations to the companies’ Boards of Directors regarding, among other things, the following issues, according to the activity: Economic Solvency Regime, the capital plan, the ORSA report, risk management policies, and risk appetite framework. In addition, the board of directors’ committees of Phoenix Insurance and Phoenix Pension and Provident set risk limits relevant to the area of activity, such as a stress limit, ALM limit, CPI linkage limit, interest rate sensitivity limit and liquidity limit, for exposure to market risks as well as limits for aggregate exposures for investment activity.
The Board of Directors and Investment Committees approve the investment policy and the credit granting policies and procedures in both planholders and Nostro portfolios.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

The following are the processes and methods for managing the risks:

The board of directors of Phoenix Insurance and the board of directors of Phoenix Pension and Provident set a risk management policy, including with regard to the risk appetite of Phoenix Insurance and Phoenix Pension and Provident as to the various risk categories; Phoenix Insurance and Phoenix Pension and Provident operate in accordance with this policy.

#### 1.1.1. Market and liquidity risks

The insurance, pension and provident companies carry out their investments in accordance with the policy set by the Board of Directors and implemented by the various investment committees, subject to the Investment Regulations. The Companies implemented various systems for monitoring the market risks they face. The controls are based on VaR (Value at Risk) calculations and various stress scenarios defined by the companies, using accepted methods to perform them. Risk measurement is performed on both assets and liabilities (ALM) using conventional methodologies based on VaR calculations and stress scenarios, which are performed according to a scenario defined as the result of extreme simultaneous changes in major market risks including interest rates, exchange rates and inflation rates, while taking into consideration the correlations between the various risk factors. Furthermore, sensitivity tests and calculations are carried out to measure the effect of changes in economic parameters, both on the companies' balance sheet and on Phoenix Insurance's economic solvency ratio. The boards of directors set limits to values at risk under the risk management policy as described above and receive a report on compliance therewith. Ongoing reports that carry out such analyses are submitted to the investment committees, which meet regularly.

As part of the ALM policy, the Boards of Phoenix Insurance and Phoenix Pension and Provident have set sensitivity scenarios for the various risk factors including exposure to foreign currency, exposure to interest rates and the total liquid assets. In addition, the Investment Department holds regular discussions on results of the various investment portfolios and developments and changes in the markets. There are also ongoing controls in the back office unit as to data integrity and reliability. In addition, there are controls over compliance with the limits set by the Board of Directors, investment committees and Investment Regulations, which are regularly reviewed by the Investment Control Unit.

The boards of directors has set overall exposure limits (including: bonds, loans, shares, etc.), with the limits referring to a single issuer, Group, industry, geographical distribution and rating. Reports regarding the exposures and compliance with the limits are presented to the investment committees and the boards of directors.

Liquidity risks are managed by analyzing scenarios using a cash flow forecast model and an asset liquidity model developed by the Risk Management Department. The calculations are based on accepted methodologies in the field and examine the effect of a stress scenario on the Company's ability to liquidate the assets. During the reporting year, regular reports were produced, which concentrated the analyses as stated. The results of the model are also reported to the boards of directors and Investment Committee.

The investment committees review the liquidity needs of Phoenix Insurance (with separation between Nostro and planholders' funds), Pension and Provident, taking into account the Company's total liquidity needs and the planholders' portfolios in times of crisis.

For further details on exposure to market risks and liquidity risks, see Section 3 and 4 below.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

#### 1.1.2. Credit risks in exposure to investment assets and reinsurers

Credit risks in exposure to investment assets

The Group has a credit policy, under which procedures for approving and granting loans are established, ranging from approval powers through the borrower's rating and analysis, to senior level approval or the relevant investment or credit committee, as required, all subject to the type of loan, rating and amount. The credit policy is based, inter alia, on the borrower's debt service capabilities, the quality of the collateral, financial strength, diversification of the credit portfolio among a large number of borrowers, etc.

Detailed reports regarding the overall exposure in the Nostro and the participating portfolios are generated frequently, using various cross-sections, such as: exposure to an issuer, Group, industry, geographical exposure, exposure to credit ratings, etc. The boards of directors set limits for the maximum exposure rate for each of the cross-sections mentioned above and any "irregularities" are reported to the investment committees and to the boards of directors based on the reports generated. For further information regarding exposures to credit risks, see Section 6.

The Company developed, validated and implemented a business credit rating model, in accordance with the Commissioner's guidance under the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" regarding an internal rating model in institutional entities.

The Risk Management Department assesses and challenges the rating of new illiquid borrowings by the finance function.

A "debt forum" has been appointed; it includes investment, finance and risk management personnel, which aims to carry out a process of controlling and classifying troubled debts and reporting to the boards of directors about such debts.

For further information regarding exposures to credit risks, see Section 6.

Credit risks in exposure to reinsurers

Phoenix Insurance purchases reinsurance policies in international markets. Phoenix Insurance's ability to purchase reinsurance under good conditions is influenced by the Group's performance in particular and the global reinsurance capacity in general (which depends, inter alia, on the reinsurers' stability, the occurrence of catastrophe events in the world, and more). Changes in the prices and scope of reinsurance offered in these markets have an impact on the Insurance Company's profitability and ability to increase the volume of insurance and to undertake certain insurance liabilities. In addition, reinsurance does not exempt the Insurance Company from its obligations towards its policyholders according to the insurance policies and therefore the financial stability and credit rating of reinsurers may affect the business results of the insurance companies. Therefore, failure of a reinsurer to meet its obligations to the Insurance Company may have a material impact on Phoenix Insurance's ability to meet its obligations to customers (e.g., upon the occurrence of a catastrophe event).

At least once a year, the Board of Directors of Phoenix Insurance and the risk management committee discuss the policy of exposure to reinsurers and the insurer's assessments as to the management of the exposure and the controls. The exposure policy for reinsurers includes, among other things, the exposure management policy with reinsurers in the life, P&C and health segments, as well as defining a maximum exposure framework for reinsurers, according to parameters set by the Board of Directors.

The Board of Directors of Phoenix Insurance approved a set of limits designed to ensure proper diversification among reinsurers as a function of their rating and exposure to them, both upon the occurrence of a catastrophe event and in the ordinary course of business.

For further details regarding exposure to credit risks of investment assets and reinsurers. See Section 6.6 above.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

#### 1.1.3. Operational risk, including cyber and information security risk

As part of its business operations, the Insurance Company and Pension and Provident Company are exposed to numerous operational risks, such as: internal system failure, IT systems failure, including information security and cyber events, human errors (employees, agents and suppliers), embezzlement, fraud, cyber crimes and external damage to the Company such as due to an earthquake. The materialization of one or more of these risks can cause significant damage.

**Operational risks**

Operational risk management includes a variety of controls at various levels. These include controls embedded in the business process itself, controls in apps and IT systems, audit discussions in management forum and the Audit Committee’s activity. The control array is based both on procedures and work practices defined by the managers responsible for the relevant activity and based on regulatory requirements such as the circular on embezzlement and fraud, information security, cyber, SOX 302 and SOX 404. There are also additional control entities in the business units.
The companies' internal audit function performs additional controls on a variety of operating segments and, among other things, examines the existence and effectiveness of controls against operational risks while making recommendations for enhancing and improving controls.

**Cyber risks**

The Companies make preliminary assessments and invest significant resources in addressing cyber risk; this is done by setting information security policies, whose aim is to prevent or mitigate the exposure to cyber risks, and by setting a cyber crisis preparedness plan for the Company for the event that such risks materialize; this plan reflects, among other things, the Companies’ and management’s commitment to this issue.
In addition, the policy defines the principles for secure development, which serve as the basis for the development and implementation of the Companies’ websites, and for the implementation and maintenance of controls, procedures and information security mechanisms in the companies' IT systems. Principles are in place that address detecting, alerting, preventing and documenting exposures and materialization of events that impair availability, reliability, accuracy and confidentiality of the companies’ IT systems. Guidelines, areas of responsibility and applicability have been established in the process of incorporating and integrating information security guidelines into business aspects and ongoing operations. Appropriate administrative infrastructure has been put in place in order to define and implement the full range of required information security activities.
The officer in charge of the companies’ information and cyber risks is the VP IT and Cyber, who reports directly to the Group’s Chief Technology Officer, IT Systems and Innovation Officer. Company’s management regularly performs control processes to ensure that the companies are protected against the different cyber threats and holds regular meetings of steering committees and face to face meetings of committees which monitor the progress of the cyber department’s work plan. Based on those reports and other aspects, reports are issued on a regular basis to the boards of directors, with companies’ managements implementing the risk management policy, and the boards outlining guidance regarding cyber risks; therefore communication, coordination and collaboration between the boards of directors and the companies’ senior management in connection with identifying and assessing cyber risks are assigned great importance.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

#### 1.1.3. Operational risk, including cyber and information security risk (cont.)

**Cyber risks (cont.)**

The boards of directors use the services of an expert cyber advisor, who challenges the steps taken by the head of cyber security and the companies' preparations for dealing with the risk, conducts regular controls in connection with the issues presented in the boards of directors' IT Committee and in the boards of directors' plenum, and explains the risks and solutions, which are technological in nature, and require in depth understanding; in addition, the companies' Chief Internal Auditor also conducts audits on issues related to IT and cyber protections, with the support of external experts; the Chief Internal Auditor's reports, which are presented to the Audit Committee, are also used, among other things, as an effective foundation for the implementation of controls on behalf of the boards of directors; the reports' findings are presented to the committee, and an orderly process is conducted to implement controls on the measures employed to address them.

The Companies have in place a regular process of assessing information security risks in IT systems and interfaces. The risk assessment defines the level of sensitivity of the systems and refers to the range of potential information security risks arising from the IT systems and current business conduct. Managements direct appropriate resources to mitigate the risk based on the results of the risk assessment.

The Companies operate dynamically to enhance and improve their cyber security in accordance with the development of this risk. With a view to ensuring compliance with the IT systems' external and internal compliance requirements and internationally accepted standards, and to assess the risk management's effectiveness and safeguards applied in the risk assessment, information security risk audits and controlled penetration tests into the companies' IT systems are conducted periodically, and before any significant changes are made to the systems or before introducing these systems to operational use. The companies have in place formal procedures, some of which are aimed to implement statutory requirements while others address specific needs arising from the companies' activities; the companies conduct extensive resilience tests through external parties in order to assess the effectiveness of the mitigating controls implemented by the companies and work to address the findings on a regular basis in accordance with the findings' severity; the Company also conducts IT surveys through a specialist external auditor; those surveys assess, among other things, aspects that pertain directly or indirectly to information security and cyber security. Alongside all of the above tests and assessments, the Companies have a range of advanced technological capabilities, which they constantly use to challenge the effectiveness of their protection functions by simulating an attack on the Companies under a range of scenarios; by doing so, the Company ensures that its protective measures are effective.

In 2024, cyber security actions focused on further reinforcing the organization's defenses by increasing technological and operational capabilities to mitigate cyber and information security risks, through, among other things, implementing advanced defense technologies, improving authentication and alert capabilities, and improving the organization's operational and technological cyber crisis management capabilities. As part of the actions that were implemented, the information security department focused on increasing awareness among employees that serves as the most significant line of defense against cyber events, in order to identify such events and even prevent them. Furthermore, the information security department continued developing authentication controls as well as controls aimed to prevent information leakage, with the understanding that one of the companies' most significant assets is sensitive and private information of its customers. The companies believe that the implementation of the policy and tools for the management of the cyber risk is effective in addressing and mitigating that risk. Furthermore, the Company purchased third party captive insurance in respect of cyber incidents. The insurance is a self-insurance under the management of a third party, which provides services for the management of an incident by a crisis-management expert.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 1. Description of risk management procedures and methods (cont.)

### 1.1. The Insurance, Retirement (Pension And Provident) Activity (cont.)

#### 1.1.3. Operational risk, including cyber and information security risk (cont.)

**Business continuity plan (BCP)**

As part of the companies' preparations for stress events including earthquake, war and natural damage, they have in place a business continuity plan (BCP), which includes strategy documents, business continuity policy and an emergency file.
The emergency response file defines the resources and time-lines needed to recover critical processes in the various units under reference scenarios the established. Phoenix Insurance prepared BCP sites, designated an emergency management team for the Group, dedicated teams to address the emergency situation, as well as business emergency teams.

#### 1.1.4 Insurance risks

Risk management processes in these areas are carried out on several levels: at the Board of Directors, risk management committee, senior management, Risk Management Department, actuarial department, reinsurance department and control department. These processes include generating reports and holding discussions, as well as current reports on, among other things, exposure, adequacy of reserves, actuarial pricing, launch of insurance plans and/or new products.
Every year, the insurance company discusses the policy of exposure to reinsurers and revises the retention policy approved by the Company's Board.
To the extent possible, significant life, health, and property and casualty insurance risks are estimated by applying a set of stress scenarios to the various portfolios in accordance with the Economic Solvency Regime.
New products launched by the Company are approved by the Chief Risk Officer, the Supervisor Actuary, the IT systems manager and the legal counsel. The above assess the risks and exposures associated with the product, including with regard to the impact on the Economic Solvency Regime.
The risks embodied in insurance products are mitigated by the high diversification of insurance contracts. Risks are mitigated through the selection and implementation of underwriting strategies and diversification by industries, geographies, risk types, coverage level, etc. And through informed use of reinsurance to mitigate the risks.
The assessment of the Insurance Company’s exposure to an earthquake risk in Israel, which is the major catastrophe event to which it is exposed, is conducted using international models, and the Company acquires protection for this risk based on this assessment. For further details on exposure to insurance risks, see Section 5 below.

### 1.2. Financial services activity

The Investment House & Wealth Segment mainly includes Phoenix Investment House, and the activity of Phoenix group’s alternative investments funds under Phoenix Advanced Investments. Phoenix Investment House’s activities include the areas of ETFs, mutual funds, portfolio management, TASE member, management and marketing of alternative products. These areas of activity have different risk characteristics than insurance operations and therefore risk management procedures and methods therein are different, as specified in sections below. In some of Phoenix Investment House's areas of activity, dedicated functions responsible for risk management and control have been appointed, in accordance with the specific regulatory guidance applicable to each company.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.2. Financial services activity (cont.)

#### 1.2.1 Phoenix Investment House

The activity of Phoenix Investment House expose it to various risks, such as market risk (including foreign currency risk and fair value risk with respect to interest rate and index risk), credit risk and liquidity risk, operational risk and regulatory risk. The following are details of risk factors embodied in Phoenix Investment House's activities and risk management procedures and methods:

a) **Exposure to the capital market**

Phoenix Investment House manages tracker funds and ETFs with variable management fees, which meant that fund managers would benefit from profits if the fund achieved excess return compared to the relevant index, and on the other hand - pay holders if the fund underperforms compared to the said index, up to 0.3% (depending on the type of the tracking fund's tracked asset). As a result, Phoenix Investment House is exposed to losses in a number of tracker funds/ETFs with variable management fees. Accordingly, the tracker fund/ETF manager operates in accordance with the market risk management policies (including interest rate risk), credit risks, liquidity risks and operational risks, which aim to ensure maximum correlation between the ETF’s liability and the backing assets, including investment restrictions set in the funds’ prospectuses and the provisions of the law, and the establishment of an investment policy approved by the Board of Directors of fund manager, which is reported to the public. In addition, as part of this amendment, a subsidiary of Phoenix Investment House began providing market making services for the ETFs. The company provides market-making quotes for ETFs on the TASE and originates and redeems the units at the end trading for the fund manager. The market making company has exposures to the coverage required to originate and redeem the ETFs for the fund manager. The market making company has in place exposure limits for the purpose of restricting the exposure that will apply in respect of its activities as determined by the Company's board of directors.

b) **Market risks**

Phoenix Investment House group companies operate directly and indirectly in the areas of investment management, portfolio management, financial products, ETF and mutual fund management as well as management and marketing of alternative products. The capital market is characterized by volatility, due to, among other things, the effect of political, security and economic factors in Israel and globally, which the Group companies have no control over. Such volatility has an effect on the extent of the public’s activity in the capital market and on securities’ prices. A change in the total amount and value of the investment portfolios, fund assets and ETFs managed by the Group, as well as the number of Group customers, affects the income of the Group's companies. Therefore, adverse trends in securities’ prices and volume of capital market activity may adversely affect the Group's results. The Group has implemented various systems for monitoring the market risks it faces. The controls are based, among other things, on various stress scenarios defined by Phoenix Investment House or on calculations of exposures to sectors, borrower groups, and the like, using generally accepted methods. In addition, the various boards of directors and committees of subsidiaries have set limits on the values at risk that are reviewed on a regular basis. Regular reports which summarize the analyses as aforesaid are accordingly submitted for review by the various committees.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.2 The financial services activity (cont.)

#### 1.2.1 Phoenix Investment House (cont.)

c) **Exchange rate risks**

Phoenix Investment House is exposed to foreign currency changes, mainly in the activities of the ETFs, for which variable management fees have been set, which include, among other things, issuing foreign currency linked bonds and/or issuing ETFs that are linked to a foreign index and, as a result may, may also be affected by foreign currency fluctuations, all up to 0.3%, depending on the type of the tracking fund's tracked asset. However, since Phoenix Investment House invests the issuance proceeds of the above products in backing assets that track the index, including in the foreign currency and/or with linkage similar to that of the issued products, any net foreign exchange exposure has no material effect on the operating results of Phoenix Investment House. Some of the income of Phoenix Investment House group companies, mainly that of the TASE member, is denominated in foreign currency, mainly due to customers' transactions involving foreign securities. This income is subject to exchange rate changes.

d) **Interest rate risk**

As part of the ETF activity, Phoenix Investment House invests in short-term deposits against the derivatives activity. Changes in the interest rate curves can cause a loss of income in funds with variable management fees, up to 0.3%, depending on the tracking fund's type of tracked asset. In addition, as part of the management of the customer deposits of the TASE member of Phoenix Investment House, customer funds are deposited for different periods (up to one year) and changes in short-term interest rate curves may cause a loss.

e) **Credit Risk**

The credit risks, handled at the group level of Phoenix Investment House, stem mainly from cash and cash equivalents, deposits (including customer deposits held in trust), deposited with banks and other financial institutions in Israel and abroad. Termination of contracts with the aforementioned parties for reasons of lack of financial strength and/or financial stability and/or default events by these third parties and/or for any other reason, could result in significant losses to Phoenix Investment House and impair the scope of its activities.

In addition, as part of its business activities, Phoenix Investment House's TASE Member provides credit and guarantees to activities involving its customers' securities. The credit is backed in accordance with the TASE Regulations by the collateral of liquid securities, the prices of which may fall to such an extent that the collateral will not be sufficient to cover the credit. In the event of high volatility in the prices of the assets included in the said collateral, customers' collateral may be eroded such that the credit risk will increase. In addition, the TASE Member provided guarantees for the lending of securities.

As part of Phoenix Investment House's membership with the Tel Aviv Stock Exchange, a total of approx. NIS 88.7 million (after the weights applied by the TASE) was deposited as of December 31, 2024 in favor of the TASE's risk reserve, in accordance with Excellence's proportionate relative share in trading on the TASE. Phoenix Investment House's investments in non-recourse back-to-back bonds is the sole source of financing for payments to structured bonds holders issued by subsidiaries, and therefore Phoenix Investment House is not exposed to credit risk in respect of them. As a rule, each company's board of directors defined its credit risk appetite using designated limits that are regularly audited and reported to the relevant committees.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 1. Description of risk management procedures and methods (cont.)

### 1.2 The financial services activity (cont.)

#### 1.2.1 Phoenix Investment House (cont.)

f) **Liquidity Risk**

The mutual funds and the TASE member deposit balances from funds and securities under their management with banks and TASE members. Significant withdrawals by the customers could impair the financial assets.

Additional liquidity risks in Phoenix Investment House may arise from a situation in which the TASE member may find it difficult to meet its financial obligations in market situations such as: unexpected customer withdrawals, unexpected demand for credit, and uncertainty about the availability of sources. To reduce exposure, procedures and/or policies were put in place to manage this risk; the procedures and policies are monitored regularly and reported to relevant forums. During the past few years, Phoenix Insurance issued insurance for Phoenix Investment House a guarantee in respect of liquidity risks.

g) **Settlement risk**

Phoenix Investment House carries out brokerage activities for customers, including the acquisition of Israeli and foreign securities, characterized by a time gap of up to t+3 between the purchase of the securities and receipt of the proceeds for the said purchase. Until the purchase proceeds are received, they are guaranteed by the securities purchased. As a result of the aforementioned time gap, in the event of non-payment of the consideration by the customers, Phoenix Investment House is exposed to volatility in relation to the securities purchased and used as collateral for the purchase proceeds. Exposure controls have been set to mitigate this risk; controls are monitored regularly and reported to the relevant forums.

h) **Risk of lending (short sale)**

Phoenix Investment House’s exposure to securities with low marketability increases when short sales are carried out (lending), when trading is suspended or when there are trading difficulties, and may lead to a situation where Phoenix Investment House group companies are unable to close the lending transaction in the quantities and dates required to carry out the covering activity in accordance with the terms and conditions of the lending transactions. However, in this context, it should be emphasized that the companies are careful to carry out the lending and selling activities in securities which have sufficient marketability. It should be noted that among other things the Company conducts locked box transactions with local banks to mitigate market risks; as part of these transactions, the Company conducts lending or short selling of securities against swap or futures transactions. The amount of the transactions is capped, and they are monitored on a regular basis.

i) **Operational risk**

In the course of its business operations, Phoenix Investment House is exposed to numerous operational risks, including IT and cyber risks, such as: internal systems failure, information and IT and computer systems failure, including information security, human errors (employees, agents and suppliers), fraud, cyber crimes and external damages such as earthquake. The materialization of one or more of these risks can cause significant damage.

KSM Mutual Funds has developed an internal system for revaluing all ETFs independently of the operating bank. Damage to and/or shutdown of the system can adversely affect both the funds’ management and their reputation.

Accordingly, Phoenix Investment House has drafted a business continuity plan designed to ensure the continued functioning of its business.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.2 The financial services activity (cont.)

#### 1.2.1 Phoenix Investment House (cont.)

i) **Operational risk (cont.)**

Operational risk management includes a variety of controls at various levels as well as enforcement mechanisms. These include controls such as: audit committees' activity as well as controls embedded in the business process itself and controls in apps and IT systems. The control array is based both on the procedures and work practices defined by the managers responsible for each activity, and on various regulatory requirements. In addition, the companies periodically carry out operational risk surveys, including improvement of mitigation programs, to minimize the risks. Moreover, each company has defined business continuity plans that are reviewed at least once a year across all Investment House companies.

j) **Risk regarding regulatory changes**

The Group's many areas of activity expose it to various regulators, who maintain a tight regulatory environment that is constantly evolving. Changes in legislation and regulations in the securities field in general, and in the field of financial products in particular, may adversely affect the ability of Group's companies to operate in their respective areas of activity and the Group's profitability in this area, reduce income and require them to have additional equity capital.

#### 1.2.2 Phoenix Advanced Investments

The activity of Phoenix Group's alternative investment funds has developed in recent years and is carried out under Phoenix Advanced Investments Ltd., which is wholly-owned - as of the date of the financial statements - by Phoenix Capital Partners, which is wholly-owned by the Company. The activities of the alternative funds exposes the Group to a range of risks, including the effects of macroeconomic factors in Israel and other countries, exchange rate differences, investment risks, credit risks, operational risks, risks arising from regulatory changes in Israel and in other countries, and legal risks. In addition, since this is a business activity under development, the key risks arising to Phoenix group as a result of this activity are reputational risks as a result of a business failure, or reputational risks in one of the funds, which may lead to adverse effects on the Company's reputation and to legal risks arising therefrom.

Phoenix Advanced Investments has in place an internal control function, which is in charge of the implementation and integration of control processes alongside the assessment of the effectiveness and quality of the existing control functions of each partnership. Among other things, the control function conducts regular tests and samples in connection with the partnerships' activity, and in-depth controls regarding material issues that were identified. In addition, the function assists in the writing and enhancement of work procedures at the headquarter level and at the funds level, in accordance with regulatory requirements or as a derivative of the expansion of the activity.

The Risk Management Department is involved in the development of new products and conducts other controls regarding a range of areas of activity, mainly in the field of investments. Among other things, the department's employees serve as observers in the funds' investment committees and challenge the risk assessment models.

### 1.3 Credit Segment

Gama serves the company as the Group's credit arm and is reported as a reportable segment in the financial statements (Credit Segment). For further details, see Note 3.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.3 Credit Segment (cont.)

The Company's activities expand gradually from financial payment and credit services to companies and SMEs in Israel, also to new credit areas and customer types, such that as from the beginning of 2024 its service offerings include specialized credit to finance construction following the acquisition of Phoenix Construction Financing and Guarantees Company Ltd. (hereinafter - "**Phoenix Construction Financing**").
Furthermore, as from 2025, consumer credit services will be offered to private customers following the transfer of Phoenix Retail Credit Ltd. (hereinafter - "**Phoenix Retail Credit**") as a subsidiary of the Company, subject to the fulfillment of conditions precedent, which have not yet been completed as of the report date. In this way, Gama expands its credit services offerings and its range of customer types, while leveraging the synergy between the various areas of activity and products, in order to provide optimal response to the needs of its customers.
As part of its activities, Gama is exposed to a range of risks, including credit default and insolvency of borrowers.

#### 1.3.1 Risk management framework - Gama

The overall responsibility to establish and monitor Gama's risk management policy lies with its Board of Directors and management.
Gama's risk management policy was established in order to identify and analyze the risks it is exposed to, set adequate restrictions in respect of the risks, and controls to monitor them and to ensure compliance with the restrictions. The risk management policy and methods are reviewed continuously in order to reflect changes in market conditions and in Gama's activity. Gama works to achieve an effective control environment in which all employees understand their roles and responsibilities; this is achieved through training, standards and procedures.
The officer in charge of risk management in Gama is the Chief Risk Officer; among his main roles are: Identifying and assessing credit exposures; creation and management of control mechanisms; assessing credit applications and placing controls over the company's compliance with the credit procedures approved by its Board of Directors. A VP Credit serves alongside him.

#### 1.3.2 Credit risk

The Company has high exposure to the insolvency of its customers and their own customers
The substantial cumulative increase in interest rate in Israel as from the second half of 2022, the consequences of the Iron Sword War which broke out on October 7, 2023 and its effects on the Israeli economy and the slowdown in economic activity, may adversely affect the ability of Company's customers to repay their liabilities to it.
Gama has in place credit risk management processes; in the credit card and business credit activities – this risk is managed in accordance with the risk appetite set in the credit policy by the Company's Board of Directors; for each credit application, the execution of an analysis is assessed, which examines the transactions and the risks associated therewith; the application is approved with the authorization hierarchy. In most credit transactions in the construction financing subsegment Gama is provided with a collateral, including a personal guarantee, assets and rights, in case of credit default.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 1. Description of risk management procedures and methods (cont.)

### 1.3 Credit Segment (cont.)

#### 1.3.2 Credit risk (cont.)

- **Matching the sources of financing to their use-** the credit raised by the Company bears unlinked interest, and the large majority of the Company's undertakings are linked to the Bank of Israel/Prime interest rate. Alongside these sources of financing, most of the credit provided by the Company to its customers also bears variable interest linked to the Prime interest rate. Gama believes that its sources of financing match the use of variable interest, and therefore most of the Company's activities are not exposed to an increase in the interest rate, except for post-dated checks transactions (checks discounting) and supplier financing, which have not yet been repaid, in which there is an immaterial exposure due to the mismatch between the sources and the use of fixed interest.
- **Effect on Company customers' solvency –** the substantial increase in the cumulative interest rate in Israel as from the second half of 2022 and the effects of the Iron Swords War may adversely affect Company customers' ability to repay their obligations to the Company also in Gama's construction and financing activity.
- **Decrease in demand for financing and credit**- the increase in interest rates led to a subsidence in new demand for credit, in particular in industries where margins make it impossible to bear the credit finance costs at the abovementioned high interest rates. Leaving interest rates at their high level as of the report publication date may have a further adverse effect on the growth rate of the Company's credit portfolio. In the construction financing sector - various factors may affect demand to initiate real estate ventures, thereby affecting the demand for financing. This includes the risk that the period to receive the land or building permits will become longer, the shortage of workers, and other factors, which may affect the project's extension, and a decrease in the project's expected profitability.

#### 1.3.3 Financing and liquidity risk

Gama's ability to sustain its operations depends considerably on its ability to raise financing, including from external sources. Changes in the interest rate, changes in economic conditions in Israel and a deterioration in the Company's areas of activity may affect Gama's ability to raise financing for its activity, or the terms of such financing, thus adversely affecting the Company's ability to offer attractive financing terms to its customers, and its liquidity.

#### 1.3.4 Increased competition

Gama's business activities are characterized by intensifying competition and the entry of many additional players such as banks, institutional entities and non-banking entities. Gama's status depends to a large extent on its reputation, and on the company's ability to substantially differentiate itself from its competitors. If competition in the subsegment will intensify, and new players will enter the market in all areas of activity, the competition and portfolio retention risk will increase.

## NOTE 41 - RISK MANAGEMENT (cont.)

**1. Description of risk management procedures and methods (cont.)**

**1.3 Credit Segment (cont.)**

**1.3.5 Technological changes**

The payment means market in Israel is undergoing substantial changes, and in recent years new players have entered this market through advanced digital means such as local and international payment apps (international entities such as Apple Pay and Google Pay) and international and local digital wallets, some of which are owned by Israeli banking corporations those include Bit, Paybox and digital wallets of credit card companies and/or other companies. These players may change the current layout of the payment means landscape in Israel, including in by channeling customers to make payments through a system that bypasses payment cards. Insofar as these players make technological changes and also carry out acquiring and issuing of means of payment and even provision of business and retail credit under the management of banking and financial activities, these changes may intensify competition, lead to a decline in Gama's activity and adversely affect its financial results.

**1.3.6 Cyber and information security risks**

In recent years, there has been a constant and substantial increase in the risk that a cyber event will materialize, with the number and severity of events increasing, and consequently the managerial attention and resources which Gama invests in this issue are steadily increasing. Gama has a dedicated information security and cyber officer, who provides services to the company under a service agreement, and reports to the company's CIO. The head of information and cyber security has extensive professional experience in the field, including in providing consulting services to leading financial entities in the market. He is responsible for creating and implementing the work plans in the field and is also involved in actions with potential implications for Gama's information and cyber security. As in the case of Gama's other areas of activity, the field of cyber is audited by the internal audit function.

**1.4 Insurance agencies**

The Company holds a number of insurance agencies through Phoenix Agencies. The agencies provide brokerage and marketing services in connection with pension, insurance and financial products of several insurance companies, including Phoenix Insurance, as well as products of investment houses and other institutional entities. During the past two years, the Company strengthened its organizational control infrastructures, by, among other things, appointing a Chairperson of the Board of Directors and a dedicated CFO, who work on a full time basis. Following are the key risks to which the distribution (agencies) segment is exposed:

**1.4.1 Competition and business risks:**

The Distribution (Agencies) Segment is intensely competitive. intensified competition, introduction of new competitors, including through digital distribution and service functions, as well as changes in customers' preferences may have an adverse effect on the financial results of the insurance agencies owned by the Group.

**1.4.2 Compliance risks, regulatory changes risks and legislation risks:**

The insurance agencies' area of activity is supervised by the Commissioner and is subject to many legal provisions, including the Supervision Law, the Provident Funds Law, the Pension Advice Law and regulations promulgated thereunder, as well as the Commissioner's Directives, which aim to protect policyholders and planholders. These directives relate both to regulatory requirements applicable to insurance agencies and to requirements stemming from their relationships with their customers. Violation of the provisions of the law, including the Commissioner's Directives, may constitute an administrative violation, in respect of which a monetary sanction is imposed; in some instances, an administrative violation may even constitute a criminal offense.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 1. Description of risk management procedures and methods (cont.)

### 1.4 Insurance agencies (cont.)

#### 1.4.2 Compliance risks, regulatory changes risks and legislation risks: (cont.)

Furthermore, regulatory and legislation changes may adversely affect insurance agencies' potential income and growth, whether directly in connection with payment of fees and commissions, or indirectly as a result of the effect of regulatory or legislation changes on insurance products sold, and on customers' preferences in connection with those products.

#### 1.4.3 operational risk including cyber and IT systems:

As part of its business operations, the insurance agencies are exposed to numerous operational risks such as: internal system failure, IT systems failure, including information security, human errors (employees, agents and suppliers), embezzlement, fraud and computer crimes. The management of the cyber risks and IT systems risks in the Distribution (Agencies) Segment is conducted by the Group's risk management function. For further details, see Section 1.1.3 above.

### 2. Legal requirements

The Group operates within the existing regulatory requirements and is in compliance with the various implementation schedules. Various regulatory requirements regarding risk management have been published in recent years; the main ones are as follows:

2.1 The provisions of the consolidated circular dealing with the risk management function and setting the powers, roles and work methods of a Chief Risk Officer and the risk management department.

2.2 The provisions of the institutional entities circular regarding the board of directors of an institutional entity, which includes a requirement for setting a risk exposure policy, exposure caps, procedures and tools to measure risks and place controls thereon.

2.3. Provisions regarding credit risk management, their assessment and controls, in Chapter 4 of the consolidated circular.

2.4. Provisions of the consolidated circular regarding management of the credit risk against the exposure to reinsurers.

2.5. Provisions on handling specific categories of operational risks: embezzlement and fraud, management of information security risks, management of IT technologies and the risks arising therefrom and financial reporting controls (SOX) (for further details, see Section 1.1.3 above).

2.6. The insurance company is subject to the Commissioner's Directives regarding the Solvency II economic solvency regime in Circular 2020-1-15; for further details see Note 8F.

2.7 The investment regulations - the Company manages assets in accordance with the Investment Regulations.

2.8 Circular regarding risk management by regulated financial services providers - aims to guide entities that provide financial services on the adoption of risk management processes.

2.9. The Financial Services Law stipulates, among other things, that entities engaged in the provision of financial services are required to have the relevant license; the said law also imposes restrictions and sets provisions applicable to those entities in connection with the management of their business activity in the field of provision of financial services.

2.10 The Additional Equity and Liquidity Requirement for Financial Service Providers Circular – in accordance with the provisions of the Circular, a financial service provider holding an expanded license to provide credit is required to meet the capital ratio set in the Circular, in addition to the minimum capital requirements set in the Financial Services Law.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks

Market risk is, as stated, the risk that the fair value and/or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, among other things, risks arising from changes in interest rates, share prices, the consumer price index and foreign currency.
Changes in inflation and interest rates affect the financial results of the Group and in particular those of Phoenix Insurance. For further details on the Group’s sensitivity to interest and inflation, including changes in those sensitivities, see Sections 3.2. 3.3 and 3.4 below.
The key market risks that the Group faces are:

**Interest rate risk** - the risk that the value of a financial asset and/or liability will change as a result of changes in market interest rates. In most of the Insurance Company's areas of activity, the average duration of assets does not match the average duration of liabilities, especially life insurance liabilities, the average duration of which is significantly longer than that of the assets. As a result, the Insurance Company is exposed to a decline in interest rates that reduces future returns when refinancing the assets against liabilities and reduces the embedded value of the insurance portfolio.
In the other group companies, exposure to interest rate changes is not substantial.

**Equity and non-financial assets risk** - a risk arising from changes in stock prices or the fair value of non-financial assets.

**Credit spread risk** - the loss that may be caused by changes in the credit spread risk between corporate bonds and (risk-free) government bonds. Changes in credit spreads should reflect the changes in the borrower’s probability of default (PD) and the changes derived from the "market" fluctuations. The Company invests in shekel-denominated corporate debt, CPI-linked and forex-linked bonds and is exposed to increase in credit spreads. Changes in the credit spread of the Tel Bond 60 index lead to changes in the illiquidity premium used to discount insurance liabilities.

**Risks related to the CPI** - a real loss due to the erosion of the value of shekel-denominated assets as a result of rising inflation beyond the inflation expectations implicit in the capital market, against the insurance liabilities, most of which are CPI-linked. In life insurance (in respect of that portion of the life insurance portfolio that is not backed by designated bonds), in property and casualty insurance in the equity portfolio, the linkage of assets does not fully correspond to the linkage of the liabilities. This risk is material, especially in Nostro portfolios, where almost all liabilities are linked to the CPI, while not all assets are CPI-linked.

**Currency risk** - the risk that the fair value or future cash flows arising from an asset or liability will change as a result of changes in foreign exchange rates.
The value of the Group's assets and liabilities is exposed to the risks outlined above. Therefore, the income from the investments against the insurance and equity reserves has a material effect on the income. A significant portion of the Group's asset portfolio is invested in liquid securities and financial derivatives, which are characterized by volatility as a result of political and economic events in Israel and around the world. Liquid securities are recorded in accordance with their prices on the TASE as of the reporting date. As a result, volatility in these investments’ value may have a material effect on the Group's profitability and equity capital.
The extent of the effect on income depends on the characteristics of the insurance liabilities (*Nostro*, yield-dependent) and the terms and conditions of the management fees for the products against which the relevant reserve is held.

#### 3.1 Yield-dependent contracts in the insurance, pension and provident companies

Yield-dependent liabilities are liabilities in respect of contracts in which the beneficiary's insurance benefits depend on the yield generated by investments that are recorded against the liabilities in respect of these policies, net of management fees as detailed below:

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

#### 3.1 Yield-dependent contracts in the insurance, pension and provident companies (cont.)

- In participating policies issued from 2004 onwards - the return on investments is credited to the policyholders while the insurer is entitled to fixed management fees. In accordance with the Knesset Finance Committee's decision, as of January 2014, the maximum annual management fees were limited to 1.05% of the accumulated balance and up to 4% of current contributions, with the recipients of old-age and dependents allowances paying up to 0.6% (0.3% in policies sold as of February 2022) of the assets against the fund's obligations towards them. It should be noted that for insurance policies, the management fees cap will not apply to insurance policies issued before January 1, 2013. In these products, the effect of the returns on the insurance company's income is reduced to the exposure derived from the total amount of the reserve from which the insurer's management fees are derived.
- In participating policies issued until December 31, 2003, the return on investments is credited to the policyholders, while the insurer is entitled to a fixed management fees of 0.6% of the accrual, and to variable management fees of 15% of the real profit obtained after deduction of the fixed management fees. In these policies, when the return is negative, the Company may not charge variable management fees as long as a positive return has not been achieved that will cover the accumulated negative return.
  In the case of these products, in addition to the accrual-derived exposure, the Company's income are affected by the variable management fees derived in accordance with the real return credited to the policyholders.
- In the Retirement (Pension and Provident) business, excluding Gmula (guaranteed-return provident funds) the return on investments (net of fixed management fees) is credited to the planholders and therefore, the effect of the investment results on the income of the pension fund's management company or the provident funds is derived from the management fees paid to the management company, based on total assets under management.

With regard to the assets and liabilities in respect of these products, the insurance company does not have direct exposure to changes in the interest rates, fair value of the investments or CPI, except for the potential effect on the K factor, paid pensions reserve and the reserve to deferred annuity in participating policies. The effect of the financial results on the insurance company's income is reduced to exposure derived from the management fees, which vary according to the volatility of the return credited to the policyholders, only for policies issued until 2004 and from the total liabilities from which the insurer's fixed management fees are derived for all yield-dependent products.
In view of the above, the sensitivity tests and the repayment dates of the liabilities as listed in the tables below do not include yield-dependent contracts, paid pension liabilities and the liability for deferred annuity in respect of these contracts.

<u>The following is a sensitivity test for yield-dependent contracts in the Insurance Company and the manner by which profit (loss) is affected by any change in yields:</u>
Any 1% change in the real return on investments under yield-dependent contracts in respect of policies issued until 2004, the liability amount of which as of December 31, 2024 is approx. NIS 42 billion (December 31, 2023 - approx. NIS 38 billion) affects the variable management fees by approx. NIS 63 million (in 2023 - a total of approx. NIS 56 million) and the fixed management fees by approx. NIS 3 million (with no significant change over last year). The effect of such a change on policies issued from 2004 onwards is immaterial. For further information on variable management fees, see Note 30. This sensitivity test does not take into account a scenario where management fees were not collected due to negative real return until accumulated positive return is achieved. For details regarding the estimated management fees, which were not collected due to negative yield in 2022-2023, see Note 30.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

#### 3.2 Sensitivity tests regarding market risks for non-yield dependent contracts in the Insurance Company and for the other Group Companies

In non-participating life insurance policies - most of the life insurance portfolio is for guaranteed-return policies, which are mainly backed by designated bonds (linked life insurance bonds, hereinafter - "**Hetz**") issued by the Bank of Israel throughout the policy period. Therefore, the Company has overlapping financial coverage in respect of most of its interest and linkage liabilities for the entire life of the policies. As of December 31, 2024, the designated bonds covered approx. 64.11% (as of December, 31, 2023 - approx. 64.39%) of total life insurance liabilities in these plans. Thus, changes in the capital markets may have a material effect on the Group's results of operations. Changes in the Consumer Price Index and exchange rates may also have a material effect on the Group's results of operations.

The following are sensitivity tests that show the change in the income (loss) for the period and total comprehensive income (loss) for financial assets, financial liabilities and liabilities in respect of insurance contracts and investment contracts, for the relevant risk variable at each reporting date and assuming that all other variables remain constant. For example, the change in interest rate is taken into account assuming that all other parameters remain constant. The changes in variables are in relation to the carrying amount of the assets and liabilities. It has also been assumed that the aforementioned changes do not reflect a permanent impairment of assets presented at amortized cost or of available-for-sale assets and, therefore, in the above sensitivity tests, no impairment losses were included for these assets. 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.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 3. Market risks (cont.)

### 3.2 Sensitivity tests regarding market risks for non-yield dependent contracts in the Insurance Company and for the other Group Companies (cont.)

**As of December 31, 2024:**

| | Interest rates (2) (3) | | Investments in equity instruments (4) | | % of change in the Consumer Price Index (6) | | % of change in foreign currency exchange rates | |
|---|---|---|---|---|---|---|---|---|
| | +1% | -1% | +10% | -10% | +1% | -1% | +10% | -10% |
| | NIS thousand | | | | | | | |
| Comprehensive income (loss) (1) | 193,624 | (485,035) | 41,382 | (41,382) | (61,641) | 61,641 | (288,582) | 288,582 |
| Comprehensive income (loss) (shareholders' equity) (1) (5) | (144,973) | (91,014) | 504,573 | (504,573) | (61,641) | 61,641 | 73,903 | (73,903) |

**As of December 31, 2023:**

| | Interest rates (2) (3) | | Investments in equity instruments (4) | | % of change in the Consumer Price Index (6) | | % of change in foreign currency exchange rates | |
|---|---|---|---|---|---|---|---|---|
| | +1% | -1% | +10% | -10% | +1% | -1% | +10% | -10% |
| | NIS thousand | | | | | | | |
| Comprehensive income (loss) (1) | 446,657 | (501,154) | 46,384 | (46,384) | (51,287) | 51,287 | (172,367) | 172,367 |
| Comprehensive income (loss) (shareholders' equity) (1) (5) | 130,364 | (126,204) | 450,272 | (450,272) | (51,287) | 51,287 | 166,380 | (166,380) |

(1) The abovementioned sensitivities were calculated in accordance with IFRS 4. The transition to IFRS 17 and IFRS 9 will affect the value of assets including Hetz bonds and liabilities, which may substantially change the results of sensitivity analysis to changes in these risk factors.

(2) The interest rate change sensitivity analysis applies to both fixed interest rate instruments and variable interest rate instruments. The exposure related to fixed interest rates instruments is calculated in relation to the instruments' carrying amount, and the exposure in relation to variable interest rate instruments is calculated in relation to the interest income. Out of assets with direct interest rate risk, the sensitivity tests did not take into account illiquid debt assets classified as loans and receivables, which are not taken into account in liability adequacy testing, and in testing cash and cash equivalents, reinsurance assets, customer loans and collectible checks, assets against participating policies, financial liabilities and reinsurers' deposits and balances. The assets to which the sensitivity analysis was applied constitute approx. 11% of total assets for non-yield dependent contracts (December 31, 2023 - 10.5%).

(3) The sensitivity analysis includes the effect on the insurance liabilities, including the effect of the liability adequacy testing for life insurance and long-term care reserves, as well as income protection and long-term care insurance policies against the value of the portfolio as described in Note 2J. The effect of a 1% decrease in the interest rate on the comprehensive income (loss) in respect of insurance liabilities included in the sensitivity analysis is estimated at a loss of approx. NIS 647 million after tax (approx. NIS 629 million as of December 31, 2023). The effect of a 1% increase in the interest rate on the comprehensive income (loss) in respect of insurance liabilities included in the sensitivity analysis is estimated at a profit of approx. NIS 348 million after tax (approx. NIS 588 million as of December 31, 2023). The results of the said scenario do not assume an increase in the K-value for insurance liabilities in the form of yield-dependent insurance policies.

(4) Investments in instruments with no fixed cash flows, or alternatively, where the Company has no information about this cash flow (in accordance with the definitions in IFRS 7 - do not include investments in associates).
Sensitivity analyses are based on carrying amount. As to derivatives, the effect on exposure was calculated in delta terms.

(5) The sensitivity analyses in relation to the comprehensive income (loss) also reflect the effect on the income (loss) for the period. The calculation takes into account the relevant tax rate for each period.

(6) Non-monetary items were also included in the sensitivity tests for the CPI and currencies.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 3. Market risks (cont.)

### 3.3 Direct interest rate risk

Direct interest rate risk is the risk that a change in the market interest rate will cause a change in the fair value or cash flow resulting from the asset or liability. This risk relates to assets that are cleared in cash. The addition of the word "direct" highlights the fact that the change in interest rates can also affect other types of assets, but not directly, such as the effect of the change in interest rates on stock prices.

The following is a breakdown of assets and liabilities according to exposure to interest rate risks:

| | As of December 31, 2024 | | |
|---|---|---|---|
| | Non yield-dependent | Yield-dependent | Total |
| | | NIS thousand | |
| **Assets with direct interest rate risk** | | | |
| Liquid debt assets | 6,414,692 | 25,248,640 | 31,663,332 |
| Illiquid debt assets: | | | |
| Hetz bonds and treasury deposits | 8,445,794 | 272,603 | 8,718,397 |
| Other | 7,459,246 | 7,862,101 | 15,321,347 |
| Other financial investments | 1,762,218 | 4,994,850 | 6,757,068 |
| Cash and cash equivalents | 2,742,027 | 17,724,306 | 20,466,333 |
| Reinsurance assets | 3,720,076 | 197,326 | 3,917,402 |
| Customer loans and collectible checks | 3,650,465 | - | 3,650,465 |
| **Total assets with direct interest rate risk** | 34,194,518 | 56,299,826 | 90,494,344 |
| **Assets without direct interest rate risk (*)** | 24,111,499 | 57,964,547 | 82,076,046 |
| **Total assets** | 58,306,017 | 114,264,373 | 172,570,390 |
| **Liabilities with direct interest rate risk** | | | |
| Financial liabilities | 15,146,374 | 2,042,932 | 17,189,306 |
| Liabilities in respect to insurance contracts and investment contracts | 26,208,621 | 111,483,901 | 137,692,522 |
| Deposits by reinsurers and others | 1,652,341 | 75,395 | 1,727,736 |
| **Total liabilities with direct interest rate risk** | 43,007,336 | 113,602,228 | 156,609,564 |
| **Liabilities without direct interest rate risk (**)** | 3,672,899 | 35,516 | 3,708,415 |
| Equity capital | 12,252,411 | - | 12,252,411 |
| **Total capital and liabilities** | 58,932,646 | 113,637,744 | 172,570,390 |
| **Total assets less liabilities** | 11,625,782 | 626,629 (***) | 12,252,411 |
| **Off-balance sheet risk (commitments to provide credit)** | 4,712,558 | 1,604,727 | 6,317,285 |

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition costs and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

(***) Subsequent to the report date, variable management fees of approx. NIS 105 million were collected.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 3. Market risks (cont.)

### 3.3 Direct interest rate risk (cont.)

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Non yield-dependent | Yield-dependent | Total |
| | | NIS thousand | |
| **Assets with direct interest rate risk** | | | |
| Liquid debt assets | 5,773,437 | 22,136,113 | 27,909,550 |
| Illiquid debt assets: | | | |
| Hetz bonds and treasury deposits | 8,300,538 | 329,901 | 8,630,439 |
| Other | 8,293,383 | 7,519,758 | 15,813,141 |
| Other financial investments | 1,805,874 | 4,490,957 | 6,296,831 |
| Cash and cash equivalents | 3,053,023 | 19,303,547 | 22,356,570 |
| Reinsurance assets | 3,821,206 | 207,055 | 4,028,261 |
| Customer loans and collectible checks | 1,838,908 | - | 1,838,908 |
| **Total assets with direct interest rate risk** | 32,886,369 | 53,987,331 | 86,873,700 |
| **Assets without direct interest rate risk (*)** | 22,138,848 | 50,782,181 | 72,921,029 |
| **Total assets** | 55,025,217 | 104,769,512 | 159,794,729 |
| **Liabilities with direct interest rate risk** | | | |
| Financial liabilities | 13,342,285 | 2,233,624 | 15,575,909 |
| Liabilities in respect to insurance contracts and investment contracts | 25,597,196 | 102,973,291 | 128,570,487 |
| Deposits by reinsurers and others | 1,774,828 | 59,443 | 1,834,271 |
| **Total liabilities with direct interest rate risk** | 40,714,309 | 105,266,358 | 145,980,667 |
| **Liabilities without direct interest rate risk (**)** | 2,896,536 | 22,494 | 2,919,030 |
| Equity capital | 10,895,032 | - | 10,895,032 |
| **Total capital and liabilities** | 54,505,877 | 105,288,852 | 159,794,729 |
| **Total assets less liabilities** | 11,414,372 | (519,340) | 10,895,032 |
| **Off-balance sheet risk (commitments to provide credit)** | 4,722,425 | 1,679,524 | 6,401,949 |

(*) Assets that do not have a direct interest rate risk include: shares, property, plant and equipment and rental property, deferred acquisition costs and other assets, as well as balance sheet classes of financial assets (collectible premiums current account balances of insurance companies and receivables and debit balances), the average duration of which is up to six months and therefore, the interest rate risk they represent is relatively low.

(**) Liabilities that do not have a direct interest rate risk include: tax reserves, various types of debt balances, etc.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

### 3.4 Breakdown of assets and liabilities by linkage bases (*)

| | As of December 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Liabilities for yield-dependent contracts | Total |
| | NIS thousand | | | | | | | |
| Intangible assets | - | - | - | - | - | 3,832,394 | - | 3,832,394 |
| Deferred tax assets | - | - | - | - | - | 101,984 | - | 101,984 |
| Deferred acquisition costs | - | - | - | - | - | 2,847,183 | 780 | 2,847,963 |
| Property, plant & equipment | - | - | - | - | - | 1,775,512 | - | 1,775,512 |
| Investments in associates | 16,538 | 9,685 | - | - | - | 1,976,071 | - | 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 |
| Reinsurance assets | 1,338,808 | 2,337,294 | 43,974 | - | - | - | 197,326 | 3,917,402 |
| Receivables and debit balances | 1,090,733 | - | 77,654 | 13,035 | 22,461 | - | 130,209 | 1,334,092 |
| Credit for purchase of securities | 969,000 | - | 53,000 | - | - | - | - | 1,022,000 |
| Current tax assets | - | 32,686 | - | - | - | - | - | 32,686 |
| Premiums collectible | 154,299 | 617,564 | 45,019 | - | - | - | 8,258 | 825,140 |
| Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates | - | - | 110,000 | - | - | - | - | 110,000 |
| Financial investments in respect of yield-dependent contracts | - | - | - | - | - | - | 93,777,952 | 93,777,952 |
| Credit in respect of factoring, acquiring and financing | 4,970,234 | - | - | - | - | - | - | 4,970,234 |
| Other financial investments: | | | | | | | | |
| Liquid debt assets | 2,842,874 | 2,472,850 | 844,428 | 209,704 | 44,836 | - | - | 6,414,692 |
| Illiquid debt assets | 3,121,087 | 10,997,562 | 813,390 | 745,982 | 227,019 | - | - | 15,905,040 |
| Shares | - | - | - | - | - | 3,006,488 | - | 3,006,488 |
| Other | 165,893 | 18,184 | 139,629 | 16,246 | - | 6,139,323 | - | 6,479,275 |
| Total other financial investments | 6,129,854 | 13,488,596 | 1,797,447 | 971,932 | 271,855 | 9,145,811 | - | 31,805,495 |
| Cash and cash equivalents for yield-dependent contracts | - | - | - | - | - | - | 17,724,306 | 17,724,306 |
| Other cash and cash equivalents | 1,927,839 | - | 712,508 | 77,971 | 23,709 | - | - | 2,742,027 |
| Total assets | 16,597,305 | 16,485,825 | 2,839,602 | 1,062,938 | 318,025 | 21,002,322 | 114,264,373 | 172,570,390 |

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 3. Market risks (cont.)

### 3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

| | As of December 31, 2024 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Liabilities for yield-dependent contracts | Total |
| | NIS thousand | | | | | | | |
| Total equity | - | - | - | - | - | 12,252,411 | - | 12,252,411 |
| Liabilities | | | | | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 1,334,132 | 24,817,446 | 57,043 | - | - | - | - | 26,208,621 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | - | - | - | - | - | - | 111,483,901 | 111,483,901 |
| Liability for current taxes | - | 112,141 | - | - | - | - | - | 112,141 |
| Deferred tax liabilities | - | - | - | - | - | 975,977 | - | 975,977 |
| Liability for employee benefits, net | 84,733 | - | - | - | - | - | - | 84,733 |
| Payables and credit balances | 3,835,373 | 5,685 | 164,754 | 4,737 | 7,840 | - | 110,911 | 4,129,300 |
| Liabilities for bonds, ETFs, short ETNs and composite ETNs | - | - | 134,000 | - | - | - | - | 134,000 |
| Financial liabilities | 10,325,796 | 2,964,396 | 1,728,202 | 7,205 | 21,076 | 99,699 | 2,042,932 | 17,189,306 |
| Total liabilities | 15,580,034 | 27,899,668 | 2,083,999 | 11,942 | 28,916 | 1,075,676 | 113,637,744 | 160,317,979 |
| Total equity and liabilities | 15,580,034 | 27,899,668 | 2,083,999 | 11,942 | 28,916 | 13,328,087 | 113,637,744 | 172,570,390 |
| Total balance sheet exposure | 1,017,271 | (11,413,843) | 755,603 | 1,050,996 | 289,109 | 7,674,235 | 626,629 | - |
| Exposure to underlying assets through derivatives in delta terms | 5,450,139 | 1,967,515 | (4,508,458) | (2,148,313) | (825,797) | 64,914 | - | - |
| Total exposure | 6,467,410 | (9,446,328) | (3,752,855) | (1,097,317) | (536,688) | 7,739,149 | 626,629 | - |

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exposure to exchange rates it is mainly due to exposure to the USD and EUR.

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

#### 3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

| | As of December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Liabilities for yield-dependent contracts | Total |
| | NIS thousand | | | | | | | |
| Intangible assets | - | - | - | - | - | 3,597,868 | - | 3,597,868 |
| Deferred tax assets | - | - | - | - | - | 109,330 | - | 109,330 |
| Deferred acquisition costs | - | - | - | - | - | 2,685,336 | 934 | 2,686,270 |
| Property, plant & equipment | - | - | - | - | - | 1,460,392 | - | 1,460,392 |
| Investments in associates | 16,453 | 19,408 | - | - | - | 1,615,971 | - | 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 |
| Reinsurance assets | 1,317,911 | 2,462,044 | 41,251 | - | - | - | 207,055 | 4,028,261 |
| Receivables and debit balances | 643,782 | - | 160,411 | 86,320 | 14,138 | - | 142,441 | 1,047,092 |
| Held-for-sale asset | - | - | - | - | - | - | - | - |
| Credit for purchase of securities | 637,000 | - | 47,000 | 33,000 | - | - | - | 717,000 |
| Current tax assets | - | 157,662 | - | - | - | - | - | 157,662 |
| Premiums collectible | 157,102 | 627,919 | 198,739 | - | - | - | 14,535 | 998,295 |
| Financial investments for holders of bonds, ETNs, short ETNs, composite ETNs, and deposit certificates | - | - | 173,000 | - | - | - | - | 173,000 |
| Financial investments in respect of yield-dependent contracts | - | - | - | - | - | - | 82,817,937 | 82,817,937 |
| Credit in respect of factoring, acquiring and financing | 3,700,349 | - | - | - | - | - | - | 3,700,349 |
| Other financial investments: | | | | | | | | |
| Liquid debt assets | 2,310,084 | 2,501,021 | 653,279 | 258,239 | 50,814 | - | - | 5,773,437 |
| Illiquid debt assets | 3,968,916 | 10,648,772 | 902,447 | 777,582 | 296,204 | - | - | 16,593,921 |
| Shares | - | - | - | - | - | 2,287,592 | - | 2,287,592 |
| Other | 385,345 | 31,476 | 84,099 | 19,693 | 1,238 | 5,594,483 | - | 6,116,334 |
| Total other financial investments | 6,664,345 | 13,181,269 | 1,639,825 | 1,055,514 | 348,256 | 7,882,075 | - | 30,771,284 |
| Cash and cash equivalents in respect of yield-dependent contracts | - | - | - | - | - | - | 19,303,547 | 19,303,547 |
| Other cash and cash equivalents | 2,238,835 | - | 712,508 | 77,971 | 23,709 | - | - | 3,053,023 |
| Total assets | 15,375,777 | 16,448,302 | 2,972,734 | 1,252,805 | 386,103 | 18,589,496 | 104,769,512 | 159,794,729 |

(*) The data presented in the table are presented according to accounting classification rules and do not necessarily reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

### 3.4 Breakdown of assets and liabilities by linkage bases (*) (cont.)

| | As of December 31, 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Liabilities for yield-dependent contracts | Total |
| | NIS thousand | | | | | | | |
| Total equity | - | - | - | - | - | 10,895,032 | - | 10,895,032 |
| Liabilities | | | | | | | | |
| Liabilities in respect of insurance contracts and non-yield-dependent investment contracts | 1,219,676 | 24,324,208 | 53,312 | - | - | - | - | 25,597,196 |
| Liabilities in respect of insurance contracts and yield-dependent investment contracts | - | - | - | - | - | - | 102,973,291 | 102,973,291 |
| Liability for current taxes | - | 74,408 | - | - | - | - | - | 74,408 |
| Deferred tax liabilities | - | - | - | - | - | 764,322 | - | 764,322 |
| Liability for employee benefits, net | 74,406 | - | - | - | - | - | - | 74,406 |
| Payables and credit balances | 3,240,046 | 113 | 339,546 | 2,536 | 4,987 | - | 81,937 | 3,669,165 |
| Liabilities for bonds, ETFs, short ETNs and composite ETNs | - | - | 171,000 | - | - | - | - | 171,000 |
| Financial liabilities | 10,338,293 | 1,705,160 | 1,071,772 | 91,389 | 67,155 | 68,516 | 2,233,624 | 15,575,909 |
| Total liabilities | 14,872,421 | 26,103,889 | 1,635,630 | 93,925 | 72,142 | 832,838 | 105,288,852 | 148,899,697 |
| Total equity and liabilities | 14,872,421 | 26,103,889 | 1,635,630 | 93,925 | 72,142 | 11,727,870 | 105,288,852 | 159,794,729 |
| Total balance sheet exposure | 503,356 | (9,655,587) | 1,337,104 | 1,158,880 | 313,961 | 6,861,626 | (519,340) | - |
| Exposure to underlying assets through derivatives in delta terms (**) | 4,124,606 | 1,862,696 | (3,163,075) | (2,013,719) | (856,210) | 45,702 | - | - |
| Total exposure | 4,627,962 | (7,792,891) | (1,825,971) | (854,839) | (542,249) | 6,907,328 | (519,340) | - |

Most of the insurances provided by the Company are denominated in NIS and their exposure to changes in foreign exchange rates is immaterial. Where there is exchange rate exposure, it is mainly due to exposure to the USD and EUR

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure. For details on foreign exchange exposure, see the sensitivity table in Section 3.2 to this note.

(**) Reclassified.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 3. Market risks (cont.)

#### 3.5 Details of exposure to economic sectors for investments in shares:

| | As of December 31, 2024 | | | | | |
|---|---|---|---|---|---|---|
| | Traded on the TA 125 Index | Included in the Yeter - Rest of Shares Index | Illiquid - in Israel | Overseas | Total | % of total |
| | NIS thousand | | | | | |
| **Economic sector** | | | | | | |
| Manufacturing | 220,272 | 55,340 | 38,633 | 216,587 | 530,832 | 17.60% |
| Construction & real estate (*) | 328,950 | 138,862 | 4,729 | 70,904 | 543,445 | 18.10% |
| Electricity and water | 263,558 | 36,093 | 114,511 | 27,491 | 441,653 | 14.70% |
| Commerce | - | 12,348 | - | - | 12,348 | 0.40% |
| Communications and IT services | 167,268 | 58,193 | 107,857 | 306,588 | 639,906 | 21.30% |
| Banks | 355,508 | - | 1,940 | - | 357,448 | 11.90% |
| Financial Services | 72,913 | 21,563 | 29,874 | 52,053 | 176,403 | 5.90% |
| Other business services | 114,779 | 47,365 | 89,669 | 52,640 | 304,453 | 10.10% |
| Total | 1,523,248 | 369,764 | 387,213 | 726,263 | 3,006,488 | 100.00% |

(*) There is another exposure to the real estate sector due to the investment in investees. For further details, see Note 8 above.

| | As of December 31, 2023 | | | | | |
|---|---|---|---|---|---|---|
| | Traded on the TA 125 Index | Included in the Yeter - Rest of Shares Index | Illiquid - in Israel | Overseas | Total | % of total |
| | NIS thousand | | | | | |
| **Economic sector** | | | | | | |
| Manufacturing | 139,416 | 46,257 | 51,354 | 415,409 | 652,436 | 28.60% |
| Construction & real estate (*) | 259,539 | 103,475 | - | 86,113 | 449,127 | 19.60% |
| Electricity and water | 219,420 | 35,259 | 13,351 | 4,214 | 272,244 | 11.90% |
| Commerce | 1,243 | 20,004 | - | - | 21,247 | 0.90% |
| Communications and IT services | 91,053 | 11,243 | - | 164,096 | 266,392 | 11.60% |
| Banks | 241,007 | - | 1,848 | - | 242,855 | 10.60% |
| Financial services | 55,338 | 7,590 | 22,332 | 30,317 | 115,577 | 5.10% |
| Other business services | 69,827 | 55,911 | 85,487 | 56,489 | 267,714 | 11.70% |
| Total | 1,076,843 | 279,739 | 174,372 | 756,638 | 2,287,592 | 100.00% |

(*) There is another exposure to the real estate sector due to the investment in investees. For further details, see Note 8 above.

### 4. Liquidity risks

The insurance, pension funds and provident funds companies

A possible need to dispose of assets at below-market prices and raising resources unexpectedly and within a short time may lead to losses. The Companies own, among other things, non-marketable assets as well as assets with low marketability. These holdings include corporate bonds, loans, illiquid stocks, stocks with low marketability and alternative investments. The marketability issue is aggravated in times of crisis when the deterioration in the markets affects the ability to liquidate assets.

Phoenix Insurance is exposed to risks arising from uncertainty as to when the Company will be required to pay claims and other benefits to policyholders or other liabilities, in relation to the amount of funds available for that purpose at that date. The need for unexpected and short-term borrowing may require the disposal of assets within very short notice at prices that will not necessarily reflect their market value. However, much of its insurance liabilities in the life insurance sector are not exposed to liquidity risk due to the nature of the insurance contracts as described below:

## NOTE 41 - RISK MANAGEMENT (cont.)

### 4. Liquidity risks (cont.)

The insurance, pension funds and provident funds companies (cont.)

1. Yield-dependent contracts in life insurance - under the terms and conditions of the contracts, policyholders are entitled to receive only the value of the said investments, beyond which Phoenix Insurance has no obligations. Therefore, if investments are impaired for any reason, there would be a corresponding decline in the Company's liabilities.
2. Approx. 11.04% (11.97% in 2023) of the life insurance portfolio is in respect of contracts that are not yield-dependent but guarantee an agreed return. These contracts are mainly backed by designated bonds (Hetz) issued by the Bank of Israel. The Company is entitled to sell these bonds when the said policies are redeemed.

The liquidity risk of the Insurance Company stems therefore mainly from the balance of assets other than designated bonds and not against yield-dependent contracts. These assets constitute approx. 29% (approx. NIS 50 billion) of the Group's total assets (in 2023 - approx. 29%, which amounted to approx. NIS 47 billion). Of the balance of the said assets, a total of approx. NIS 9.4 billion (in 2023 - approx. NIS 8.1 billion) are liquid assets.

Asset and Liability Management (ALM) by the Insurance Company
The Company manages its assets and liabilities in accordance with the requirements of the Supervision Law and the regulations promulgated thereunder, and in accordance with the Board of Directors' guidelines. The tables below summarize the estimated repayment dates of the Company's uncapitalized insurance and financial liabilities. Since these amounts are not capitalized, there is no adjustment between them and the balance of insurance and financial liabilities as per the balance sheet.

1) The estimated repayment dates for life and health insurance liabilities are included in the tables as follows:
Saving funds - contractual repayment dates, i.e. retirement age, excluding cancellation assumptions, assuming that all savings will be withdrawn as capital rather than as annuity.
Paid pensions, PHI and paid long-term care - based on an actuarial estimate.
Other - reported under the column "no defined repayment date".

2) The estimated repayment dates of the gross property and casualty insurance liabilities are calculated on the basis of an actuarial estimate that allocates and estimated date to total non-capitalized liabilities, based on past experience regarding claims payment.
Total liabilities also include a provision for unexpected deviations and a provision for unearned premium less deferred acquisition costs and premium deficiency.
Liabilities are subject to reserve risk. The actuarial models are based on the fact that behavior pattern of claims history represents that which will happen in the future, and the estimated cash flow is exposed to model risk and parameter risk, including the risk that the amount paid for the settlement of the Company's insurance liabilities.

3) The repayment dates of financial liabilities and liabilities in respect of investment contracts were included based on the contractual repayment dates. In contracts where the counter-party may select the timing of payment, the liability is presented on the earliest date on which the Company may be required to pay the liabilities.

4) The table of financial liabilities and liabilities for investment contracts presents an analysis of its financial liabilities, classified according to their remaining term to contractual maturity. Derivative financial liabilities are included in the analysis with their contractual repayment dates that are essential for understanding the timing of cash flows. The amounts shown in the table are non-discounted contractual cash flows. The Group has various sources for repayment of the liabilities shown in the table.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 4. Liquidity risks (cont.)

Liabilities in respect of life and health insurance contracts (*)

| | Up to one year | Over one year and up to 5 years | Over 5 years and up to 10 years | Over 10 years and up to 15 years | Over 15 years | No defined repay-ment date | Total |
|---|---|---|---|---|---|---|---|
| | NIS thousand | | | | | | |
| As of December 31, 2024 | 4,051,520 | 7,174,576 | 1,858,370 | 1,046,930 | 1,169,301 | 2,883,798 | 18,184,495 |
| As of December 31, 2023 | 3,883,184 | 7,235,656 | 1,829,253 | 996,452 | 1,083,865 | 2,892,876 | 17,921,286 |

(*) Excludes liabilities in respect of yield-dependent contracts and liabilities of provident fund management companies.

Liabilities in respect of property and casualty insurance contracts

| | Over one year and up to 3 years | Over 3 years and up to 5 years | Over 5 years | No defined repayment date | Total |
|---|---|---|---|---|---|
| | NIS thousand | | | | |
| As of December 31, 2024 | 4,375,213 | 1,568,419 | 1,822,541 | - | 7,766,173 |
| As of December 31, 2023 | 4,652,309 | 1,399,576 | 1,742,848 | - | 7,794,733 |

Gama Management and Clearing:

Liquidity risk management assumes that reducing Gama's ability to raise financing sources shall have an adverse effect on the level of services it provides. Accordingly, Gama has in place a liquidity calculator, which assesses the expected level of uses compared to the existing sources and the sources available to it in order to assess the level of risk on a regular basis. Under this calculation, Gama assumes a variable risk level for its current business operations as well as changing market conditions. The Company has a range of solutions to address these situations at various risk levels, such as committed credit facilities of significant amounts; the Company also holds available excess liquidity. The Company believes that in view of the diversification of its sources of financing, and the access it has to multiple sources of financing, it is able to successfully mitigate that risk.

Phoenix Investment House:

The mutual funds and the TASE member deposit balances from funds and securities under their management with banks and TASE members. Significant withdrawals could impair the financial assets. Additional liquidity risks in the Company may arise from a situation in which the TASE member may find it difficult to meet its financial obligations in volatile market situations, e.g.: unexpected customer withdrawals, unexpected demand for credit, and uncertainty about the availability of sources. Procedures and policies were put in place to manage this risk; the procedures and policies are monitored regularly and reported to relevant forums. The TASE Member defined an orderly liquidity model, which sets limits to minimum liquid assets at a monthly, weekly and daily level, and a daily control is in place regarding compliance with the liquidity requirements in accordance with the model. The mutual funds also defined a liquidity model based on the liquidity of assets in each fund, which defines the minimum daily liquidity level required in each fund.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 4. Liquidity risks (cont.)

Financial liabilities and liabilities in respect of Group's investment contracts

| | Up to one year | Over one year and up to 5 years | Over 5 years and up to 10 years | Over 10 years and up to 15 years | Over 15 years | Total |
|---|---|---|---|---|---|---|
| | NIS thousand | | | | | |
| As of December 31, 2024: | | | | | | |
| Liquid bonds | 196,702 | 1,313,167 | 590,630 | - | - | 2,100,499 |
| Credit from banking corporations | 791,562 | - | - | - | - | 791,562 |
| Loans from non-bank entities | 800,195 | 307,592 | - | - | - | 1,107,787 |
| Short sales | 1,658,885 | - | - | - | - | 1,658,885 |
| Liability for REPO | 1,927,248 | - | - | - | - | 1,927,248 |
| Subordinated notes | 897,875 | 2,610,325 | 1,062,530 | - | - | 4,570,730 |
| Derivatives | 1,354,074 | - | - | - | - | 1,354,074 |
| Trade receivables for credit cards | 1,901,977 | - | - | - | - | 1,901,977 |
| Lease liability | 38,394 | 116,021 | 29,497 | - | - | 183,912 |
| Total financial liabilities | 9,566,912 | 4,347,105 | 1,682,657 | - | - | 15,596,674 |
| Liabilities in respect of yield-dependent investment contracts (*) | 32,422,762 | - | - | - | - | 32,422,762 |

| | Up to one year | Over one year and up to 5 years | Over 5 years and up to 10 years | Over 10 years and up to 15 years | Over 15 years | Total |
|---|---|---|---|---|---|---|
| | NIS thousand | | | | | |
| As of December 31, 2023: | | | | | | |
| Liquid bonds | 327,552 | 1,506,992 | 972,281 | - | - | 2,806,825 |
| Short-term credit from banking corporations | 389,958 | 639,053 | 197,036 | - | - | 1,226,047 |
| Loans from non-bank entities | 656,524 | 208,428 | - | - | - | 864,952 |
| Short sales | 1,038,609 | - | - | - | - | 1,038,609 |
| Liability for REPO | 2,014,342 | - | - | - | - | 2,014,342 |
| Subordinated notes | 553,884 | 2,230,824 | 2,602,387 | - | - | 5,387,095 |
| Derivatives | 1,552,845 | - | - | - | - | 1,552,845 |
| Trade receivables for credit cards | 1,754,711 | - | - | - | - | 1,754,711 |
| Lease liabilities | 40,322 | 55,698 | 27,979 | - | - | 123,999 |
| Total financial liabilities | 8,328,747 | 4,640,995 | 3,799,683 | - | - | 16,769,425 |
| Liabilities in respect of yield-dependent investment contracts (*) | 23,787,779 | - | - | - | - | 23,787,779 |

(*) These liabilities were classified as repayable within up to one year, although actual repayment dates may be in later years.

## 5. Insurance risks

The risks described below and their accounting effects pertain to IFRS 4; for details regarding the transition to the application of IFRS 17 and IFRS 9, see Note 45.

The Insurance Company is exposed to risks associated with insurance policy pricing and insurance liabilities assessment. The insurance policies sold by Phoenix Insurance cover various risks such as life expectancy, morbidity, natural disasters and theft. Pricing of policies and assessment of insurance liabilities is based on past experience, assessment of the current legal situation and evaluation of the change in other risk factors. Insurance risk includes, inter alia:

**Underwriting risks**: The risk of using incorrect prices due to deficiencies in the underwriting process and the gap between the risk when pricing and setting the premium, and the actual realization, such that the premiums collected are insufficient to cover future claims and expenses. The discrepancies may be due to accidental changes in business results and changes in average claim costs and/or the incidence of claims as a result of various factors.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

**Reserve risks**: The risk of inadequate assessment of insurance liabilities which may result in actuarial reserves being insufficient to cover all liabilities and claims. The actuarial models according to which, among other things, the Company assesses its insurance liabilities, are based on the fact that the pattern of behavior and claims in the past represents what is to happen in the future. The Company's exposure is composed of the following risks:

1) Model risk - the risk of selecting the wrong model for pricing and/or assessing the insurance liabilities.
2) Parameter risk - the risk of using incorrect parameters, including the risk that the amount to be paid for the settlement of the Company's insurance liabilities or the date of settlement will be different than expected.

**Catastrophe risk**: Exposure to the risk that a single event of major impact (catastrophe) such as natural disaster, epidemic, war, terror, or earthquake will result in significant damage.
As of December 31, 2024, total estimated loss in the property and casualty insurance business (other property subsegments) as a result of exposure to a single unusual substantial damage or an accumulation of damages in respect of a particularly large event in terms of the expected maximum possible loss (MPL) constitutes 2.0% of the exposure - approx. NIS 12,532 million (gross) and approx. NIS 105 million in pretax retention as of December 31, 2024.
Phoenix Insurance acquires a non-proportional reinsurance contract that protects against death and disability from a catastrophe event. The contract purchased is an excess loss-type contract that protects the accumulation of Phoenix Insurance's self-insured retention from life insurance, personal accidents and travel insurance policies. The coverage purchased in 2025 stands at NIS 555 million after deductibles of NIS 20 million, and the coverage purchased for 2024 stood at NIS 530 million after deductibles of NIS 20 million. As part of the contract for 2025, war and terrorism coverage were mostly excluded therefrom due to the events of the Iron Swords War.
For further information regarding the various insurance subsegments in respect of which the insurer is exposed to insurance risk, see the breakdown of the insurance liabilities by insurance risk in Note 3.

### 5.1. Insurance risk in life and health insurance contracts

#### 5.1.1. General

The following is a description of the various insurance products, methods and assumptions used to calculate the liabilities in respect thereof according to the product type.
In general, according to the Commissioner's directives, the insurance liabilities are calculated by an actuary according to generally accepted actuarial methods and consistently with the previous year. The liabilities are calculated according to the relevant coverage data, such as: age and gender of the policyholder, the insurance term, the policy commencement date, type of insurance, periodic premium and insurance amount.

#### 5.1.2. The actuarial methods for calculating insurance liabilities

1) <u>"Adif" and "Investment Tracks" type of insurance plans:</u>

There is an identified savings component in "Adif" and "Investment Tracks" type insurance plans. The basic and principal reserve is the amount of savings accrued plus the return according to the policy's terms and conditions as follows:
- Principal linked to investment portfolio's yield (for yield-dependent contracts).
- Principal linked to the CPI plus a guaranteed fixed interest rate or guaranteed return against adjusted assets (for guaranteed return contracts).

For insurance components attached to these policies (income protection, life, long-term care, etc.), an insurance liability is calculated separately, as stated below.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

#### 5.1. Insurance risk in life and health insurance contracts (cont.)

##### 5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

2) "Mixed" and similar ("Traditional") insurance plans:

"Mixed" insurance plans and the like combine a component of a savings amount in the event that the policyholder is alive at the end of the term of the plan with a mortality risk component during the term of the plan. For these products, an insurance liability is calculated for each cover as discount of the cash flow in respect of the expected claims, including payment at the end of the period, less expected future premiums. This calculation is based on the assumptions on which the products are priced and/or the assumptions derived from claims history, including interest rates (hereinafter - "**calculative interest rate**"), mortality or morbidity table. The calculation is done using a method known as net premium reserve, which does not include in the expected inflows the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees.

For traditional yield-dependent products, the reserve is calculated in accordance with the actual yield minus management fees.

3) Liabilities for paid allowances are calculated in accordance with the expected life expectancy on the basis of the most recent mortality tables published by the Actuary of the Capital Market, Insurance and Savings Authority.

4) Liabilities for lifetime annuities in respect of policies that have not yet reached the stage of actual retirement benefit payment or have not reached retirement age are calculated in accordance with the probability of withdrawal of the retirement benefit and the expected life expectancy as well as the cancellation rates expected in the benefit portfolio until retirement date.

Provision for a supplementary retirement pension reserve is made gradually, for policies the saving component of which depends solely on yield (hereinafter - "**yield-dependent policies**"), in accordance with the Commissioner's directives, given the expected income from the policies until the policyholders' retirement date.

The gradual provision is made by using the K value in which the K is limited to the expected future revenues from management fees arising from the investments held against the insurance reserves or from premium payments less claims and expenses relating to said policies. The K is set to result in a proper gradual accumulation of the reserve until the expected retirement age.

K factor values used by the Company

| | As of December 31, 2024 | As of December 31, 2023 |
|---|---|---|
| | % | |
| In respect of guaranteed return policies | - | - |
| In respect of yield-dependent insurance policies | 0.97 | 0.85 |

The supplementary retirement pension reserve included in Phoenix Insurance's books totaled as of December 31, 2024 and 2023, approx. NIS 1,870 million and approx. NIS 1,996 million, respectively. The balance of reserves to be carried to profit and loss in accordance with the current measurement provisions (regarding future application of IFRS 17, see Note 2A), by using the discounting factors K as mentioned above, on a gradual basis until the policyholders reach retirement age, amounted to approx. NIS 1,728 million and approx. NIS 1,901 million as of December 31, 2024 and 2023, respectively. The increase in the risk-free interest rate curve in the second quarter resulted in a revision to the K value (to 0.97%). The total effect of the abovementioned revision is an approx. NIS 210 million decrease in the supplementary pension reserve, and an increase of approx. NIS 138 million in post-tax comprehensive income during the reporting period.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.1. Insurance risk in life and health insurance contracts (cont.)

#### 5.1.2. The actuarial methods for calculating insurance liabilities (cont.)

4) (cont.)

During 2024, changes were made to several estimates and assumptions used to calculate the reserves. For details, see Section 5.1.10.

5) Other life insurance plans include pure risk products (PHI, life, disability, etc.) that are sold as standalone policies or are attached to policies with a base plan such as "Adif", "Investment Tracks" or "Traditional" policy. For some of these plans, an actuarial liability is calculated. For some of these plans the "Net Premium Reserve" method was employed, which is described above, and for some of the calculation plans the "Gross Premium Reserve" method was employed, which includes in the expected inflows all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.

6) In health insurance plans, including critical illness, an actuarial liability is calculated using the gross premium reserve method, which includes in the expected inflows all premium components and deducts the expected expenses, fees and commissions; negative provisions were not offset against positive provisions.

7) For fixed-premium policies in the individual LTC portfolio, the premium reserve is calculated using the net premium reserve method, which does not include in the expected inflows the component included in the premium rate to cover fees and expenses, but on the other hand - does not deduct the expected expenses and fees. This is since the New Premium Reserve method is not based on demographic assumptions and updated economic assumptions, but rather on the underlying assumptions of the products' pricing.
In accordance with the guidance of the Consolidated Circular (Section 5, Part 4, Chapter 1 - "Measurement of Liabilities"), the Company conducts liability adequacy testing in respect of its individual long-term care portfolio.
For the purpose of conducting the LAT, the Company calculates a reserve for long-term care policies, using the Gross Premium Reserve method, which is based on best estimate of actuarial assumptions, and also takes into consideration an insurance risk that cannot be spread; if the reserves according to the Gross Premium Reserve method are higher than those calculated according to the Net Premium Reserve method, the Company makes an additional provision at the amount of the two types of reserves. This provision is known as the LAT reserve.

8) Liability in respect of ongoing claims, long-term care insurance and PHI is calculated in accordance with the expected payment period.

9) Liability in respect of contingent life and health insurance claims are calculated based on the Company's experience.

10) Liability for claims incurred but not reported (IBNR) in life and health insurance is calculated based on the Company's experience.

11) The insurance liability for collective insurance consists of a reserve for paid claims, a reserve for contingent claims, a reserve for IBNR (claims incurred but not reported) and a provision for future losses, as required.

12) In collective life and health insurance, including dental and sick leave insurance, an actuarial liability is calculated on the basis of the specific collective experience.

#### 5.1.3. The discount rate

1. For "Mixed" and the like ("Traditional") insurance plans (see 5.1.2 (2) above), the interest rate used for discount purposes is as follows:
In insurance plans which are backed mostly by designated bonds, calculative interest is set at rates ranging between approx. 3% and approx. 5% (linked); in respect of yield-dependent products that were issued from 1991 and thereafter, cumulative interest is set at the rate of 2.5% (linked). According to the policy terms and conditions, changes in interest rates will be credited to policyholders.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

#### 5.1. Insurance risk in life and health insurance contracts (cont.)

##### 5.1.3. The discount rate (cont.)

2. For liabilities in respect of payment of future paid pension annuities in insurance plans which are backed mainly by designated bonds (guaranteed return portfolio), and in liabilities in respect of some of the long-term care products, the Company uses risk-free interest plus illiquidity premium weighted by the nominal interest rates of the designated bonds where relevant, in accordance with the liabilities' average duration. In addition, a decrease in the long-term interest rate may cause an increase in the insurance reserves. For further details regarding the illiquidity premium, see Section 5.1.10.
3. In insurance plans that are not backed by designated bonds, the calculative interest rate, or expected return, is used in relation to the mix of portfolio of assets backing these liabilities.

##### 5.1.4. Mortality and morbidity rates

1. The mortality rates used to calculate insurance liabilities in respect of policyholders who die before reaching retirement age (i.e., excluding the death of policyholders receiving pension annuities and of recipients of monthly income protection or long-term care compensation) are calculated based on the Company's experience. In 2022, a study was conducted regarding mortality rates among active policyholders holding a life insurance policy. The study reached the conclusion that the mortality tables used by the Company match the Company's past experience, and no changes are required to the existing assumptions.
2. The liability for lifetime annuities is calculated in accordance with up-to-date mortality tables published by the Capital Market, Insurance and Savings Authority. A fall in the mortality rate will increase insurance liabilities for lifetime annuities. It should be noted that in recent decades, life expectancy has increased and mortality rates have declined. The mortality assumption used to calculate the pension annuity also takes into account an expected future increase in life expectancy. During 2024, the Capital Market, Insurance and Savings Authority issued a circular amending the provisions of the Consolidated Circular regarding revising the demographic assumptions for insurance companies and pension funds. Following the publication of the circular, the Company recognized an increase in its insurance liabilities. For details, see Section 5.1.10 below.
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 addition, in the long-term care and PHI Subsegments, an assumption is made as to duration of annuity payments based on Company's experience or studies of reinsurers.
   The higher the discount rate assumption and the longer the duration of the annuity payment, the higher the insurance liability for critical illness, PHI, long-term care, surgery and hospitalization and accidental disability. During 2024, a comprehensive morbidity study was conducted regarding personal accident products, including accidental disability coverage. In addition, morbidity assumptions have been revised in a number of products in the medical expenses subsegment. For details, see Section 5.1.10 below.
4. On December 31, 2023, a long-term care insurance transaction for members of Maccabi health maintenance organization was terminated and long-term care insurance was transferred to another insurer. As from 2024, Phoenix Insurance manages a dedicated claims fund that remained in the company until the final settling of accounts at the end of 5 years from the transaction termination date.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.1. Insurance risk in life and health insurance contracts (cont.)

#### 5.1.5. Annuity uptake rates

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 insurance liability amount 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 was determined based on Company’s experience. As from 2008, all plans are for annuities. During 2024, the Company completed a study on the subject of retirement age and pension takeup rates regarding the tendency for pension takeup at different rates in accordance with the retirement age. For details, see table in Section 5.1.10.

#### 5.1.6. Cancellation rates

The cancellation rate affects insurance liabilities. Cancellation of insurance contracts can also stem from the cancellation of policies initiated by the Company due to termination of premium payments or policy redemptions at the request of the policyholders. The cancellation rates assumptions are based on the Company's experience and on the product type, product life and sales trends. During 2024, the cancellation rates were updated, in accordance with a study. For details, see table in Section 5.1.10.

#### 5.1.7. Continuity rates

Phoenix Insurance has collective insurance where the policyholder is entitled to continue to be insured under the same terms and conditions under individual policies without undergoing again the medical underwriting process, even if the collective contract is not renewed. In respect of this option available to the policyholder, Phoenix Insurance has a liability based on assumptions regarding the continuity rates of the collective insurance, and the continuity rates of the contracts with the policyholders after the termination of the collective contract. The greater the probability that the collective contract will not be renewed, the greater the insurance liability due to continued insurance under previous terms and conditions, without adjusting the underwriting to the change in the policyholder's health.

#### 5.1.8 Liability adequacy testing (LAT)

**a) Life insurance**

Phoenix Insurance performs LAT testing in life insurance as detailed in Note 2G(1)(e). As of December 31, 2024 and December 31, 2023, the LAT results do not indicate a deficiency in existing reserves.

**b) Health insurance (long-term care)**

Phoenix Insurance periodically performs LAT in health and LTC insurance as detailed in Note 2G(1)(e). The insurance liabilities in health insurance (LTC) in respect of the LAT reserves amounted to approx. NIS 187 million and approx. NIS 74 million, respectively, on December 31, 2024 and December 31, 2023, respectively. This test is calculated by discounting cash flows based on risk-free interest, plus the illiquidity premium calculated by an independent external consultant in accordance with the Supervision circular (for further details, see Section 5.1.10). The change in the liability balance includes the effect of changes in the interest rate curves, data and model improvement and effects in respect of actuarial studies. For details on the changes in the interest rate curve and actuarial assumptions, see Section 5.1.10 below.

**c) Offsetting excess value of illiquid assets against LAT reserves**

Excess value is defined as the positive difference between assets’ fair value and their carrying amounts.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.1. Insurance risk in life and health insurance contracts (cont.)

#### 5.1.8 Liability adequacy testing (LAT) (cont.)

Following is a table describing the excess value of assets used to offset the LAT reserves by segment.

Phoenix Insurance is not subject to any external or internal restrictions on asset allocation to implement the optimal allocation procedure as aforesaid.

| | As of December 31, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Health | Property and casualty insurance | Health | Property and casualty insurance |
| | In NIS million | | | |
| Total fair value | 155 | 417 | 169 | 300 |
| Amount offset from reserves LAT and best practice | 155 | 417 | 169 | 300 |
| Balance of excess value that has not yet been offset | - | - | - | - |

Phoenix Insurance has formulated an asset allocation procedure with excess value against the LAT reserves; following are the key points of the procedure:

a) The investment with the highest excess fair value shall be used to offset LAT reserves.
b) All other investments shall be allocated pro rata in accordance with the reserve amounts.
c) The excess value shall in no event exceed the LAT reserves.
d) Assets for which the difference between the fair value and the carrying amount is negative shall not be offset against the LAT reserves.
e) The balance of the reserve after deducting the UGL is not lower than the liability's best estimate.

#### 5.1.9. Life and health insurance sensitivity analyses (*)

| | Rate of cancellations (redemptions, settlements, and reductions) | | Morbidity rate | | Mortality rate | | Annuity uptake rate | |
|---|---|---|---|---|---|---|---|---|
| | +10% | -10% | +10% | -10% | +10% | -10% | +5% | -5% |
| As of December 31, 2024 | NIS thousand | | | | | | | |
| Comprehensive income (loss) | 33,881 | (37,904) | (301,730) | 230,613 | 425,236 | (473,389) | (94,927) | 95,557 |

(*) For the purpose of calculating the sensitivity analyses, the assumptions used to calculate the liabilities were multiplied by the rates stated in the cancellation, morbidity and mortality scenarios. For the purpose of calculating a sensitivity analysis for the rate of pensioners opting for annuity, the Company added and deducted the rate of pensioners opting for annuity used to calculate the liabilities at a stated rate of 5%. The results of the sensitivity analyses are after tax.

| | Rate of cancellations (redemptions, settlements, and reductions) | | Morbidity rate | | Mortality rate | | Annuity uptake rate | |
|---|---|---|---|---|---|---|---|---|
| | +10% | -10% | +10% | -10% | +10% | -10% | +5% | -5% |
| As of December 31, 2023 | NIS thousand | | | | | | | |
| Comprehensive income (loss) | 47,914 | (55,226) | (355,219) | 217,628 | 441,580 | (507,128) | (90,986) | 89,818 |

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.1. Insurance risk in life and health insurance contracts (cont.)

#### 5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts:

A. Phoenix Insurance performs LAT testing, including the supplementary retirement pension reserve. The assumptions used for the above tests include assumptions for cancellations, operating expenses, mortality, pension uptake and morbidity rates and are determined by the actuary based on tests, past experience and other relevant studies. During the reporting year, some of the assumptions were updated, in accordance with the experience gained by Phoenix Insurance. For details regarding the changes in assumptions, see Section 5.1.10(e) below.

B. **Completion of the take-up rate (TUR) study**

During the reporting year, the Company completed a study regarding retirement age and pension takeup rates. As a result of the implementation of the study, there was a decrease of approx. NIS 254 million in reserves (retention). For details regarding the changes in assumptions, see Section 5.1.10(e) below.

C. **Updating the demographic assumptions in life insurance**

During the reporting year, the Company revised the mortality tables in accordance with the provisions of the circular regarding the revision of the demographic assumptions for insurance companies and pension funds. As a result of the circular application, there was an increase of approx. NIS 168 million in reserves (retention) in life insurance. For details regarding the changes in assumptions, see Section 5.1.10(e) below.

D. **Morbidity study in the personal accidents sub-subsegment**

During the reporting period, the Company conducted an extensive study on personal accident products (including a weekly compensation product). The study’s findings indicate that the morbidity assumptions in personal accidents should be revised. For details regarding the changes in assumptions, see table in Section 5.1.10(e) below.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 5. Insurance risks (cont.)

### 5.1. Insurance risk in life and health insurance contracts (cont.)

#### 5.1.10 Changes to the main assumptions used in the calculation of insurance liabilities for life and health insurance contracts: (cont.)

E. **Following is the effect of the main changes described above on retention insurance liabilities in the Life and Health Segments:**

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | In NIS million | | |
| **Life Insurance Segment:** | | | |
| Effect of updating assumption regarding rates of annuity takeup (see Section 5.1.10B) | (254) | - | (462) |
| Effect of updating other assumptions on the supplementary pension reserve and paid pensions | 5 | (5) | (12) |
| Effect of updating assumptions on the expense rates | 1 | - | (1) |
| Effect of updating of assumptions on the mortality rates (see Section 5.1.10C) | 168 | - | 364 |
| Change in the discount rate used in the calculation of the supplementary retirement pension reserve and paid pensions | 33 | (89) | (560) |
| Change in the K-value | *(210) | - | - |
| Effect of the changes in the assumptions regarding the cost of claims in long-term health insurance | - | (59) | - |
| **Total increase (decrease) in liabilities on retention in the Life Insurance Segment** | **(257)** | **(153)** | **(671)** |
| **Health Insurance Segment:** | | | |
| Effect of updating of assumptions on the cancellation rates: (see Section 5.1.6) | | | |
| LAT | (31) | (8) | (16) |
| Other | (79) | - | 25 |
| Effect of updating assumptions on the expense rates: | | | |
| LAT | 5 | - | (21) |
| Other | 7 | 8 | (63) |
| Effect of updating assumptions on the mortality and morbidity rates: | | | |
| LAT | - | - | - |
| Other | (41) | - | 38 |
| Change in LAT reserve following a change in the discount rate | 136 | (147) | (919) |
| **Total increase (decrease) in liabilities on retention in Health Insurance Segment** | **(3)** | **(147)** | **(956)** |
| **Total increase (decrease) in liabilities on retention before tax in Life Insurance and Health Segments** | **(260)** | **(300)** | **(1,627)** |
| **Total increase (decrease) in liabilities on retention after tax in Life Insurance and Health Segments** | **(171)** | **(197)** | **(1,071)** |

* Updating the K-value as stated in Section 5.1.2.

### 5.2 Insurance risk in property and casualty insurance contracts

#### 5.2.1. Summary description of the main insurance subsegments in which Phoenix Insurance operates

Phoenix Insurance underwrites insurance contracts in the property and casualty insurance segments, mainly in compulsory motor, liability, motor property and other property subsegments.

A compulsory motor insurance policy covers the policyholder and driver for any liability they may incur under the Road Accident Victims Compensation Law, 1975 for bodily harm caused by the use of a motor vehicle to the driver, passengers or pedestrians injured by the vehicle. Compulsory motor claims are characterized by a "long tail", which means that often a long time elapses from the date of the incident until the claim's final settlement date.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.1. Summary description of the main insurance subsegments in which Phoenix Insurance operates (cont.)

Liability insurance is intended to cover a policyholder's liability for damage that he/she may cause to a third party. The main types of insurance are: third party liability insurance, employers' liability insurance, other liability insurance such as professional liability, product liability and directors' and officers' liability. The timing of claims' filing and settlement is influenced by a number of factors, such as the type of coverage, policy terms and conditions, as well as legislation and legal precedents. Liability claims are typically characterized by a "long tail", that is, sometimes a long time elapses from the date of the incident to the final settlement date of the claim.

Motor damage insurance policies and motor property damage third-party policies provide policyholders with coverage for property damage. Coverage is usually limited to the value of the damaged vehicle. The motor property insurance rate and the policy as a whole require approval by the Insurance Commissioner and is a differential actuarial rate (non-uniform for all policyholders and risk-adjusted). The said rate is based on a number of parameters, both those related to the vehicle insured under the policy (such as vehicle type, year of manufacture, etc.) and those related to characteristics of the policyholder (driver's age, claim history, etc.). The underwriting process is carried out partly through the rate itself and partly through a system of procedures designed to review the policyholder's claims history, including presenting a no claims certificate for the past three years from the previous insurer, presenting evidence of up-to-date protection, etc. In addition, they are automatically integrated into the policy production process. In most cases, motor property insurance policies are issued for a one-year period. In addition, in most cases, claims in respect of these policies are investigated close to the date of the insured event (short tail).

Property insurance is intended to provide policyholders with coverage against physical damage to his/her property and loss of income due to damage to the property.
The main risks covered by property policies are fire, explosion, burglary, pipes, earthquake and natural disasters. Property insurance often includes loss-of-income damage due to the physical damage caused to the property. Property insurance is an important part of home insurance, business insurance, engineering insurance, cargo in transit (marine, land and air), etc. In most cases, claims for these policies are investigated as of the date of the insured event.
Phoenix Insurance is also engaged in the issuance policies covering guarantees under the Sale Law.

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance

##### 5.2.2.1. General

A. Liabilities in respect of property and casualty insurance contracts include the following main components:
- Provision for unearned premium.
- Provision for the difference between the reserve for unexpired risks and the unearned premium.
- Contingent claims including indirect expenses for their settlement.

The provision for unearned premiums and deferred acquisition costs is calculated in a way that does not depend on any assumptions and is therefore not exposed to reserve risk. As to how these provisions are calculated, see Note 2 above on accounting policies.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

#### 5.2.2.1. General (cont.)

B. In accordance with the Commissioner's Directives, contingent claims are calculated by an actuary, using generally acceptable actuarial methods that are consistent with the previous year. 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, exchange rates and timing of payments. Claim payments include direct and indirect expenses to settle claims, less subrogation and deductibles.

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

D. 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.

E. Actuarial valuation 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.

F. In large claims of a non-statistical nature, the reserve is determined (gross and retention) based on the opinion of the Company's experts and in accordance with the recommendations of their legal counsel.

G. 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 history.

H. The assessment of the contingent claims for Phoenix Insurance’s share in the Pool, ceded business and joint insurance received from other insurance companies (leading insurers) was based on a calculation made by the Pool or by the leading insurers or the Company.

I. Liability adequacy testing in respect of property and casualty insurance - the reserves are tested while applying the Commissioner's position regarding best practice for actuaries in calculating property and casualty insurance reserves for the purpose of inclusion in the financial statements such that they adequately reflect the insurance liabilities. The Commissioner's position includes, among others, the following:

# NOTE 41 - RISK MANAGEMENT (cont.)

## 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

#### 5.2.2.1. General (cont.)

I. (cont.)

- An "adequate reserve to cover the insurer's liabilities" means that it is fairly likely that the insurance liability set will be sufficient to cover the insurer's liabilities. In the case of contingent claims in the Compulsory Motor and Liability Subsegments, the estimate of "fairly likely" shall mean a probability at least 75%. However, to the extent that there are limitations to the statistical analysis, the actuary will exercise discretion and may use acceptable actuarial methods. The following are examples of possible treatment of such limitations:
  - For random risk - examining several actuarial methods and using discretion in determining the estimate in relation to the results of the various methods.
  - For systemic risk - identifying significant systemic (internal and external) effects and using discretion in how to combine them.
- The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. In addition, this test must take into account the revaluation of the assets in the financial statements against the liabilities.
- Aggregation - for the purpose of calculating spreads for uncertainty in statistical subsegments (as defined in the circular), each subsegment must be treated separately, but the risks from all underwriting years (or damage) may be aggregated. In non-statistical subsegments, all subsegments may be treated as a single one. In addition, the lack of full correlation between various subsegments may be taken into account in order to reduce the overall spread.
- Determining the total insurance liabilities for policies sold close to the reporting date and risks subsequent to the reporting date.

#### 5.2.2.2. Details of actuarial methods in the major insurance subsegments

A. <u>Motor Property Subsegment</u>

In the Motor Property subsegment, most liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder), taking into account the types of cover such as comprehensive or third party, types of vehicles - such as vehicles up to 3.5 tons and above 3.5 tons, and the types of damages such as accident, theft and natural disaster.

For the last months of damage in respect of which there are insufficient data, the average method is also used to determine the cost per claim in respect of the policy.

The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims stemming from car theft and natural disaster.

In specific assessments, the deductible amount that will be collected from the policyholder is taken into account.

Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses for settling claims.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

#### 5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

B. <u>Compulsory Motor and Liability Subsegments</u>

In the Compulsory Motor and Liability Subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio/chain ladder). For periods in respect of which there are insufficient data, the cost of claims based on the use of *a priori* LR rate is combined with the payment development model and/or the development of payments and contingent claims (Bornhuetter-Ferguson). Sometimes the cost per claim per policy. The "tail" development was calculated using the Sherman model.
The Claims Department's specific assessments are taken into account in cases of long tail contingent claims and large claims.
The contingent claims were estimated on a gross basis and separately at the reinsurance level. The assessment of the reinsurer's share in excess of loss contract claims for the last three underwriting years was calculated on the basis of a distribution adjustment model for the major claims, taking into account the known claims for these years. In previous underwriting years, the assessment is in accordance with the actual claims.
Assessments for facultative reinsurance were made using a separate model from the other claims (gross and retention). Individual assessments include the portion of the deductible that will be collected from the policyholder.
Subrogations are taken into account; in addition, the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses in respect of settling claims.

C. <u>Property and Other Subsegments</u>

In Property and Other Subsegments, liabilities are calculated on the basis of the development of claims payments and/or the development of payments and contingent claims (link ratio or chain ladder). For periods in respect of which there is in respect of which there are insufficient data, the averaging method is also used to determine the cost per claim.
The Claims Department's specific assessments are taken into account in cases of long-tail claims and claims that derive from natural disaster. The assessment of contingent claims was made at a gross level, and the reinsurance for quota and surplus contracts is calculated in accordance with actual claims and in accordance with the terms and conditions of the contract.
Assessments for facultative reinsurance were made using a separate model from the other claims in subsegments in which the reinsurer's share constitutes a material proportion. The individual assessments include the deductible amount to be collected from the customer.
Subrogations are taken into account, as the actuarial model is based on the development of all payments (positive and negative). In addition, an adequate provision was calculated for indirect expenses for settling claims.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

#### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

##### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

##### 5.2.2.2. Details of actuarial methods in the major insurance subsegments (cont.)

D. Subsegments in which no actuarial valuation has been performed

Within the framework of vessel and aircraft insurance, other risks and ceded business, the contingent claims were included based on specific assessment of each claim at the discretion of the lawyers and Phoenix Insurance's experts who handle claims, and according to reporting by companies providing ceded business as well as IBNR, as far as required. During 2024, a risk assessment was conducted in respect of the Sale Law guarantees activity, through an external expert in field of risk management.

##### 5.2.2.3. The main models for determining insurance liabilities in property and casualty insurance

Chain ladder / Link ratio

These methods are based on the development of historical claims (the development of payments and/or the development of total claims as well as the development of the number of claims), in order to assess the development that is expected of existing and future claims. The use of this method is best suited after a sufficient period has elapsed since an event has occurred or the policy underwritten, where sufficient information is available from claims history in order to estimate the total expected claims. The difference between the two methods stems from the way average development is calculated (simple or weighted average). In subsegments where claims are high, in addition to the average development coefficient, the standard deviation of the development coefficients is calculated.

BF (Bornhuetter-Ferguson)

This method combines an early (*a priori*) estimate commonly used in the Company or subsegment with an additional estimate based on the claims themselves. The preliminary estimate uses the premiums and the rate of damages to estimate total claims. The second estimate uses actual claim history, based on other methods (such as chain ladder). The combined claims assessment weighs both estimates, giving greater weight to an assessment based on claims history experience based on longer periods of time in which further information about the claims accumulates. The use of this method is adequate when there is insufficient information.

The averages

Sometimes, such as in the case of the Bornhuetter-Ferguson method, where claims history in recent periods are insufficient, historical averaging is used. This method determines the expected claim amount based on average claims in early periods multiplied by the number of claims forecast (another way of calculating is by multiplying the historical cost of the claim by the number of policies in the relevant period).

The Sherman model

A mathematical model that addresses the adjustment of nonlinear distribution to the development coefficients calculated using the chain ladder or link ratio methods. Through the distribution, the development coefficients can be calculated for periods for which the Company has no information (the "tail of development").

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

#### 5.2.2.4 Government decision on changing the settlement mechanism between the National Insurance Institute and the insurance companies regarding road accidents

The National Insurance Law (Combined Version) 1995 (hereinafter - the "**National Insurance Law**") authorized the National Insurance Institute (the "NII") as a corporation operating as an insurance entity by virtue of that law. Pursuant to Section 328 of the National Insurance Law, where the NII has a liability to pay an annuity to a victim, and at the same time a liability arises to a third-party to pay compensation to that victim in respect of the same event, the NII may receive indemnification from the said third party in respect of annuities it has paid or is required to pay. Following negotiations held between the Israeli Insurance Association and NII, pursuant to the approval of the Competition Commissioner, the parties reached a new subrogation agreement, which regulates the NII's indemnification right and lists, among other things, the circumstances in which the Company may reject the subrogation demand and indemnification rates. Following the above, in July 2015, the Company signed a subrogation agreement with the National Insurance Institute.

Further to the said agreement, in March 2018, the Economic Efficiency Law (Legislative Amendments for the Achievement of Budgetary Targets 2019), 2018 was published, whereby the individual subrogation right available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law in respect of road accidents occurring as from January 1, 2014, will be revoked, and - as a result - the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, a netting arrangement was established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The said agreement shall apply to all accidents occurring as from January 1, 2019 and thereafter; insurance companies' liability with regard to road accidents that occurred between January 1, 2014 to December 31, 2018 shall also be regulated. Following the amendment, after negotiations between the insurance companies and the National Insurance Institute, in July 2021 a revised agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with the arrangement reached between the parties, the insurers transferred to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022; the previous subrogation agreement of 2015 continues to apply in respect of those years.

It was agreed that in respect of road accidents as from January 2023, the subrogation agreement shall not apply; on the other hand, in 2023-2024, 10% of the insurance premiums collected each year will be transferred to the National Insurance Institute; in respect of road accidents occurring as from 2025, the percentage will increase to 10.95% in lieu of the National Insurance Institute's right to bring a restitutionary claim against an insurer liable to payment in respect of damage as from 2023. During December 2024, the Company reached an arrangement with the National Insurance Institute in respect of past claims whereunder a lump sum was paid; this arrangement has no material effect on the Company.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 5. Insurance risks (cont.)

### 5.2 Insurance risk in property and casualty insurance contracts (cont.)

#### 5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)

#### 5.2.2.5 Main assumptions used to calculate insurance liabilities for property and casualty insurance contracts:

A. Revision of the Provisions of the Consolidated Circular - Allocation of Assets that are not Measured at Fair Value when Performing LAT (2022)

A revision of the provision of the consolidated circular was published on February 9, 2023, which included a clarification regarding the allocation of assets not measured at fair value, when appraising insurance reserves in property and casualty insurance. The clarification discusses the question of whether one may take into account UGL (the excess value, i.e., the positive difference between the fair value of assets and their carrying amounts) when calculating a property and casualty insurance reserve employing methods other than best practice.

In accordance with the clarification, the Company may take UGL into account even when it calculates the reserve employing methods other than best practice, provided that the balance of the reserve after deducting the UGL does not fall below the best estimate of the liability.
As of December 31, 2024, the Company offset from the balance of the property and casualty insurance reserve excess value of illiquid assets amounting to approx. NIS 417 million, compared with approx. NIS 300 million as of December 31, 2023. This change arises mainly from the revision of the provisions of the consolidated circular as described above.

B. Reserves due to best practice

Phoenix Insurance performs LAT testing in property and casualty in accordance with the best practice principles outlined above. In this review, Phoenix Insurance found that it was not necessary to supplement reserves in accordance with the principles of best practice and after offsetting fair value from illiquid assets. As part of the best practice assessment, Phoenix Insurance discounts future claims payments in these subsegments according to the risk-free interest rate curve, while adjusting to the illiquid nature of the insurance liabilities and taking into account the manner in which the assets against these liabilities are revalued.

C. The discount rate applied to National Insurance allowances

In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in workplace accidents, and the manner in which those allowances are discounted. Under the regulations, the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The current interest rate according to the regulations is 2% (instead of the previous 3% rate).
The regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for bodily injury compensation paid by insurance companies to injured policyholders, and an appeal was filed with the Supreme Court in the matter (Civil Appeal 3751/17, Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide this issue. On August 8, 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "**Judgment**"). In addition, the Judgment states that until a legislative amendment has been made, the discount rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

## NOTE 41 - RISK MANAGEMENT (cont.)

**5. Insurance risks (cont.)**

**5.2 Insurance risk in property and casualty insurance contracts (cont.)**

**5.2.2 Principles of calculating actuarial assessment in property and casualty insurance (cont.)**

**5.2.2.5. Main assumptions used to calculate insurance liabilities for property and casualty insurance contracts: (cont.)**

C. The discount rate applied to National Insurance allowances (cont.)

On September 17, 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the restitutionary claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.
In connection with the assessment mechanism that will be activated every couple of years, it should be noted that as of the report date the interest was not revised.
Phoenix Insurance examined a scenario of a 1% decrease in the discount rate applied to damages in the insurance liabilities portfolio, in the Compulsory Motor and Liability Subsegments as of the financial statements date, based on claim payments, and estimated it at approx. NIS 136 million in retention (pre-tax). It should be clarified that there is no certainty as to the behavior of the interest rate curve, as to estimates of the claims flows and as to the Accountant General's discretion and how the mechanism will be implemented. Phoenix Insurance continues to monitor developments in connection with the issue and will update its reserves accordingly.

D. Contingent claims in the compulsory motor and liability insurance subsegments are discounted using the risk-free interest rate with a negative interest rate reset. The effect of the change in the curve in 2024 led to an approx. NIS 52 million decrease in insurance liabilities, compared to 2023 in which the effect led to a decrease of approx. NIS 52 million in insurance liabilities.

It is clarified that the discount rate in terms of reserve adequacy according to best practice is a risk-free interest rate adjusted to the illiquid nature of the liabilities.

E. An increase in risk margin (standard deviation) was included in the reserve base in the compulsory Motor and Liability Insurance Subsegments.

F. In analyzing the development of payments, the Company calculates a claim tail according to the Sherman model if needed.

G. The basic premise in all calculation methods is that claims historical behavior reflects their future behavior.

**5.2.2.6 Sensitivity of provisions to changes in assumptions and risk-free interest**

Actuarial assessment is subject to significant uncertainty. The actuarial assessments for predicting contingent claims relate to the claims' expected value. Due to the stochastic nature of claims payments, there may be deviations around the calculated expected value. In addition, the statistical estimate is based on various assumptions, which will not necessarily materialize. If there is a change in the manner in which the claims are settled or, alternatively, the total claim amount reported, a difference may arise between the actuarial assessment and actual outcome. In addition, a change in the yield may cause discrepancies between the estimates and the actual outcome.
Since the actuarial model is based on past experience, an unexpected change in the model's assumptions or the claims' behavior will result in a change in the reserve. It should be noted that these risks were taken into account, to the extent possible, under the requirements of the Commissioner's position in the systemic risk estimates.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information

#### 6.1. Distribution of debt assets by location

| | As of December 31, 2024 | | |
|---|---|---|---|
| | Liquid (*) | Illiquid | Total |
| | NIS thousand | | |
| In Israel | 5,334,194 | 14,689,726 | 20,023,920 |
| Overseas | 1,080,498 | 1,215,314 | 2,295,812 |
| Total debt assets | 6,414,692 | 15,905,040 | 22,319,732 |

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Liquid (*) | Illiquid | Total |
| | NIS thousand | | |
| In Israel | 4,858,967 | 15,362,573 | 20,221,540 |
| Overseas | 914,470 | 1,231,348 | 2,145,818 |
| Total debt assets | 5,773,437 | 16,593,921 | 22,367,358 |

(*) Liquid debt assets are mainly classified into the available-for-sale category and presented at fair value.

#### 6.2 Breakdown of assets by rating

#### 6.2.1 Debt assets

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Debt assets in Israel | | | | | |
| Liquid debt assets | | | | | |
| Government bonds | 3,582,588 | - | - | - | 3,582,588 |
| Corporate bonds | 1,065,488 | 523,833 | 10,520 | 151,765 | 1,751,606 |
| Total liquid debt assets in Israel | 4,648,076 | 523,833 | 10,520 | 151,765 | 5,334,194 |
| Illiquid debt assets | | | | | |
| Government bonds and treasury deposits | 8,445,794 | - | - | - | 8,445,794 |
| Corporate bonds | 123,772 | 85,192 | - | 28,410 | 237,374 |
| Deposits with banks and financial institutions | 960,494 | - | - | - | 960,494 |
| Other debt assets by collateral: | | | | | |
| Mortgages (**) | - | - | - | 645,372 | 645,372 |
| Loans against policies | - | - | - | 35,820 | 35,820 |
| Loans secured by real estate properties | 194,701 | 1,471,429 | 10,824 | 156,901 | 1,833,855 |
| Loans secured by shares attributable to controlling shareholders | - | 17,981 | - | 9,949 | 27,930 |
| Other collateral | 634,919 | 1,129,481 | - | 461,406 | 2,225,806 |
| Unsecured | - | 82,052 | - | 195,229 | 277,281 |
| Total illiquid debt assets in Israel | 10,359,680 | 2,786,135 | 10,824 | 1,533,087 | 14,689,726 |
| Total debt assets in Israel | 15,007,756 | 3,309,968 | 21,344 | 1,684,852 | 20,023,920 |
| Of which - internally rated debt assets | 246,056 | 2,295,365 | 10,824 | - | 2,552,245 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) Mostly reverse mortgage to private individuals and mortgages to private individuals purchased from banks.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 6. Credit risk information (cont.)

### 6.2 Breakdown of assets by rating (cont.)

#### 6.2.1 Debt Assets (cont.)

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Debt assets abroad | | | | | |
| Liquid debt assets | | | | | |
| Government bonds | 27,579 | - | - | - | 27,579 |
| Corporate bonds | - | 226,275 | 636,061 | 190,583 | 1,052,919 |
| Total liquid debt assets abroad | 27,579 | 226,275 | 636,061 | 190,583 | 1,080,498 |
| Illiquid debt assets | | | | | |
| Loans secured by real estate properties | - | - | - | 201,171 | 201,171 |
| Loans secured by other collateral | 294,894 | 54,458 | - | 664,791 | 1,014,143 |
| Total illiquid debt assets abroad | 294,894 | 54,458 | - | 865,962 | 1,215,314 |
| Total debt assets abroad | 322,473 | 280,733 | 636,061 | 1,056,545 | 2,295,812 |
| Of which - internally rated debt assets | 175,812 | - | - | - | 175,812 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Debt assets in Israel | | | | | |
| Liquid debt assets | | | | | |
| Government bonds | 2,642,041 | - | - | - | 2,642,041 |
| Corporate bonds | 1,298,194 | 706,621 | 33,055 | 179,056 | 2,216,926 |
| Total liquid debt assets in Israel | 3,940,235 | 706,621 | 33,055 | 179,056 | 4,858,967 |
| Illiquid debt assets | | | | | |
| Government bonds and treasury deposits | 8,300,538 | - | - | - | 8,300,538 |
| Corporate bonds | 145,955 | 101,470 | - | 6,162 | 253,587 |
| Deposits with banks and financial institutions | 777,937 | - | - | - | 777,937 |
| Other debt assets by collateral: | | | | | |
| Mortgages (**) | - | - | - | 623,573 | 623,573 |
| Loans against policies | - | - | - | 46,287 | 46,287 |
| Loans secured by real estate properties | 205,381 | 2,473,596 | - | 379,467 | 3,058,444 |
| Loans secured by shares attributable to controlling shareholders | - | 53,381 | - | 19,116 | 72,497 |
| Other collateral | 639,318 | 1,026,789 | - | 384,098 | 2,050,205 |
| Unsecured | - | 73,360 | - | 106,145 | 179,505 |
| Total illiquid debt assets in Israel | 10,069,129 | 3,728,596 | - | 1,564,848 | 15,362,573 |
| Total debt assets in Israel | 14,009,364 | 4,435,217 | 33,055 | 1,743,904 | 20,221,540 |
| Of which - internally rated debt assets (***) | 527,249 | 3,017,964 | - | - | 3,545,213 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) Mostly reverse mortgage to private individuals and mortgages to private individuals purchased from banks.
(***) Reclassified.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

### 6.2 Breakdown of assets by rating (cont.)

#### 6.2.1 Debt Assets (cont.)

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Debt assets abroad | | | | | |
| Liquid debt assets | | | | | |
| Government bonds | - | - | - | - | - |
| Corporate bonds | 5,560 | 299,610 | 603,722 | 5,578 | 914,470 |
| Total liquid debt assets abroad | 5,560 | 299,610 | 603,722 | 5,578 | 914,470 |
| Illiquid debt assets | | | | | |
| Loans secured by real estate properties | 89,263 | - | - | 210,647 | 299,910 |
| Loans secured by other collateral | 240,244 | 55,857 | - | 635,337 | 931,438 |
| Total illiquid debt assets abroad | 329,507 | 55,857 | - | 845,984 | 1,231,348 |
| Total debt assets abroad | 335,067 | 355,467 | 603,722 | 851,562 | 2,145,818 |
| Of which - internally rated debt assets (**) | 256,215 | 24,339 | - | - | 280,554 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) Reclassified.

#### 6.2.2 Credit risks in respect of other assets (in Israel)

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Loans granted to associates (**) | - | - | - | 26,223 | 26,223 |
| Receivables and debit balances, excluding balances for reinsurers | - | - | - | 963,533 | 963,533 |
| Deferred tax assets | - | - | - | 101,984 | 101,984 |
| Other financial investments | 298,784 | 635 | - | 79,833 | 379,252 |
| Cash and cash equivalents | 2,481,172 | - | - | - | 2,481,172 |

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Loans granted to associates (**) | - | - | - | 35,861 | 35,861 |
| Receivables and debit balances, excluding balances for reinsurers | - | - | - | 791,041 | 791,041 |
| Deferred tax assets | - | - | - | 109,330 | 109,330 |
| Other financial investments | 420,235 | - | 81,975 | 240,688 | 742,898 |
| Cash and cash equivalents (***) | 2,878,461 | - | - | - | 2,878,461 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) Included in the investment in associates line item.
The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.
(***) Reclassified.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 6. Credit risk information (cont.)

### 6.2 Breakdown of assets by rating (cont.)

#### 6.2.3. Credit risks for off-balance-sheet instruments (in Israel) (***)

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Financial guarantees provided that are not accounted for as insurance contracts (**) | 11,005 | 508,102 | - | 1,313,670 | 1,832,777 |
| Unutilized credit facilities | 24,480 | 1,745,827 | - | 1,109,474 | 2,879,781 |
| Total credit exposure in respect of financial guarantees and unutilized credit facilities | 35,485 | 2,253,929 | - | 2,423,144 | 4,712,558 |

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Financial guarantees provided that are not accounted for as insurance contracts (**) | - | 454,700 | - | 1,311,470 | 1,766,170 |
| Unutilized credit facilities | 30,151 | 2,183,125 | - | 742,979 | 2,956,255 |
| Total credit exposure in respect of financial guarantees and unutilized credit facilities | 30,151 | 2,637,825 | - | 2,054,449 | 4,722,425 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) Excludes Sales Law guarantees.
(***) For further information on off-balance sheet liabilities to affiliated companies, see Note 43.

#### 6.2.4 Credit risks in respect of other assets (abroad)

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Other financial investments | 140 | - | 19,554 | 1,367,882 | 1,387,576 |
| Cash and cash equivalents | 260,855 | - | - | - | 260,855 |

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Other financial investments | 12,040 | - | 21,614 | 1,111,175 | 1,144,829 |
| Cash and cash equivalents (*) | 174,562 | - | - | - | 174,562 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.
(***) Reclassified.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

#### 6.3 Further information about credit risks

1) The Company developed, validated and implemented a business credit rating model, in accordance with the Commissioner's guidance under the Consolidated Circular - Chapter 4 of Title 5 "Management of Investment Assets" regarding an internal rating model in institutional entities.
2) Credit risk information in this note does not include the assets for yield-dependent contracts, which are presented in a separate note.
3) Regarding reinsurance assets of NIS 3,917,402 thousand, see Notes 17 and 18 and Section 6.6 below.
4) For collectible premium balances, see Note 12.

#### 6.4 Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure

Further to Note 2A regarding the application of IFRS 9, Financial Instruments, the table below shows the carrying amount of the financial assets that are subject to the principal and interest test only, excluding assets held for trading or managed on a fair value basis (hereinafter - "**Class A**"), by credit risk levels. The carrying amount is measured in accordance with IAS 39 but before provision for impairment.

**Disclosure on credit risks:**

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total |
| | NIS thousand | | | | |
| Disclosure on credit risks - in Israel | | | | | |
| Cash and cash equivalents | 1,979,731 | - | - | - | 1,979,731 |
| Liquid debt assets | 4,252,984 | 444,982 | 9,505 | 111,611 | 4,819,082 |
| Illiquid debt assets | 9,455,865 | 2,777,870 | 10,824 | 1,367,004 | 13,611,563 |
| | International ratings (*) | | | | |
| | As of December 31, 2024 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Disclosure on credit risks - overseas | | | | | |
| Cash and cash equivalents | 260,855 | - | - | - | 260,855 |
| Liquid debt assets | 27,579 | 116,537 | 462,294 | 9,152 | 615,562 |
| Illiquid debt assets | 294,894 | 54,458 | - | 665,156 | 1,014,508 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

#### 6.4 Information required in connection with the temporary exemption from the application of IFRS 9 - Credit Risk Disclosure (cont.)

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Disclosure on credit risks – in Israel | | | | | |
| Cash and cash equivalents(***) | 1,968,033 | - | - | - | 1,968,033 |
| Liquid debt assets | 3,541,648 | 619,677 | 32,071 | 151,484 | 4,344,880 |
| Illiquid debt assets | 9,421,614 | 3,190,114 | - | 1,692,432 | 14,304,160 |
| | International ratings (*) | | | | |
| | As of December 31, 2023 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Disclosure on credit risks - overseas | | | | | |
| Cash and cash equivalents(***) | 174,562 | - | - | - | 174,562 |
| Liquid debt assets | - | 169,170 | 381,645 | 5,481 | 556,296 |
| Illiquid debt assets | 329,507 | 55,857 | - | 636,973 | 1,022,337 |

(*) Each rating includes all ranges, for example: rating A includes from A- to A+.
(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.
(***) Reclassified.

| | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2024 | 2023 | 2024 | 2023 |
| | NIS thousand | | | |
| Fair value of assets in Class A with high credit risk (*) | | | | |
| Liquid debt assets | 592,562 | 570,681 | 592,562 | 570,681 |
| Illiquid debt assets | 2,042,984 | 2,329,405 | 2,041,573 | 2,321,687 |

(*) Assets with high credit risk are rated lower than BBB or unrated.

# NOTE 41 - RISK MANAGEMENT (cont.)

## 6. Credit risk information (cont.)

### 6.5 Details of exposure to economic sectors in respect of investments in liquid and illiquid financial debt assets

| | As of December 31, 2024 | | |
|---|---|---|---|
| | On-balance-sheet credit risk | | Off-balance-sheet credit risk |
| | NIS thousand | % of total | NIS thousand |
| Economic sector | | | |
| Manufacturing | 1,152,873 | 5.20% | 200 |
| Construction & real estate | 3,057,434 | 13.70% | 2,951,020 |
| Electricity and water | 1,875,304 | 8.40% | 579,969 |
| Commerce | 15,982 | 0.10% | - |
| Transportation and storage | 16,820 | 0.10% | - |
| Communications and IT services | 171,262 | 0.80% | 27,920 |
| Banks | 1,577,076 | 7.10% | - |
| Financial Services | 891,538 | 4.00% | 1,143,518 |
| Holding company | 157,788 | 0.70% | - |
| Other | 1,347,694 | 6.00% | 9,931 |
| | 10,263,771 | 46.10% | 4,712,558 |
| Government bonds and treasury deposits | 12,055,961 | 53.90% | - |
| Total | 22,319,732 | 100.00% | 4,712,558 |

| | As of December 31, 2023 | | |
|---|---|---|---|
| | On-balance-sheet credit risk | | Off-balance-sheet credit risk |
| | NIS thousand | % of total | NIS thousand |
| Economic sector | | | |
| Manufacturing | 803,735 | 3.60% | - |
| Construction & real estate | 4,156,825 | 18.60% | 2,933,535 |
| Electricity and water | 1,806,637 | 8.10% | 723,032 |
| Commerce | 309,145 | 1.40% | - |
| Transportation and storage | 80,968 | 0.40% | - |
| Communications and IT services | 237,654 | 1.10% | 21,627 |
| Banks | 1,660,044 | 7.40% | - |
| Financial services | 988,160 | 4.40% | 1,000,675 |
| Holding company | 229,994 | 1.00% | - |
| Other | 1,151,617 | 5.10% | 43,556 |
| | 11,424,779 | 51.10% | 4,722,425 |
| Government bonds and treasury deposits | 10,942,579 | 48.90% | - |
| Total | 22,367,358 | 100.00% | 4,722,425 |

### 6.6 Reinsurance

Phoenix Insurance reinsures part of its business - all through foreign reinsurers. However, reinsurance does not release the direct insurers from their obligation to their policyholders under the insurance policies.
Phoenix Insurance is exposed to risks arising from uncertainty about the ability of reinsurers to pay their share of liabilities in respect of insurance contracts (reinsurance assets) and their debts in respect of claims paid. This exposure is managed by ongoing monitoring of the reinsurer's position in the global market as well as the fulfillment of its financial commitments. Phoenix Insurance is exposed to concentration of credit risk in respect of a single reinsurer due to the structure of the reinsurance market and the limited number of reinsurers with satisfactory rating.

In accordance with the Commissioner's directives, Phoenix Insurance's Board of Directors determines, once a year, maximum exposure limits for reinsurers, which Phoenix Insurance has contracted, based on their international rating. These exposures are managed by the Company by individually assessing each of the reinsurers. In addition, Phoenix Insurance's exposures are diversified among various reinsurers; the main exposures are in respect of reinsurers who have high international ratings.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

#### 6.6. Reinsurance (cont.)

The Iron Swords War affected the renewal of the reinsurance agreements in 2024; this effect continued with the renewal of the reinsurance agreements in 2025, mainly regarding the exclusion of war and terror risks.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

### 6.6. Reinsurance (cont.)

#### 6.6.1 Information on exposure to credit risks of reinsurers

**As of December 31, 2024 (in NIS thousands):**

| | | | Reinsurance assets | | | | | | Delinquent debt | |
|---|---|---|---|---|---|---|---|---|---|---|
| Reinsurer | Total premiums to reinsurers for 2024 | Net receivable (payable) balances | Total in life insurance | In health insurance | In property insurance | In liability insurance | Deposits by reinsurers | Total exposure | Between six months and one year | Over one year (*) |
| **Rating group** | | | | | | | | | | |
| **AA and above** | | | | | | | | | | |
| SWISS RE | 228,815 | (7,171) | 121,267 | 240,149 | 48,000 | 160,420 | 243,331 | 319,334 | - | - |
| Munich Re | 250,605 | 51,726 | 399,027 | 55,362 | 45,324 | 55,319 | 432,732 | 174,026 | - | - |
| Lloyd's | 114,939 | 7,756 | 1,699 | | 100,280 | 152,085 | - | 261,820 | 567 | 2,050 |
| Other | 304,409 | 60,688 | 61,099 | 91,643 | 185,277 | 419,109 | 171,052 | 646,764 | 56 | - |
| **Total AA and above** | 898,768 | 112,999 | 583,092 | 387,154 | 378,881 | 786,933 | 847,115 | 1,401,944 | 623 | 2,050 |
| **Total A** | 786,235 | 154,606 | 51,708 | 198,312 | 597,829 | 930,920 | 727,915 | 1,205,460 | 2,767 | 1,694 |
| **Total BBB+** | 292 | (315) | 47 | | (2) | 173 | | (97) | | |
| **Less than BBB - or unrated** | 1,823 | 1,629 | 1,230 | | 1,225 | (100) | | 3,984 | | |
| **Total** | 1,687,118 | 268,919 | 636,077 | 585,466 | 977,933 | 1,717,926 | 1,575,030 | 2,611,291 | 3,390 | 3,744 |

(*) Through the report publication date, a total of NIS 1,120 thousand was refunded out of the above balance.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

### 6.6. Reinsurance (cont.)

#### 6.6.1 Information regarding exposure to credit risks of reinsurers (cont.)

**As of December 31, 2023 (in NIS thousands):**

| | | | Reinsurance assets | | | | | | Delinquent debt | |
|---|---|---|---|---|---|---|---|---|---|---|
| Reinsurer | Total premiums to reinsurers for 2023 | Net receivable (payable) balances | Total in life insurance | In health insurance | In property insurance | In liability insurance | Deposits by reinsurers | Total exposure | Between six months and one year | Over one year |
| **Rating group** | | | | | | | | | | |
| **AA and above (*)** | | | | | | | | | | |
| Swiss Re | 245,510 | 47,300 | 108,846 | 282,696 | 48,133 | 130,144 | 265,846 | 351,273 | - | - |
| Munich Reinsurance C | 242,131 | 37,536 | 287,199 | 52,692 | 39,213 | 96,560 | 364,779 | 148,421 | - | - |
| (*) Lloyd's | 100,326 | (10,569) | 3,740 | - | 101,891 | 153,317 | - | 248,379 | - | - |
| General Reinsurance | 85,632 | 7,579 | 38,801 | 97,180 | 16,156 | 160,962 | 114,941 | 205,737 | - | - |
| Other | 319,160 | (28,232) | 5,537 | 29,460 | 302,659 | 466,644 | 110,747 | 665,321 | 2,245 | |
| **Total AA and above** | 992,759 | 53,614 | 444,123 | 462,028 | 508,052 | 1,007,627 | 856,313 | 1,619,131 | 2,245 | - |
| **Total A (*)** | 671,345 | 60,938 | 33,002 | 212,915 | 437,268 | 807,121 | 704,842 | 846,402 | 352 | - |
| **Total BBB+** | 44,830 | 15,243 | 6,532 | 51,230 | 26,474 | 29,684 | 99,295 | 29,868 | 1,108 | 81 |
| **Less than BBB - or unrated** | 2,034 | 275 | 1,253 | 1 | 805 | 146 | - | 2,480 | | |
| **Total** | 1,710,968 | 130,070 | 484,910 | 726,174 | 972,599 | 1,844,578 | 1,660,450 | 2,497,881 | 3,705 | 81 |

*** Reclassified.**

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

### 6.6. Reinsurance (cont.)

#### 6.6.2 Comments:

a) Total exposure to reinsurers is: net receivable (payable) balances, reinsurance assets, net of deposits and net of the amount of letters of credit received from the reinsurers as guarantee for their liabilities plus (less) the net receivable (payable) balances.

(b) No provision was recorded for doubtful accounts in 2024 and 2023.

(c) The rating is mainly determined by the S&P rating agency; in cases where S&P does not issue a rating, it is determined by the lowest rating among other rating agencies and converted according to a formula set in the Investment Methods Regulations. Each rating includes all ranges, for example: A includes from A- to A+.

(d) Total exposure of the reinsurers to an earthquake event with maximum potential loss (MPL) of 2.0% as of December 31, 2024 and December 31, 2023 is NIS 12,532 million and NIS 11,748 million, respectively, of which the share of the most significant reinsurer as of December 31, 2024 and December 31, 2023 is approx. NIS 1,319 million and approx. NIS 1.078 million, respectively.

(e) There are no additional reinsurers in addition to those listed above the exposure to which exceeds 10% of total reinsurance exposure or the premium in respect of which exceeds 10% of total reinsurance premiums for 2024.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 6. Credit risk information (cont.)

#### 6.7 Geographical risks

| | As of December 31, 2024 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Government bonds and treasury deposits | Corporate bonds | Shares | Mutual funds and ETFs | Mutual funds | Investment property | Other investments (*) | Total balance sheet exposure | Added exposure in delta terms | Total |
| | NIS thousand | | | | | | | | | |
| Israel | 12,028,382 | 2,121,476 | 2,104,820 | 184,816 | 1,116 | 1,323,367 | 10,663,206 | 28,427,183 | 283,208 | 28,710,391 |
| USA | 27,579 | 446,468 | 737,117 | 25,588 | 44,590 | - | 3,576,143 | 4,857,485 | 1,294,129 | 6,151,614 |
| UK | - | 130,263 | 22,786 | - | 37 | - | 1,687,072 | 1,840,158 | - | 1,840,158 |
| Germany | - | 17,076 | 45,120 | - | - | - | 1,185,714 | 1,247,910 | - | 1,247,910 |
| Switzerland | - | 88 | 4,620 | - | - | - | 860,398 | 865,106 | - | 865,106 |
| Other | - | 326,528 | 92,025 | 10,035 | 265 | - | 2,080,858 | 2,509,711 | - | 2,509,711 |
| Total assets | 12,055,961 | 3,041,899 | 3,006,488 | 220,439 | 46,008 | 1,323,367 | 20,053,391 | 39,747,553 | 1,577,337 | 41,324,890 |

| | As of December 31, 2023 | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Government bonds and treasury deposits | Corporate bonds | Shares | Mutual funds and ETFs | Mutual funds | Investment property | Other investments (*) | Total balance sheet exposure | Added exposure in delta terms | Total |
| | NIS thousand | | | | | | | | | |
| Israel | 10,942,579 | 2,499,340 | 1,537,933 | 150,375 | 917 | 1,238,524 | 11,934,715 | 28,304,383 | 514,186 | 28,818,569 |
| USA | - | 330,037 | 592,801 | 2,573 | 42,238 | - | 3,257,114 | 4,224,763 | 1,011,845 | 5,236,608 |
| UK | - | 158,446 | 36,113 | - | 74 | - | 1,669,294 | 1,863,927 | - | 1,863,927 |
| Germany | - | 42,243 | 26,606 | 241 | - | - | 1,182,676 | 1,251,766 | 496 | 1,252,262 |
| Switzerland | - | 11,783 | 2,805 | - | - | - | 881,100 | 895,688 | - | 895,688 |
| Other | - | 343,134 | 91,334 | 9,694 | 101,091 | - | 2,159,096 | 2,704,349 | (72,204) | 2,632,145 |
| Total Assets | 10,942,579 | 3,384,983 | 2,287,592 | 162,883 | 144,320 | 1,238,524 | 21,083,995 | 39,244,876 | 1,454,323 | 40,699,199 |

(*) Other investments include reinsurance assets, investments in associates, cash and other financial investments that were not included in the other columns.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 7. Regulatory risk information

The Group's activities are subject to extensive regulatory requirements, including supervision of the management fees collected. There is a continuing trend of tightening and boosting regulatory requirements, as well as increasing their enforcement. Failure to comply with regulatory requirements may result in various sanctions and damage to reputation. Changes in regulatory provisions affect the financial reporting, business operations and profitability of the Company.
Some of the Group companies operate in accordance with the permits and licenses granted to them by the Insurance Commissioner. Failure to comply with permits and licenses may result in sanctions and even in licenses and permits being revoked.
In addition, regulation in the insurance sector has a significant impact on the structure of the products sold and the prices charged in respect of the various products. The legal provisions, guidelines and agreements pertaining to the structure of the savings market in Israel, and especially regarding pension savings, including its tax implications, impacts changes in the scope of operations of the industry and the degree to which products can serve as alternatives to one another, including the option of transitioning from one product to another. As a result, these provisions affect both the life insurance portfolio and the long-term savings of the companies. The Group's insurance agencies are subject to regulatory provisions; changes in these provisions may affect their business operations and profitability.
In addition to regulation in the insurance and long-term savings activities, the Group is subject to regulatory requirements under securities and companies laws, failure to comply with the provisions of which may result in various sanctions and damage to reputation.
Phoenix Insurance is subject to capital adequacy requirements derived from Economic Solvency Regime. Low equity capital (although meeting the capital adequacy requirements) may impair the activity of the insurance company and its ability to insure new businesses. For further details, see Note 8F above.

During 2024, the Insurance Company implemented an extensive reform in the Health Insurance Subsegment, and the Economic Arrangements Law came into force - which stipulates the transfer of policyholders from a “first shekel surgical” procedures policy to a Supplementary SHABAN policy; the Company continues to follow these changes in the Health Insurance Subsegment.

Furthermore, during the year, the Insurance Company, and Pension and Provident fund companies implemented an investment track reform in accordance with the circular of the Capital Market, Insurance and Savings Authority, following which uniform rules were set, tracks were merged and investment policies were revised in specialized tracks.
For details regarding legal requirements in the Group’s other activities, see Section 2.

## NOTE 41 - RISK MANAGEMENT (cont.)

### 8. Information on financial investments for yield-dependent contracts in the Insurance Company

#### 8.1. Breakdown of investments by linkage bases (*)

| | As of December 31, 2024 | | | | | | |
|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Total |
| | NIS thousand | | | | | | |
| Cash and cash equivalents | 15,212,294 | - | 2,316,321 | 99,620 | 96,071 | - | 17,724,306 |
| Liquid assets | 6,842,591 | 11,640,237 | 5,601,820 | 881,919 | 400,517 | 32,820,445 | 58,187,529 |
| Illiquid assets | 4,100,603 | 2,718,066 | 2,099,352 | 1,227,034 | 515,174 | 27,692,309 | 38,352,538 |
| Total assets | 26,155,488 | 14,358,303 | 10,017,493 | 2,208,573 | 1,011,762 | 60,512,754 | 114,264,373 |
| Exposure to underlying assets through derivatives in delta terms | 12,322,287 | 115,608 | (18,828,106) | (6,472,845) | (1,920,524) | 14,783,580 | - |

| | As of December 31, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | In NIS - non-linked | In NIS - CPI-linked | In USD or USD-linked | In EUR or EUR-linked | In foreign currency or linked thereto | Non-financial and other items | Total |
| | NIS thousand | | | | | | |
| Cash and cash equivalents | 16,715,272 | - | 2,335,963 | 138,877 | 113,435 | - | 19,303,547 |
| Liquid assets | 7,360,353 | 9,131,098 | 4,210,922 | 1,151,424 | 483,010 | 29,412,316 | 51,749,123 |
| Illiquid assets | 3,408,315 | 2,771,178 | 1,718,846 | 1,185,934 | 724,475 | 23,908,094 | 33,716,842 |
| Total Assets | 27,483,940 | 11,902,276 | 8,265,731 | 2,476,235 | 1,320,920 | 53,320,410 | 104,769,512 |
| Exposure to underlying assets through derivatives in delta terms (**) | 10,073,372 | 232,333 | (14,685,168) | (6,913,540) | (3,122,661) | 14,415,664 | - |

(*) The data in the table are presented according to accounting classification rules and do not reflect actual foreign exchange exposure.

(**) Reclassified.

## NOTE 41 - RISK MANAGEMENT (cont.)

**8. Information on financial investments for yield-dependent contracts in the Insurance Company (cont.)**

**8.2. Credit risk for assets in Israel**

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| **Debt assets in Israel:** | | | | | |
| Government bonds | 9,745,014 | - | - | - | 9,745,014 |
| Other debt assets - liquid | 6,402,511 | 2,341,434 | 14,607 | 499,664 | 9,258,216 |
| Other debt assets - illiquid | 1,252,027 | 2,220,469 | - | 1,900,424 | 5,372,920 |
| Total debt assets in Israel | 17,399,552 | 4,561,903 | 14,607 | 2,400,088 | 24,376,150 |
| Of which - internally rated debt assets | 448,396 | 1,493,619 | - | - | 1,942,015 |

| | Local rating (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | AA and above | A to BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| **Debt assets in Israel:** | | | | | |
| Government bonds | 7,322,547 | - | - | - | 7,322,547 |
| Other debt assets - liquid | 6,280,062 | 2,892,335 | 49,466 | 666,489 | 9,888,352 |
| Other debt assets - illiquid | 1,184,416 | 1,913,358 | - | 2,147,441 | 5,245,215 |
| Total debt assets in Israel | 14,787,025 | 4,805,693 | 49,466 | 2,813,930 | 22,456,114 |
| Of which - internally rated debt assets(***) | 632,102 | 1,478,998 | - | - | 2,111,100 |

(*) The sources for the ratings in Israel are rating agencies Maalot and Midroog. Midroog's data were converted to the rating symbols according to generally acceptable conversion coefficients. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

(***) Reclassified.

## NOTE 41 - RISK MANAGEMENT (cont.)

**8. Information on financial investments for yield-dependent contracts in the Insurance Company (cont.)**

**8.3. Credit risk for assets abroad**

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2024 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Total debt assets abroad | 1,543,846 | 2,369,996 | 2,641,594 | 2,451,758 | 9,007,194 |
| Of which - internally rated assets | 418,372 | - | - | - | 418,372 |

| | International ratings (*) | | | | |
|---|---|---|---|---|---|
| | As of December 31, 2023 | | | | |
| | A and above | BBB | Less than BBB | Unrated | Total (**) |
| | NIS thousand | | | | |
| Total debt assets abroad | 1,163,628 | 1,837,135 | 2,554,411 | 1,974,484 | 7,529,658 |
| Of which - internally rated assets (***) | 482,565 | 61,527 | - | - | 544,092 |

(*) The sources for the ratings abroad are the rating agencies approved by the Commissioner: S&P, Moody's and Fitch. Each rating includes the entire range, such as from A- to A+.

(**) The carrying amount is an approximation of the maximum credit risk; therefore - the total column represents the maximum credit risk.

(***) Reclassified.

**9. For information on the composition of the assets and liabilities of the special-purpose companies, see Note 26.**

# NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES

## A. The Company's main interested parties are as follows

As from July 2024, the Company does not have a controlling core. The Company's interested parties are Harel Insurance Group, Clal Insurance Group and AP Investments III Ltd.

## B. Benefits for key management personnel (including directors)

In addition to their salaries, the Group's CEO and senior executives are entitled to non-cash benefits (such as cars, medical insurance, etc.). Furthermore, the Group makes contributions on behalf of those officers into a post-employment defined benefit plan and a defined contribution plan.

Senior executives also participate in the share option plan of the Company and of subsidiaries of the Group (see Note 37, Share-Based Payment).

Under law, the Company and several subsidiaries have a compensation policy in place for officers and senior employees. The compensation policy is mainly based on multi-year results, return on equity achieved by the Group, and a series of personal parameters adapted to the various officers, which are based on the work plans to be set by the Board of Directors each year.

In January 2024, an extraordinary meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. (hereinafter - the "**Compensation Policy**").
As to the liability for exemption, indemnification and insurance to directors, officers and other key officers - see Section 7 below.

**1. Benefits in respect of employment of key management personnel include:**

| | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2022 | |
| | No. of people | Amount | No. of people | Amount | No. of people | Amount |
| | | NIS thousand | | NIS thousand | | NIS thousand |
| Short-term benefits | 30 | 79,539 | 30 | 77,936 | 26 | 66,131 |
| Post-employment benefits | 26 | 6,166 | 24 | 3,858 | 20 | 3,123 |
| Share-based payment (see Note 37) | 29 | 24,337 | 23 | 8,518 | 21 | 7,895 |
| | | 110,042 | | 90,312 | | 77,149 |

**2. Benefits in respect of employment of key management personnel who are directors not employed by the Company:**

| | For the year ended December 31 | | | | | |
|---|---|---|---|---|---|---|
| | 2024 | | 2023 | | 2022 | |
| | No. of people | Amount | No. of people | Amount | No. of people | Amount |
| | | NIS thousand | | NIS thousand | | NIS thousand |
| Fees of directors not employed by the Company | 9 | 3,478 | 9 | 3,804 | 9 | 3,099 |

**3. The Company participates (on its own behalf and on behalf of Group companies) in directors' and officers' insurance**

| | For the year ended December 31 | | |
|---|---|---|---|
| | NIS thousand | | |
| | 2024 | 2023 | 2022 |
| Insurance for board members and officers | 2,473 | 3,135 | 2,878 |

For information on revision of the insurance coverage of directors and officers, see Section 7 below.

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

### B. Benefits for key management personnel (including directors) (cont.)

#### 4. Employment agreement of the Chairman of the Board of Directors

Mr. Benjamin Gabbay has been serving as Chairman of the Board of Phoenix Insurance since November 2019, and as the Chairman of the Company's Board of Directors since April 2020. The Company and Phoenix Insurance's Compensation Committees and Boards of Directors approved Mr. Gabbay's terms of employment in meetings held in December 2019 (hereinafter - "**Mr. Gabbay**" and/or "**Company Chairman**" and/or "**Phoenix Insurance's Chairman**").

In respect of his service as the Company's Chairman, he is entitled to an annual compensation and to compensation for participating in meetings (which are not joint meetings of the Company and Phoenix Insurance) in his capacity as an expert director (in accordance with his classification as such by the Compensation Committee), in accordance with the Fourth Addendum to the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000, in accordance with the Company's rank as it shall be determined from time to time. For his service as the Chairman of the Company's Board of Directors, Mr. Benjamin Gabbay was paid in the reporting year a compensation of NIS 279,418.

As of the reporting year, Mr. Benjamin Gabbay's gross monthly salary for his service as The Phoenix Insurance's Chairman at an appointment percentage of 70% is NIS 160,349 (hereinafter - the "**Salary**"). The Salary is linked to the Consumer Price Index (hereinafter - the "**CPI**"), and the revision due to changes in the CPI is carried out once a year in the January salary, in accordance with the CPI published on January 15 of that year.

The Salary, as revised from time to time, will serve as the wages on which contributions towards severance pay and pension are based.

**Related benefits:** Phoenix Insurance's Chairman is entitled to reimbursement of expenses he will incur in respect of fulfilling his role, including entertainment expenses and travel expenses (including travel abroad), all in accordance with the Company's Compensation Policy.

Furthermore, Phoenix Insurance's Chairman is entitled to twenty-one (21) annual leave days per year; any unutilized annual leave shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employee-employer relations. In addition, Phoenix Insurance's Chairman is entitled to sick leave in accordance with the law and his employment on a part-time basis; he will have a right to accumulate up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment or after termination.

Phoenix Insurance's Chairman is entitled to be included in the officers' insurance arrangement purchased by the Company, and to receive indemnification and exemption letters in accordance with the terms and conditions normally applied to senior Company officers.

**Compensation** - variable component: as from the reporting year, in accordance with the Company's revised Compensation Policy and subject to the provisions of the applicable law, the Chairman of the Company's Board may be eligible for variable compensation in respect of his service as a director in Group subsidiaries which are unrelated to the insurance businesses. For further details, see Note 37C(4) and Note 37D.

In the reporting year, the Company's Chairman was awarded illiquid options in Phoenix Gama and Phoenix Agencies. In view of the financial value of the allotted options and in accordance with the notice served by the Company's Chairman to the Company, his annual fixed salary was reduced such that his total salary together with the other components of his compensation

comply with the limit permitted under the Law of Officer Compensation in Financial Corporations. For further details, see the Meeting Summons Report dated August 22, 2024 (Ref. No.: 2024-01-086865).

# NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

## B. Benefits for key management personnel (including directors) (cont.)

### 4. Employment agreement of the Chairman of the Board of Directors (cont.)

**Advance notice and non-competition:** The Company, Phoenix Insurance and the Company's Chairman have the right to terminate the employment agreement at any time and for any reason whatsoever by giving written advance notice in accordance with the law (hereinafter - the "**Advance Notice Period**"). Upon termination of his employment, for any reason whatsoever, the Company's Chairman will be subject to a non-competition period of six (6) consecutive months starting at the end of the Advance Notice Period (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, the Company's Chairman shall not serve in an active managerial position in the insurance sector, without obtaining the Company's and Phoenix Insurance's written consent in advance.

### 5. CEO's employment agreement

Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of Phoenix Insurance Company Ltd. since May 2019 (hereinafter - "**Mr. Ben Simon**" and/or the "**Company's CEO**"). The Company's Compensation Committee and Board of Directors approved Mr. Ben Simon's terms of employment in meetings held in June 2019. In August 2019, the General Meeting approved the employment terms and conditions of the Company's CEO, and in October 2020 the General Meeting (hereinafter - the "**General Meeting**") approved the revision of his terms of service, as detailed below:

As of the reporting year, the gross monthly salary paid to Mr. Ben Simon for his service as the Company's CEO is approx. NIS 139 thousand, calculated on an annual basis (hereinafter - the "**Total Salary**"). The Total Salary shall be updated in accordance with the increase in the Consumer Price Index (hereinafter - the "**CPI**") on a monthly basis, and the base index will be the known CPI as of the end of May 2019.

The Total Salary, as updated from time to time, will serve as the wage on which contributions for social benefit contributions (severance pay and pension), including advanced education fund are based.

In accordance with the Law of Officer Compensation in Financial Corporations (Special approval and Non-Deductibility for Tax Purposes of Expense in respect of Irregular Compensation) Law, 2016 (hereinafter - the "**Law**"), the Company's Compensation Committee, Board of Directors and General Meeting approved - as part of their approval of the employment agreement - that Mr. Ben Simon's employment terms and conditions are in accordance with Section 2(a) to the Law, such that the projected expense in respect of the offered compensation is expected to exceed NIS 2.5 million per year, but shall not exceed the limit of 35 times the annual expense in respect of the year relevant to the adjustment, based on the cost of a full-time position, paid by the Company to its lowest paid employee, whether directly or indirectly (including an employee of a manpower contractor employed directly by the Company or contract worker employed to provide services at the Company's premises, as defined by law).

It should be clarified that the Company shall bear the tax cost arising from the "excessive expense" in respect of Mr. Ben Simon's cost of employment (i.e., the non-deductibility for tax purposes of the "excessive expense" for the Company, as defined in the Law of Officer Compensation in Financial Corporations).

**Related benefits**: the CEO is entitled to social benefits, related benefits and reimbursement of expenses, including in respect of meals, entertainment and subsistence as generally accepted in the Company, travel expenses (including travel abroad), car expenses, telephone, internet devices, and other communication expenses. The Company shall provide the CEO a company car (corresponding to Grade 7) for his personal use, and all expenses arising from the car's usage and maintenance shall be incurred by the Company and shall be paid by it, including grossing-up in full of the car's value and use.

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

### B. Benefits for key management personnel (including directors) (cont.)

#### 5. CEO's employment agreement (cont.)

Furthermore, the CEO is entitled to twenty four (24) annual leave days per year, with an option to accumulate up to two annual leave quotas; any unutilized annual leave in excess of the said two annual quotas shall be deleted once a year. The accrued vacation leave days may not be redeemed except upon termination of employee-employer relations. Furthermore, the CEO is entitled to convalescence pay, calculated based on fifteen (15) recreation days per year; he will also be entitled to twenty-two (22) sick leave days, which may be accumulated throughout his service as CEO, up to ninety (90) calendar days (66 working days), that cannot be redeemed, neither during the course of employment nor post employment.
The CEO is entitled to be included in the D&O insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

**Compensation - variable component**: The CEO may be entitled to an annual bonus in accordance with the Compensation Policy and at the discretion of the Compensation Committee and Board of Directors. The assessment of the CEO's entitlement to an annual bonus is conditional upon the Company's meeting the threshold targets as set in the Compensation Policy. For further details regarding the award of options to the Company's CEO, see Note 37. For further details, see Section 1.3 to the meeting summons report dated September 21, 2020 (Ref. No. 2020-01-102009).
The cost of the annual variable component shall not exceed 100% of the cost of the fixed annual component. To the extent required, the annual bonus paid to the CEO shall be cut such that it does not exceed the compensation limit set in law, including in the Compensation of Officers in Financial Corporations Law, linked to the CPI (to the extent that this is permitted by law). After the amount of the variable compensation is set, including the annual bonus in respect of a certain year, it shall be paid in accordance with the deferral arrangements set in law and in the Compensation Policy. The annual bonus shall be subject to the recovery arrangements that were set in relation to variable compensation in the Company's Compensation Policy.

**Advance notice and non-competition:** The Company and Company's CEO have the right to terminate the employment agreement at any time and for any reason whatsoever by giving a six-month (6-month) written advance notice (hereinafter - the "**Advance Notice Period**"). Upon termination of the CEO's employment by the Company for any reason whatsoever, other than under circumstances of immediate termination, the Company may decide on the termination date and inform the CEO no later than 7 days after the Advance Notice Period has begun, that the CEO shall be subject to a non-competition period of six (6) consecutive months from the end of the Advance Notice Period and the period of actual utilization of the accumulated annual leave balances, during which the CEO shall not be required to carry out any work for the Company (hereinafter - the "**Non-Competition Period**"). During the Non-Competition Period, the CEO shall receive from the Company his full salary and all payments, contributions, benefits and rights to which he is entitled under his employment agreement, provided that, during the Non-Competition Period, he will not serve as an employee, advisor, partner, contractor, distributor or shareholder in the insurance and finance sectors (including investment houses) (except holding less than 5% of the issued share capital or voting rights in a publicly-traded company). Payment in respect of the Non-Competition Period is conditional upon the CEO's complying with the non-competition terms as set in the agreement. For further details, see the Company's immediate report dated July 1, 2019 (Ref. No. 2019-01-056148).

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

**B. <u>Benefits for key management personnel (including directors)</u> (cont.)**

**6. Changes in the status of officers**

A. In August 2024, Ms. Orly Pascal started serving as Head of Human Resources in the Company, in addition to her role as Head of Human Resources in Phoenix Insurance.

B. On October 14, 2024, Mr. Itzhak Shukrie Cohen ceased to serve as a director of the Company and Phoenix Insurance.

C. On October 14, 2024, Mr. Eliezer Yones ceased to serve as a director of the Company and Phoenix Insurance.

D. On October 14, 2024, Mr. Ben Carlton Langworthy ceased to serve as a director of the Company.

E. On December 31, 2024, Mr. Roger Abravanel ceased to serve as a director of the Company.

F. On December 31, 2024, Mr. Eilon Dachbash ceased to serve as the Head of the Company's Retail Credit Department under the restructuring in the Credit Segment and the transfer of Phoenix Retail Credit Ltd., in which Mr. Dachbash serves as CEO of a subsidiary under Phoenix Gama.

G. On January 3, 2025, subsequent to the reporting period, Mr. Richard Kaplan ceased to serve as an external director of the Company.

H. On January 14, 2025, subsequent to the reporting period, Mr. Zubin Russi Taraporevala started serving as a Company director.

I. On January 14, 2025, subsequent to the reporting period, Ms. Hanadi Said began to serve as an external director of the Company.

J. On January 14, 2025, subsequent to the reporting period, Ms. Inbal Kreiss began to serve as an independent director of the Company.

K. On January 14, 2025, subsequent to the reporting period, Mr. Zohar Goshen began to serve as a director of the Company.

**7. Indemnification agreements and officers' insurance**

**<u>Insurance, indemnification and exemption</u>**

In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "**General Meeting**"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.
2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.
3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. Such directors will be entitled to full reimbursement of expenses for the total amount of expense per day to be paid by the Company of no more than NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.

# NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

**B. Benefits for key management personnel (including directors) (cont.)**

**7. Indemnification agreements and officers' insurance (cont.)**

4. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million (instead of USD 150 million) and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage.
5. In October 2024, the Company's Compensation Committee approved the engagement in an officers liability insurance policy covering the officers of the Company and its subsidiaries, for an annual insurance period starting on November 3, 2024, in accordance with Regulation 1B1 to the Companies Regulations (Exemptions for Interested Party Transactions), 2000. The limit of liability coverage is USD 165 million per case and in total per annual insurance period, together with reimbursement of reasonable legal expenses, in addition to the said limit of liability for claims in Israel.

**C. Balances of related parties and interested parties**

Some of the Company's financial and insurance activities are carried out with related parties and interested parties in the ordinary course of business and under market terms, subject to the approvals required as per the Company's procedures.

According to the Securities (Periodic and Immediate Reports) Regulations, 1970 (hereinafter - the "**Securities Regulations**"). Some of the reporting requirements applicable to public companies in connection with transactions with a controlling shareholder or transactions with another person in which the controlling shareholder has vested interest (hereinafter - "**Controlling Shareholder Transactions**"), also apply to transactions which are not extraordinary transactions, as this term is defined in the Companies Law, except for transactions that were designated in the latest financial statements as negligible. In November 2008, the Company's Board of Directors decided to adopt a negligibility threshold as set out in the Securities Regulations in connection with Controlling Shareholder Transactions.

The Company's Board of Directors has determined that a Controlling Shareholder Transaction shall be considered as a negligible transaction if all of the following terms and conditions are met in respect thereof:

- It is not an extraordinary transaction (as the term is defined in the Companies Law).
- In the absence of special qualitative considerations arising from the circumstance of the matter (as described in Section 3 below) its effect on the relevant parameter (as described below) amounts to less than one percent (1%).
- For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event, as detailed below:

A. Ratio of assets - the total transaction-related assets (acquired or sold assets) divided by total assets.
B. Ratio of liabilities - the total transaction-related liabilities divided by total liabilities.
C. Equity ratio - the increase or decrease in equity divided by the equity.
D. Premium ratio - the total transaction-related premiums divided by the average annual premiums in the relevant segment (life insurance and long-term savings, health insurance, property and casualty insurance) calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
E. Ratio of revenues from various services - the total transaction-related revenues divided by the average annual non-premium revenues in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

### C. Balances of related parties and interested parties (cont.)

- For each transaction or engagement assessed in relation to the negligibility threshold, the relevant parameters shall be assessed based on the latest consolidated financial statements issued by the Company prior to the event, as detailed below: (cont.)

  F. Ratio of expenses in respect of various services - the total transaction-related expenses divided by the average annual general and administrative expenses, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.
  G. Profit ratio - the total transaction-related profit attributed to the event divided by the average annual comprehensive income for the period (including changes in capital reserves) in the last three years, calculated based on the latest 12 quarters for which reviewed or audited financial statements were published.

- Without prejudice to the need to assess for each event assessed for negligibility which of the above parameters are relevant, the following parameters shall be considered as relevant for the transactions listed below:
  A. Asset purchase - assets ratio.
  B. Asset sale - profit ratio, asset ratio.
  C. Purchase or sale of insurance of reinsurance - premium ratio.
  D. Receiving services - ratio of expenses in respect of various services.
  E. Provision of services (excluding insurance services and including brokerage services in insurance, underwriting, financing transactions, various financial services) - ratio of revenues from various services.
- The transaction is also negligible in qualitative terms.

As part of a qualitative assessment of an event, the following aspects will also be assessed:
1. The event involves significant risks or rewards. The Company will examine whether, and to what extent, the risks that the event involves reflect risk factors to which the Company is exposed.
2. The event may impact the Company's compliance with significant regulatory or contractual requirements.

When assessing the negligibility of a future event, the Company should assess, among other things, the probability that the event will indeed materialize, and the risks embodied therein; the Company should also ensure that these risks do not exceed the risks that it normally undertakes in the ordinary course of its business.

On January 22, 2025, the Audit Committee approved - pursuant to Section 117(1a) to the Companies Law - that the transactions detailed in the appendices to the procedure are not extraordinary transactions, under ordinary commercial terms (such as: insurance, management of provident funds and/or pension funds), the execution of which was approved so long as they comply with all cumulative terms and conditions set out in the procedure.

Subsequently, on January 28, 2025, the Board of Directors ratified, following approval by the Audit Committee, that transactions had been approved as negligible for purposes of Regulation 41(a)(6)(a) of the Securities Regulations (Annual Financial Statements), 2010 are also considered negligible transactions in relation to the Company for purposes of Section 117(2a) to the Companies Law, 1999.

# NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

## C. Balances of related parties and interested parties (cont.)

As of December 31, 2024

| | Controlling shareholder | Associates | Interested party and other related parties |
|---|---|---|---|
| | | NIS thousand | |
| **Financial investments in respect of yield-dependent contracts** | - | 106,213 | 924,908 |
| **Other financial investments:** | | | |
| Debt assets | - | 103,576 | 16,340 |
| Shares | - | - | 10,983 |
| Other | - | - | 104,705 |
| Other receivables and debit balances | - | 10,816 | 108,062 |
| Premiums collectible | - | 1,667 | - |
| Loans from a related party | - | - | (81,446) |
| Payables and credit balances | - | - | (50,385) |
| **Highest outstanding debt balance during the year** | | | |
| Financial investments in respect of yield-dependent contracts | - | - | 68,518 |
| Debt assets | - | 221,356 | 83,941 |

As of December 31, 2023:

| | Controlling shareholder | Associates | Interested party and other related parties |
|---|---|---|---|
| | | NIS thousand | |
| **Financial investments in respect of yield-dependent contracts** | 36,712 | 120,985 | 842,353 |
| **Other financial investments:** | - | | |
| Debt assets | - | 103,576 | 41,587 |
| Shares | - | - | 12,878 |
| Other | 8,790 | - | 62,664 |
| Other receivables and debit balances | - | 14,939 | 61,601 |
| Premiums collectible | - | 1,089 | 463 |
| Loans from a related party | - | - | (81,711) |
| Payables and credit balances | - | - | (50,340) |
| **Highest outstanding debt balance during the year** | | | |
| Financial investments in respect of yield-dependent contracts | - | - | 74,248 |
| Debt assets | - | 229,078 | 37,466 |

# NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

## C. **Balances of related parties and interested parties** (cont.)

**Guarantees and pledges provided:**

Guarantees provided between related parties in the Group are provided in accordance with market prices/conditions

1) **Phoenix Merkazit LePitzuim**
Phoenix Pension and Provident and Phoenix Insurance provide a guarantee for planholders of "Phoenix Merkazit LePitzuim", as per the rules and regulations of Phoenix Merkazit LePitzuim, such that the amount repaid to them will in no case fall below the amounts they deposited with the fund. As of the financial statements date, the value of the funds deposited with the fund exceeded the amounts guaranteed by the Company and Phoenix Insurance.

2) **Phoenix Pension and Provident Fund**
The Company provided a guarantee to Phoenix Pension and Provident Funds in respect of bank credit totaling up to approx. NIS 650 million, subject to the restrictions set out in the agreement. For further information regarding the Company's undertaking to complete the shareholders' equity of Phoenix Pension and Provident Funds, see Note 8.F.4 above.

3) **Netivim Debentures Ltd.**
To secure the repayment of the principal, interest and linkage differences, which special purpose companies operating in the field of issuance of Phoenix Investment House's structured instruments have undertaken to pay bondholders, and to secure full and accurate fulfillment of all of their other obligations under the terms of the bonds and deed of trust, the said companies placed a first ranking fixed charge on all their rights in illiquid bonds issued to them, and a first ranking floating charge on their rights in bank accounts, with which the consideration of the issuance and the proceeds received on the illiquid bonds were deposited.

4) **Ad 120**
On January 24, 2020, an amendment to the Assisted Living Law, 2012 came into effect. According to the amendment, an operator of a senior housing facility may only receive from tenants amounts on account of the deposit in excess of seven percent of the deposit or NIS 70,000 (the lower of the two) if the operator provided to the tenant one of the collateral listed in the law to secure the repayment of the balance of the deposit which the tenant is entitled to recover under the agreement. Accordingly, Phoenix Insurance provided guarantees to tenants of Ad 120. As of December 31, 2024, the guarantees total approx. NIS 399 million (as of December 31, 2023 - approx. NIS 490 million).
Furthermore, in addition to the above Phoenix Insurance provided a guarantee to Ad 120 in respect of bank credit totaling up to approx. NIS 500 million, subject to the restrictions set out in the agreement.

5) **Anchor Fund**
The Anchor fund started operating in February 2018; the general partner of this fund is Phoenix Capital Ltd., 65% of which is held by Phoenix Advanced Investments. The Anchor fund invests in financial debt instruments outside Israel. As part of the agreement for the establishment of the fund, as of December 31, 2024, Phoenix Insurance provided a guarantee in respect of a credit line - which the fund received from a banking corporation - of up to approx. USD 40 million (as of December 31, 2023 - approx. USD 40 million).

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

**C. Balances of related parties and interested parties (cont.)**

**Guarantees and pledges provided: (cont.)**

**6) Phoenix Invest - warehousing and liquidity services**

In June 2019, Phoenix Invest Varied Debt Strategies Limited Partnership (hereinafter - "**Invest**") - an investment fund open only to institutional entities - commenced operations; Invest's general partner is Phoenix Capital Ltd. As part of the establishment of the fund, the Company's Audit Committee and Board of Directors approved the engagement with Invest in a liquidity and holding agreement in connection with the Nostro funds for the activity of debt funds. The scope of the holding services agreement is up to approx. NIS 200 million (in 2023 - approx. NIS 200 million). The agreement is designed to enable Invest to purchase assets at times when it does not have sufficient liquidity, and money is called for by funds in which it has invested. Invest, on the other hand, has an undertaking to purchase the assets acquired using Nostro funds immediately after it raises additional funding sources in accordance with the account settling mechanism set out in the agreement.

Furthermore, an agreement is in place to secure up to NIS 300 million (in 2023 - approx. NIS 300 million) in liquidity, to be used in the event of redemptions from Invest against an undertaking by Invest to repay the funds immediately after raising funding sources. The warehousing and liquidity facilities have a facility that depends on the overall amount invested in the fund, such that as of the end of 2024, the total exposure for warehousing and liquidity services cannot exceed NIS 175 million, all subject to limitations set out in the agreement. The warehousing and liquidity agreement was terminated on January 1, 2025.

**7) Phoenix Real estate Debt Fund**

In January 2020, Phoenix Capital became a 50% partner in Phoenix Financial Technologies Funds Ltd. - the managing partner of the Phoenix Real Estate Debt partnership. Phoenix Financial Technologies Funds Ltd. invests in financial debt instruments in the US in the field of real estate. As of December 31, 2024, the amount of the guarantee given by Phoenix Insurance in respect of a credit facility amounted to approx. USD 60 million (as of December 31, 2023 - approx. USD 60 million).

**8) Pollen Street feeder fund**

The "Phoenix Debt Strategies Limited Partnership" Fund commenced operations in November 2021. The fund invests in financial instruments outside Israel, mainly Europe, focusing on the UK. The general partner of the fund is Phoenix Capital Ltd. As of December 31, 2023, the guarantee provided by
Phoenix Insurance in respect of a credit facility for bridging timing differences of capital calls amounted to approx. USD 5 million (as of December 31, 2023 - approx. USD 5 million).

**9) Co-Invest Fund 2**

in the last quarter of 2023, Phoenix Co Invest Private Equity 2 Limited Partnership Fund commenced operations The fund takes part - alongside Phoenix - in direct equity investments in Israel and across the world. The general partner of the fund is Phoenix Capital Ltd. As of December 31, 2024, the warehousing facility provided to the fund by Phoenix Insurance amounted to approx. NIS 20 million (as of December 31, 2023 - approx. NIS 20 million).

**10) King Store**

Phoenix Insurance provided a guarantee to Al-Mashhadawi King Store - a food retailer focusing on the Arab population - in respect of a bank credit totaling up to approx. NIS 7.5 million (in 2023 - approx. NIS 7.5 million).

**11) Gama**

As part of the transfer of Phoenix Construction Financing to Gama, the Company provided to Gama and/or its subsidiaries, a guarantee in respect of a credit facility totaling approx. NIS 200 million, in accordance with Gama's needs. For further details regarding restructuring and the transfer of the construction projects' financing activity, see Note 8E(8B).

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

### C. Balances of related parties and interested parties (cont.)

**Guarantees and pledges provided: (cont.)**

12) **Phoenix Capital**
Phoenix Insurance engaged in the provision of a guarantee in respect of a credit facility it had taken from the bank by Phoenix Capital Ltd. totaling approx. USD 100 million. The credit facility is used for investment in an objective fund as a seed investment (an early stage investment).

13) **Smart Capital Alternative Solutions**
Phoenix Insurance engaged in the provision of a guarantee in respect of a credit facility it had taken from the bank by Smart Capital at a total of approx. USD 50 million. The credit facility is used for investment in an objective fund as a seed investment.

14) **Phoenix Mortgages (Gold) Ltd. (hereinafter - "Gold Mortgages")**
Gold Mortgages was incorporated in February 2021 and is engaged in the provision of credit for those aged 60 and over against a first-degree lien on the apartment they own. Phoenix Insurance holds 51% of Gold Mortgages' share capital.
In August 2021 and in accordance with the founders' agreement of Gold Mortgages, the Audit Committee and the Board of Directors of Phoenix Insurance approved - as a transaction which is not an extraordinary transaction - the provision of an annual credit facility of up to NIS 500 million per year (hereinafter - "**Financing Loan**") by Phoenix Insurance for the purpose of providing loans (reverse mortgages) to Gold Mortgages' customers. The terms of the Financing Loan will be identical to those of the actual loans, which will be extended to Gold Mortgages' customers, except that the interest payable on the Financing Loan will be equal to the average annual interest rate, which will be collected from the customers. During the reporting year, the Company took external financing from a bank, in the form of a one-year credit facility of NIS 100 million, for the purpose of providing loans to its customers, guaranteed by Phoenix Insurance, all subject to the restrictions set in the agreement. On January 1, 2025, Gold Mortgages' loan portfolio was distributed as a dividend in kind from Phoenix Insurance to the Company. For more information, see Note 8E(6) to the Financial Statements.

15) **One Part Ltd. (hereinafter - "One Part")**
One Part is held in equal parts by the Company and a Partner. One Part started its operations in the first quarter of the reporting year; it is engaged in the importation and marketing of automotive bodywork (shell) spare parts in Israel. The Company entered into an agreement for the provision of a guarantee of up to NIS 30 million for a bank credit facility taken by One Part.
Half of the guarantee provided by the Company with respect of the credit facility is backed by a general floating charge on One Part.

16) **Group information sharing agreement**
In the reporting year, some Group companies signed an information sharing agreement among themselves in order to achieve value maximization for the parties to the agreement and their customers and in order to increase the collaboration between Group companies.

**Engaging in material guarantees subsequent to the balance sheet date**

17) **Smart Capital Alternative Solutions**
Subsequent to the balance sheet date, the Company engaged in the provision of a guarantee in respect of a credit facility it had taken from the bank by Smart Capital at a total of approx. USD 66 million. The credit facility shall be used to set up a fund that will invest in an objective fund of international investment house KKR.

## NOTE 42 - BALANCES AND TRANSACTIONS WITH INTERESTED PARTIES AND RELATED PARTIES (cont.)

### D. Transactions with interested parties and related parties

For the year ended December 31 2024:

| | Controlling shareholder | Associates | Interested party and other related parties |
|---|---|---|---|
| | | NIS thousand | |
| Gross premiums (*) | - | 2,204 | 3,701 |
| Revenues from management fees from pension and provident funds | - | - | 827,892 |
| Gains (losses) from debt assets and finance income | - | 4,025 | 18,171 |
| Payments in respect of insurance contracts | - | 124 | 4,284 |
| Expenses in respect of fees and commissions | - | 12,314 | - |
| General and administrative expenses | - | - | 122,676 |

For the year ended December 31 2023:

| | Controlling shareholder | Associates | Interested party and other related parties |
|---|---|---|---|
| | | NIS thousand | |
| Gross premiums (*) | - | 2,302 | 2,807 |
| Revenues from management fees from pension and provident funds | - | - | 750,982 |
| Gains (losses) from debt assets and finance income (**) | - | 22,049 | 39,626 |
| Payments in respect of insurance contracts | - | 108 | 5,174 |
| Expenses in respect of fees and commissions | - | 12,695 | - |
| General and administrative expenses | - | - | 100,749 |

For the year ended December 31, 2022

| | Controlling shareholder | Associates | Interested party and other related parties |
|---|---|---|---|
| | | NIS thousand | |
| Gross premiums (*) | - | 5,806 | 19,135 |
| Revenues from management fees from pension and provident funds | - | - | 670,387 |
| Gains (losses) from debt assets and finance income (**) | - | 10,834 | 5,561 |
| Payments in respect of insurance contracts | - | 71 | 1,239 |
| Expenses in respect of fees and commissions | - | 15,367 | - |
| General and administrative expenses | - | - | 90,034 |

(*) Including non-recurring premiums.
(**) Comparative figures are reclassified

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS

## A. Contingent liabilities

### 1. 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 Company'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**").

The Company's Revised Disclosure Policy with respect to immediate reports will take effect as of March 12, 2025 and will be applied as of the financial statements of the first quarter of 2025.

It should be emphasized that no verbal annotation will be provided in the financial statements regarding claims reported in an immediate report as from January 1, 2025 to March 12, 2025 and which are considered by this policy to be immaterial.

As detailed in Section 2 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 timetables requiring the publication of an immediate report (i.e. shortly after receipt of the claim by the Company) lead to the publication of immediate reports regarding claims before an assessment has been made of the claims' prospects. Moreover, these claims are also included as a verbal annotation in the Contingent Liabilities and Commitments note in the subsequent financial statements.

The Group's Reporting and Disclosure Policy regarding claims has been reviewed by the Company's management, inter alia, with the assistance of legal counsels, in order to make it easier for the reports' readers to analyze the legal risks to which the Group is exposed, in a concise and clear manner.

In accordance with the Group's current Reporting and Disclosure Policy, a claim deemed material in accordance with a quantitative and qualitative assessment (at the time of its receipt by the Group), as detailed below, will be reported to the public effective immediately and information thereof will be detailed in the notes to the financial statements. In addition, a claim deemed immaterial in accordance with a quantitative and qualitative assessment (at the time of its receipt by the Group), will not be reported to the public effective immediately, and information thereof will be included in a summary table. In certain cases, as detailed below, the Company shall provide a verbal description of such a claim in the notes to the financial statements.

Such an assessment may be updated over the life of the claim. Assessing the need to update such an assessment will be carried out by the Group on an ongoing basis.

Quantitative assessment - If the amount claimed 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.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 1. Testing materiality for reporting and disclosure purposes regarding class action certification motions, class actions, and legal proceedings outside the ordinary course of business (cont.)

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. In this context, it should 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. 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.

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions

In recent years, there has been a significant increase in the number of petitions 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 lawsuits as class actions are filed through the hearing procedure mechanism set forth in the Class Actions Law. The hearings 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 claim amount; therefore the amounts of such claims may be significantly higher than the actual exposure for that claim.

[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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. <u>Contingent liabilities</u> (cont.)**

**2. <u>Class actions - motions to certify lawsuits as class actions certified as class actions</u> (cont.)**

In the motions to certify lawsuits as class actions (including claims which have been certified and whose certification is under appeal) detailed in Sections 1-11, 13-15, 17-24, 26-31, 33, 35-40 to the following table; for such lawsuits, which, in management's opinion - that is based, inter alia, on legal opinions whereby the Group's defense claims are more likely than not to be accepted and the motions to certify lawsuits as class actions will 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. For motions to certify lawsuits as class actions (including lawsuits certified as class actions and the certification of which is under appeal), in which the Group’s defense claims - in whole or in part - 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.

Many of the motions to certify lawsuits as class actions have been filed against the Group on various matters related to insurance contracts and the Group's ordinary course of business, for which the Group has allocated insurance reserves.

In motions to certify lawsuits as class actions as set out in Sections 12, 16, 25, 32, 34, 41-52 in the table below, at this preliminary stage, the chances of the motions to certify lawsuits as class actions cannot be assessed and therefore no provision is included in respect thereof in the Financial Statements.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Contingent liabilities (cont.)**

**2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)**

**Following a breakdown of the motions to certify claims as class actions:**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 1. | January 2008<br>Tel Aviv District Court<br>Phoenix Insurance and other insurance companies<br>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.<br>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.<br>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.<br>The class action continues to be heard in the district court.<br>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 claim 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 2. | May 2013<br>Tel Aviv District Court<br>Phoenix Insurance<br>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.<br>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. |
| 3. | July 2014<br>Central District Court<br>Phoenix Pension and Provident Fund Ltd. and management companies of additional pension funds.<br>NIS 48 million from all defendants. | The claim concerns the alleged bad faith when using the right - under the pension fund's rules and regulations - to raise management fees paid by pensioners from the accrual to the maximum amount allowed, as from the date they become pensioners. | In March 2022, the District Court certified the claim as a class action lawsuit.<br>As part of the certification process it was determined that the class on behalf of which the class action will be conducted will include any person who is a planholder in a new comprehensive pension fund, which is among the defendants, where such planholder is entitled to receive old-age pension; it was also determined that the questions for discussion are whether the defendants should have given planholders advance notice regarding the management fees that will be collected from them during the pension period, and if so - what is the damage caused as a result of not issuing such notice.<br>The class action continues to be heard in the district court. At the same time, the parties conduct a mediation process. |

[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 claim 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 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 4. | September 2015<br><br>Tel Aviv District Court<br><br>Phoenix Pension (currently - Phoenix Pension and Provident Fund Ltd.) and management companies of additional pension funds.<br><br>Approx. NIS 300 million per year since 2008 of all the defendants. | The claim is that 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.<br><br>In January 2023, the plaintiffs filed an appeal to the Supreme Court. An appeal hearing is scheduled for July 7 2025. |
| 5. | June 2017<br><br>Central District Court<br><br>Phoenix Insurance<br><br>The amount of the claim was not estimated. | The lawsuit is concerned with a claim that service level agreements are marketed and sold, either directly or through agents on behalf of Phoenix Insurance, in violation of the provisions of the law regarding the marketing and sale procedure of such agreements. | In August 2021, the District Court issued a ruling granting the motion to certify the claim as a class action.<br><br>The class on behalf of which the class action will be conducted is anyone who had purchased from Phoenix Insurance, whether directly or through its agents, service level agreements as part of the comprehensive car insurance policy, with Phoenix Insurance violating the law regarding the marketing and sale of service level agreements, in the period ranging from June 30, 2016 until the date of the ruling.<br><br>On July 17, 2024, the parties filed with the Court a settlement agreement approval motion.<br><br>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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 6. | June 2017<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction).<br><br>The National Insurance Institute (hereinafter - the "**National Insurance Institute**").<br><br>Phoenix Insurance and additional insurance companies (hereinafter, jointly: the "**Official Respondents**")<br><br>The amount of the claim was not estimated. | According to the plaintiffs, the National Insurance Institute collects national insurance contributions and health insurance contributions illegally from the tax-exempt income of class members, in addition to collecting the minimum rate of health insurance contributions from class members' disability annuity. According to the plaintiffs, the National Insurance Institute overcharges class members for these contributions through the pension fund, the employer or any other third party.<br><br>The plaintiffs point out that the Official Respondents are entities through which the insurance premiums were collected from the plaintiffs and clarify that any employer and any entity paying an early pension and any entity paying a PHI benefit in Israel may be in a similar position to that of the Official Respondents. According to the plaintiffs, it is impossible to add all the parties as respondents and the court is asked to consider the Official Respondents that were added and which are related to the plaintiffs' case as class action defendants. The plaintiffs also stated that no operative remedy is requested in the case of the Official Respondents in the framework of the above claim. | On June 6, 2024, the Regional Labor Court issued a ruling granting the motion to certify the claim as a class action against the National Insurance Institute only, and not against the Official Respondents including Phoenix Insurance.<br><br>On October 29, 2024, the National Insurance Institute appealed certification ruling to the National Court in Jerusalem. An appeal hearing is scheduled for May 20, 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 7. | August 2017<br><br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br><br>Excellence Gemel & Hishtalmut Ltd. (currently: Phoenix Pension and Provident Fund Ltd.)<br><br>The claim 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.<br><br>As part of the certification decision, it is decided that the class on behalf of which the class action will be conducted is as requested in the certification motion.<br><br>In June 2022, Excellence Gemel filed a motion for leave to appeal against the certification decision with the National Labor Court.<br><br>The hearing of the class action by the Regional Court was delayed until a decision is made regarding the motion for leave to appeal.<br><br>At the same time, the parties conduct a mediation process. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 8. | May 2018<br><br>Haifa Regional Labor Court<br><br>Phoenix Pension and Provident Fund Ltd.[4]<br><br>NIS 200 million. | According to the plaintiffs, contrary to that which is stated in its rules and regulations, Phoenix Pension has refrained from paying or from paying in full the partial contributions towards benefits to anyone who does not receive a full disability pension. In any case, Phoenix Pension refrained from reporting to policyholders - either in pay slips or in annual statements - about the payments it made, to the extent that it did, indeed, make such payments. | In August 2021, the Regional Labor Court issued a resolution granting the motion to certify the claim as a class action.<br><br>As part of the above resolution, the Court granted causes of action in connection with the failure to pay contributions towards benefits in respect of planholders receiving a partial disability pension during the period from May 1, 2012 through May 1, 2019; the Court ordered a remedy whereby the rules and regulations should be abided by and the planholders' accumulated balance should be credited with current monthly contributions towards benefits based on a value date as of the original entitlement date, plus the yield accrued on the fund as from the said date. The Court also ruled that no separate pecuniary damages has been proven in addition to the above, and that no monetary damages should be paid.<br><br>On January 28, 2024, judgment was rendered by the regional court in the class action, which dismissed the main relief sought in the proceeding, and it was held that Phoenix Pension and Provident releases benefits from the compensation of as required. At the same time, the judgment provided several remedies concerning the configuration of the disclosure to the members in connection with the execution of the release from payment. On February 25, 2024, the plaintiffs filed an appeal to the National Labor Court against this judgment. An appeal hearing is scheduled for March 24, 2025. |
| 9. | June 2018<br><br>Jerusalem District Court<br><br>Phoenix Insurance and another insurance company<br><br>The amount of the claim was not estimated. | According to the plaintiff, the claim deals with the defendants' unjustified refusal to recognize a surgical procedure that had medical justification as an insured event according to the health policies issued, by claiming that it is a "preventive surgical procedure". | In January 2022, the District Court issued a ruling granting the motion to certify the claim as a class action.<br><br>As part of the certification decision it was determined that the class on whose behalf the class action will be conducted will include any person who engaged in an health insurance contract with the defendants, including insurance coverage for surgical procedures, whose claim to have such procedure done was rejected for the reason that it is a preventative procedure which is not covered by the policy (even if the reason was presented differently in the letter rejecting the claim), and the joint questions for the class members are: Did the defendants breach the insurance contracts when they rejected the claims for insurance coverage by stating that the surgical procedure is a "preventative" one, and what are the remedies to which class members are entitled due to that.<br><br>In January 2023, a motion for leave to appeal submitted to the Supreme Court by Phoenix Insurance regarding the certification ruling was dismissed. The class action is being litigated before the District 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The motion to certify the claim as a class action lawsuit was originally filed against Phoenix Insurance. The plaintiffs filed an amended motion to certify the claim as a class action, in which they changed the identity of the defendant and also added to their previous allegations and to the definition of the class they seek to represent.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 10. | December 2018<br>Tel Aviv District Court<br>Phoenix Insurance, other insurance companies and banks<br>NIS 280 million from all defendants. | According to the plaintiffs, the claim deals with unlawful overcharging of insurance premiums for unnecessary building insurance policies issued to building owners (who took out a mortgage loan and were required to insure the building with a building policy in favor of the lending bank), despite the fact that at the time of issuance of such policies, there was already and insurance policy covering that building, regardless of whether that policy was taken out with the same insurance company or with another insurance company. | In November 2023, the District Court issued a ruling granting the motion to certify the claim as a class action.<br>As part of the certification ruling, it was decided that the class in whose name the class action will be heard will comprise those who took a mortgage loan from one or more of the defendant banks and was insured under more than one building insurance policy for the same building during that period by the defendant insurance companies that were sued. It was further decided that the questions common to the class members are: whether the defendant insurance companies insured the class members under overlapping insurance; whether they created among class members a reasonable expectation that they conduct themselves in a reasonable manner, including, among other things, that they not insure the same structure under overlapping insurance during the same period without adding any insurance coverage; whether they were negligent by breaching an expected standard of conduct; whether they breached a fair disclosure duty; whether their charging insurance premiums in respect of two insurance policies that do not add upon each other amounts to unlawful enrichment; whether the class members are entitled to a refund and what is the amount of the refund.<br>The class action is being litigated before the District Court. A pre-trial hearing is scheduled for May 20, 2025. |
| 11. | May 2019<br>Tel Aviv District Court<br>Phoenix Insurance<br>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 motion to certify the claim as a class action lawsuit continues to be heard in court. At the same time, the parties conduct a mediation process. It should be noted that the plaintiff stated that a similar motion to certify of a claim as class action, which was filed against another insurance company, had recently been granted. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 12. | July 2019<br>Tel Aviv District Court<br>Phoenix Insurance and other insurance companies<br>Approx. NIS 264.5 million from all the defendants, of which approx. NIS 67.5 million is attributed to Phoenix Insurance. | The plaintiffs claim that the defendants do not pay their policyholders interest as required by law in respect of insurance benefits for the period starting 30 days after the date of delivery of the claim until the date of actual payment. | Phoenix Insurance has yet to submit its response to the motion to certify the claim as a class action.<br>It should be noted that according to the plaintiffs, this claim is based on the same cause of action as the class action described in Section 2 above in the table; however, it was nevertheless decided to file this claim for the sake of caution only, given the doubt as to whether the class of plaintiffs seeking the certification motion is included in the previous class action. In light of this, the proceedings in this claim were stayed until a judgment is rendered in the previous claim. |
| 13. | August 2019<br>Central District Court<br>Phoenix Insurance and other insurance companies<br>The claim amount was not estimated, but it was stated that it was in the tens of millions of shekels or more. | The plaintiffs claim that in case of vehicle theft or total loss as a result of an accident, the defendants refuse to reimburse policyholders for the proportionate share of the insurance premiums (the premium) paid for service contracts (road recovery services, windscreen repair, towing, etc.) in respect of the period subsequent to the theft or total loss, despite the fact that the rider is canceled and the risk it covers no longer exists. | On December 5, 2023, a ruling was issued by the District Court, granting the motion to certify the claim as a class action.<br>Under the certification decision, the class on whose behalf the class action will be litigated is anyone who purchased from the defendants, in addition to comprehensive insurance, services under a rider - as defined in Section 40 to the Financial Services Supervision Law (Insurance), 1981; the vehicle for which the rider was issued had been stolen or suffered total loss (including constructive total loss) as a result of the accident (or for another reason) and who did not receive a refund of the relative portion of the premium they had paid for the riders in respect of the remaining term of the engagement under the rider after the event, in relation to the service period which spanned, in whole or in part, as from seven years before the motion to certify was filed until the class action was filed, once it is certified. It was also found that the main questions common to the class members are whether, in the applicable legal and factual situation, the defendants are obligated to refund a relative portion of the payment they had collected in respect of the riders in cases of total loss; and whether a change to the clause stipulated on this matter in the riders issued by some of the defendants - denying refund for the remaining period - should be mandated in such cases.<br>In May 2024, the motion for leave to appeal filed by Phoenix Insurance to the Supreme Court against the certification ruling was struck out, while maintaining the parties' arguments. The class action is being litigated before the District 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 14. | February 2020<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated, but it was stated that it is in the millions of shekels or more. | The plaintiff claims that starting in early 2016 or thereabouts, Phoenix Insurance ceased to fulfill its obligation in health insurance policies marketed prior to February 1, 2016, in which it undertook to provide insurance coverage, at no additional cost, to all children born to the principal policyholder (starting with the fourth child), until they reach the age of 21. | In January 2023, a decision was issued, granting the motion to certify the claim as a class action.<br>Under the certification decision, the class on whose behalf the class action will be administered is all Phoenix Insurance policyholders who had joined the health insurance plan, as, with respect to that plan, Phoenix Insurance pledged that from the fourth child they have, they will have insurance coverage for no extra charge, and Phoenix Insurance did not provide such a coverage or it provided it for a fee; it was also found that the issue all class members have in common is whether Phoenix Insurance is obligated to continue to allow the primary policyholders to buy policies for children from their fourth-oldest child and after for free even after January 31, 2016, or if it could have canceled this acquisition option for the primary policyholders' children, as it had, even though they had entered into the insurance contract with it before the termination.<br>The class action continues to be heard in the District 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 15. | April 2020<br><br>Tel Aviv District Court<br><br>Phoenix Insurance, other insurance companies and the managing corporation of the Compulsory Motor Insurance Pool (the "Pool") Ltd.<br><br>Approx. NIS 1.2 billion of all the defendants, of which NIS 145 million is attributed to Phoenix Insurance or, alternatively, approx. NIS 719 million of all the defendants, of which approx. NIS 113 million is attributed to Phoenix Insurance. | The subject matter of the lawsuit[4] is that the defendants unjustly profited, allegedly, by failing to reduce car insurance premiums (for compulsory and/or comprehensive and/or third party policies) during the mobility restrictions imposed due to the Covid-19 pandemic. This was done, argued the plaintiffs, despite a decrease in mileage traveled and the level of risk to which the defendants are exposed. | The motion to certify the claim as a class action lawsuit continues to be heard in court.<br><br>It should be noted that a motion to certify a similar claim as a class action, which was filed against Phoenix Insurance and other insurance companies was rejected in August 2021, and another motion to certify a similar claim as a class action, which was filed against Phoenix Insurance and other insurance companies was concluded by its withdrawal by the plaintiffs in February 2023. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.
[4] The motion to certify the claim as a class action includes two motions to certify claims as class actions filed against Phoenix Insurance and other defendants, which were merged into a single claim in February 2021 by the Tel Aviv District Court (see Note 42(a)(1) in Sections 42 and 44 of the class actions table in the Company's financial statements as of December 31, 2020, published on March 25, 2021 (Ref. No. 2021-01-044709).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 16. | May 2020<br>Tel Aviv District Court<br>Phoenix Excellence Pension and Provident Funds Ltd. (currently - Phoenix Pension and Provident Fund Ltd.), Halman Aldubi Provident and Pension Funds Ltd. (which was merged into Phoenix Pension and Provident Fund Ltd.) and additional management companies<br>The claim amount was not estimated, but it was stated that it is estimated, at a minimum, in the hundreds of millions of shekels. | According to the plaintiffs, the claim deals with the defendants' classifying some of the contributions transferred to an advanced education fund on behalf of their customers as taxable provisions, even though they are not taxable. | In accordance with the Court ruling, the government - the Israel Tax Authority, was added as a further defendant to the motion to certify the claim as a class action.<br>The motion to certify the claim as a class action lawsuit continues to be heard in court. A pre-trial hearing is scheduled for June 19, 2025.<br>At the same time, the parties conduct a mediation process. |
| 17. | July 2020<br>Haifa Magistrate Court<br>PassportCard Israel General Insurance Agency (2014) (hereinafter - "**PassportCard**") and Phoenix Insurance<br>NIS 1.84 million. | According to the claim, when travel insurance benefits are paid late, the defendants do not pay interest in respect of the delay; the plaintiff also claims that the defendants usually pay the insurance benefits according to the exchange rate on the day of the insured event rather than the exchange rate on repayment date. In addition, it was argued that the disclosure duty regarding the deductible and the limitation of the insurer's liability with regard to the "winter sports" component is breached as part of a representation made prior to entering into the insurance contract. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 18. | July 2020<br>Central District Court<br>Phoenix Insurance and other insurance companies<br>About 1.9 billion of all defendants, with the share of each of the defendants being in accordance with its market segment; according to the plaintiffs, Phoenix's share is approx. 19%. | According to the claim, the defendants must charge reduced insurance premiums in cases of insurance policies with exclusions due to an existing medical condition compared to policies in which no such exclusion is present, since exclusions mitigate the defendants' insurance risk. | The motion to certify the claim as a class action lawsuit continues to be heard in 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 19. | September 2020<br>Tel Aviv District Court<br>Phoenix Insurance<br>NIS 92.7 million. | According to the claim, Phoenix Insurance does not pay policyholders insured under a long-term care policies the full amount due to them under their policies, since it offsets these amounts against proceeds received from the National Insurance Institute; it is also claimed that Phoenix Insurance does not indemnify policyholders for certain medical treatments. | In September 2022, the District Court partially certified the motion to certify the claim as a class action.<br>As part of the certification ruling, the Court dismissed the motion to certify in connection with the claim that Phoenix Insurance does not indemnify policyholders under their long-term care policies for certain medical treatments, and granted the motion to certify in connection with offsetting of funds the policyholders receive from the National Insurance Institute.<br>The class in whose name the class action shall be conducted comprises all policyholders holding long-term care insurance policies of Phoenix Insurance (or their successors for that purpose), who did not receive the compensation payable to them due to offsetting of National Insurance proceeds they received due to their long-term care needs; that the limitation period is 7 years; and that the joint question raised by class members is whether, under the terms of the policy, one may take into account the funds the policyholder receives from the National Insurance Institute and deduct them from the proceeds Phoenix Insurance pays the policyholder.<br>On February 11, 2025, the parties filed with the Court a settlement agreement approval motion.<br>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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 20. | September 2020<br>Central District Court<br>Phoenix Insurance and another insurance company<br>NIS 84 million from all the defendants, of which NIS 67.2 million is attributed to Phoenix Insurance (a total of NIS 16.8 million in respect of critical illness insurance and a total of NIS 50.4 million in respect of permanent health insurance). | According to the claim, the defendants acted in violation of the provisions of critical illness insurance policies when they continued to charge policyholders the full amount of the monthly premium even after the first insured event had occurred.<br>It was also alleged against Phoenix Insurance that contrary to its obligations, it charges its policyholders a monthly PHI insurance premium, even after the period of insurance coverage has ended. | In October 2022, the parties filed with the Court a motion to approve a settlement agreement. In view of clarifications and supplementary information requested by the Court in connection with the proposed settlement agreement, on July 18, 2024, the parties filed a motion for approval of the revised settlement agreement.<br>The amended settlement agreement is subject to the Court's approval. |
| 21. | December 2020<br>Central District Court<br>Phoenix Insurance<br>The aggregate claim amount was not estimated but it was stated that it exceeds NIS 2.5 million. | According to the plaintiff, Phoenix Insurance allegedly does not indemnify its policyholders in motor insurance policies relating to vehicles other than private and commercial cars weighing up to 3.5 tons (such as trucks, taxis, etc.), in respect of the damage caused to their vehicle due to the insured event - which, the plaintiff claims, is in breach of the policy and the law. It is further claimed that Phoenix Insurance does not provide its policyholders with an appraiser’s report, which includes an estimate of the impairment to the vehicle’s value due to the insured event nor its manner of calculation. | On July 10, 2024, the parties filed with the Court a settlement agreement approval motion.<br>The settlement agreement is subject to the Court's approval. |
| 22. | March 2021<br>Tel Aviv District Court<br>Phoenix Insurance and other insurance companies<br>Approx. NIS 79 million from all defendants. | The subject matter of the claim, according to the plaintiffs, is that the defendants refuse to pay for the policyholders' expenses for the purchase of medical cannabis, contrary to the provisions of the policy to cover drugs excluded from the Healthcare Services Basket, and since medical cannabis is recognized for medical use in Western countries. | The parties are in a mediation procedure. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 23. | March 2021<br>Central District Court<br>Phoenix Insurance<br>No estimate was provided for the claim amount, but it was stated that the damage exceeds NIS 2.5 million. | The subject matter of the claim, according to the plaintiff, is that Phoenix Insurance allegedly unlawfully rejects claims by its policyholders in "personal accident" policies to pay for hospitalization at a "non-general hospital", claiming that a "hospital", as defined in the policy, is a medical institution whose underlying meaning is a "general hospital only". | The parties are in a mediation procedure. |
| 24. | April 2021<br>Central District Court<br>Phoenix Insurance, banks, investment houses, credit card companies and other insurance companies<br>The claim amount was not estimated but it was stated that it amounts to millions of shekels. | According to the plaintiffs, when using the defendants' digital services (while browsing their personal accounts), customers' private, personal and confidential information is transferred to third parties without the customers' consent, violating their privacy. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 25. | July 2021<br>Tel Aviv District Court<br>Phoenix Insurance<br>The claim 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 a mediation procedure. |
| 26. | December 2021<br>Tel Aviv District Court<br>Phoenix Insurance<br>The claim amount was not estimated, but it was stated that it was in the millions of shekels or more. | The plaintiff argues that in claims pertaining to damages caused to vehicles (of a policyholder or a third party), Phoenix Insurance allegedly reduces the insurance benefits unlawfully due to failure to fix the vehicles or transfer the damaged parts to Phoenix Insurance. | The parties are in a mediation procedure. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 27. | January 2022<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The plaintiff claims that in 2019 Phoenix Insurance renewed a collective health insurance policy to members of the Secondary Schools and Colleges Teachers Union and their families, while making changes, reducing the scope of the insurance coverage and increasing the premium, allegedly without informing policyholders and obtaining their consent. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 28. | January 2022<br>Central District Court<br>Phoenix Insurance and another insurance company<br>The claim amount was not estimated but it was stated that it exceeds NIS 3 million. | According to the plaintiffs, the defendants renewed a house insurance policy automatically while increasing the premium, allegedly without obtaining policyholders' consent. | On April 7, 2024, the parties filed with the Court a motion to approve a settlement agreement.<br>It is noted that on January 27, 2025, the Attorney General submitted her position on the settlement agreement, under which she objects to the settlement agreement in its current format, among other things, in light of the future regulation mechanism and the total proposed compensation and its distribution mechanism. The parties must respond to the objection.<br>The settlement agreement is subject to the Court's approval. |
| 29. | April 2022<br>Tel Aviv District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being (much) more than NIS 2.5 million. | The lawsuit deals with the claim that Phoenix Insurance has collected and is still collecting from policyholders an additional premium for the expansion of insurance coverage in respect of preventative surgical procedures, despite the fact that those procedures are allegedly covered by the basic tier of Phoenix Insurance's health insurance policies.<br>According to the lawsuit, the plaintiff's claim is based on a decision of the Jerusalem District Court, to certify a lawsuit against Phoenix Insurance and another insurance company as a class action (see Section 9 in the table above). | The motion to certify is not being heard at this stage in view of the proceeding in the class action against Phoenix Insurance and against another insurance company (see Section 9 above in the table). |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 30. | June 2022<br>Haifa Regional Labor Court<br>Phoenix Insurance<br>NIS 5 million. | The subject matter of the lawsuit is the claim that Phoenix Insurance breached its contractual obligation with regard to the insurance period in a permanent health insurance, as reflected in the insurance offer, in contrast to the policy's provisions regarding "age for insurance purposes"; the lawsuit also deals with the claim that as part of the engagement, Phoenix Insurance did not provide fair disclosure regarding the insurance end date. | On May 24, 2024, the Court issued a ruling approving the motion to certify the claim as a class lawsuit.<br>The certification ruling stipulated, among other things, that the group on whose behalf the class action will be pursued comprises all Phoenix Insurance's policyholders, who were insured under a PHI insurance with Phoenix Insurance between May 19, 2015 (seven years prior to the lawsuit filing date) and through May 19, 2022, and only with respect to two appendices as defined in the certification ruling, and the definition of the "age for insurance purposes" condition, as raised in the proceeding by Phoenix Insurance, applies to their case, in accordance with the conditions set in the certification ruling.<br>On June 30, 2024, Phoenix Insurance filed a motion for leave to appeal the certification ruling with the National Court.<br>In accordance with the National Court's ruling, the position of the Capital Market, Insurance and Savings Authority in support of the Company's position on the interpretation of the law and the insurance documents, was submitted on January 12, 2025.<br>On March 4, 2025, in accordance with the National Court's recommendation at the February 24, 2025 hearing, the plaintiff announced that they consent to the proceeding's conclusion. |
| 31. | September 2022<br>Tel Aviv District Court<br>Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.)<br>NIS 26.5 million. | The lawsuit deals with a claim of overcharging 2 agorot above the conversion rate in respect of conversion of shekels into foreign currency, and without such overcharging being set in an agreement between the parties. | The motion to certify the claim as a class action lawsuit continues to be heard in 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 32. | October 2022<br>Tel Aviv District Court<br>Phoenix Insurance and other insurance companies<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit deals with alleged discrimination against male policyholders by the defendants, who have a health insurance policy, based solely on their sex. According to the plaintiffs, the defendants prevent men who pay an additional premium for the ambulatory insurance appendix from receiving reimbursement in connection with amounts they expensed in connection with their babies, claiming that only women are entitled to reimbursement of expenses in connection with babies. | The parties agreed to conduct a mediation procedure. |
| 33. | November 2022<br>Haifa District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | According to the plaintiff, Phoenix Insurance rejected a claim filed by a policyholder with a "Long-Term Care Gift" long-term care policy, under which insurance benefits are payable upon the occurrence of a long-term care event, with the reason for rejecting the claim being that the policy is an "indemnity" policy rather than a "compensation" policy; the plaintiff also claimed that Phoenix Insurance allegedly made the payment of the insurance benefits conditional on the presentation of receipts in respect of actual payments made. | At this stage, the mediation proceeding has proven unsuccessful, and the adjudication of the motion to certify a class action before the court continues. |
| 34. | July 2023<br>Tel Aviv District Court<br>Phoenix Insurance, Phoenix Pension and Provident and additional companies<br>NIS 297 million from all defendants | The lawsuit concerns the plaintiffs' claim, whereby starting on January 1, 2012, when Amendment 190 to the Income Tax Ordinance [New Version] came into effect, as alleged, the defendants did not ensure that the recipients of annuities from one of the new pension funds and/or provident funds and/or insurance funds they manage would receive the tax exemption for those entitled due to the component known as a "recognized annuity," as defined in the Income Tax Ordinance. | Phoenix Insurance and Phoenix Pension and Provident filed their response to the motion to certify the claim as a class action as well as a motion for leave to file a third-party notice against the State - the Israel Tax Authority. As of the report publication date, a resolution has not yet been made in connection with the motion.<br>The motion to certify the claim as a class action lawsuit continues to be heard in court.<br>A pre-trial hearing is scheduled for April 9, 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 35. | August 2023<br>Tel Aviv Regional Labor Court<br>Phoenix Insurance and Phoenix Pension and Provident<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that the defendants allegedly act contrary to the provisions of the law by transferring the redemption funds of their policyholders or planholders under a pension fund and/or executive insurance and/or annuity provident fund to an annuity after the stipulated date for this purpose under the law. Thus, the defendants are unjustly enriched, overcharge management fees, and do not compensate their policyholders / planholders with the interest on arrears plus the returns with respect to the alleged delay. | The parties are in a mediation procedure. |
| 36. | August 2023<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated that it is higher than NIS 3 million (potentially tens of millions of shekels). | The claim deals with a claim that in cases where customers had a credit balance, Phoenix Insurance has allegedly acted unlawfully by not transferring those funds to the customers - whether by transferring the funds to the customers by way of a check that was not paid-in, rather than by way of bank transfer or by crediting the amount to the customer's credit card, or due to any other reason; by not informing the customers of the funds they are entitled to; and by not acting to recover those funds. It was further claimed that damage was allegedly caused to customers to whom Phoenix Insurance transferred funds in respect of a credit balance through checks that were paid-in, rather than by way of bank transfer or by crediting the amount to the customer's credit card. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 37. | September 2023<br>Haifa District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that Phoenix Insurance did not return the insurance premium to policyholders who had frozen their motor insurance policies, allegedly, for the period after the policy had been frozen and until the date of its retroactive cancellation, on the motor insurance policy's original termination date (with the lawful linkage differences and interest). It was further claimed that these policyholders who had been forced to contact Phoenix Insurance to receive a refund, and encountered difficulties, and that, as a result of this, they allegedly suffered non-pecuniary damage. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>The parties are in a mediation procedure. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 38. | November 2023<br>Tel Aviv-Jaffa District Court<br>Phoenix Insurance and seven other insurance companies<br>The claim amount in relation to all defendants was not estimated, but it was stated as being more than NIS 2.5 million, and in relation to a specific sub-class it was estimated at approx. NIS 10 million. | The lawsuit concerns the claim that when setting the price of premiums in life, health, and P&C insurance policies, "catastrophe events" such as a "surprise" war and/or other extreme or unexpected events that reduced the defendants' risk and exposure were not factored in; that in light of the Iron Swords War, the defendants are expected to experience a major reduction in the risk in policies in which the risk components had significantly decreased (and completely eliminated in some cases), and therefore, the premiums on such policies should be returned or reduced, starting from the date the state of emergency was declared; that government institutions and public entities or "hybrid" entities have adapted their operations in a manner that reduces their operations and lowers insurance coverage realization rates; and that for policies in the business sector, the risk has declined substantially. In particular, it was argued that for policyholders who have been conscripted in an emergency reserve conscription, for whom, some of the policies exclude coverage in case of a war, the actuarial risk has dropped significantly, and therefore – their premiums should be returned or reduced. | The motion to certify the claim as a class action lawsuit continues to be heard in court. |
| 39. | November 2023<br>Haifa District Court<br>Excellence Nessuah Brokerage Services Ltd. (Currently: Excellence Investment Management and Securities Ltd.)<br>NIS 3.95 million. | The lawsuit concerns the claim that Excellence allegedly charges interest unlawfully on credit balances in its clients' accounts that Excellence refers to a foreign broker, without having the contractual right to do so, and without even notifying the clients that the foreign broker has been paying it interest on their accounts' credit balances. | The parties agreed to conduct a mediation procedure. |
| 40. | February 2024<br>Tel Aviv-Jaffa Regional Labor Court<br>Phoenix Pension and Provident Fund<br>NIS 182 million. | The action involves the claim that Phoenix Pension and Provident acted in breach of the law and in breach of the agreement when it transferred the members of the study fund who joined the general track to a short-term investment track without obtaining their express written consent to said change. | The motion to certify the claim as a class action continues to be heard in 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 41. | February 2024<br><br>Tel Aviv District Court<br><br>Phoenix Insurance<br><br>NIS 10 million. | The action involves the claim that Phoenix Insurance sends advertisements to the plaintiff and the class members through advertisements sent to their email addresses and/or in any other media, without receiving the express prior written consent of the recipients and without the class members being its customers. It is further claimed that Phoenix Insurance does not allow its recipients, whether or not they have given their explicit consent to the mailing of advertisements in advance, to remove themselves from the mailing list in the same manner in which the advertisements were sent, but rather through a link, and this is contrary to section 30A to the Communications Law (Bezeq and broadcasts), 1982. | The motion to certify the claim as a class action lawsuit continues to be heard in court. At the same time, the parties agreed to conduct a mediation proceeding.<br><br>A pre-trial hearing is scheduled for May 7, 2025. |
| 42. | March 2024<br><br>Central District Court<br><br>Phoenix Insurance<br><br>NIS 80 million. | The action involves the claim that policyholders who were insured under the "Personal Accidents" appendix either privately and/or collectively (which entitles them to weekly compensation for loss of ability to work in their profession as a result of an accident), and were recognized as having lost their ability to work, were paid damages that were limited to a fixed period of one year or two years only, even though they lost their ability to work in their profession permanently or for longer than one or two years, and even though the Personal Accidents Appendix and the insurance details page did not include any time limit for the payment of damages except for the retirement age. | The motion to certify the claim as a class action lawsuit continues to be heard in court.<br><br>A pre-trial hearing is scheduled for April 28, 2025. |
| 43. | May 2024<br><br>Haifa District Court<br><br>Phoenix Insurance and seven other insurance companies<br><br>The claim amount was assessed in relation to all of the defendants at more than NIS 2.5 million, and in relation to some of the class members, it is claimed that the estimated damage is NIS 27 million per year (with respect to all defendants). | The subject matter of the lawsuit is the claim whereby in the case of policyholders, who hold a rider dealing with the fixing of windscreens, and who activated the rider, the installers of windscreens on behalf of the defendants did not conduct any testing and/or calibration of the safety system in their vehicle as part of the process of replacing the front windscreen, and if such a test and/or calibration was conducted, they were charged for that. Furthermore, according to the claim, when the policyholders purchased the rider, the defendants did not inform them that the coverage will not include the testing and calibration of the safety system during the replacement of the front windscreen. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br><br>A hearing date has not yet been scheduled. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 44. | May 2024<br>Central District Court<br>Phoenix Insurance, Phoenix Pension and Provident and additional companies<br>The claim amount was assessed in relation to all of the defendants at more than NIS 2.5 million, and in relation to some of the class members, it is claimed that the estimated damage is NIS 17.95 million (in relation to some of the defendants). | The lawsuit concerns the claim that unreasonable expenses were imposed on the borrowers in execution procedures the defendants brought to collect a debt due to loans from the credit companies, borrowed by borrowers (such as the plaintiff), against which the borrowers had pledged their vehicles. With regard to Phoenix, the lawsuit refers to the loan agreements for loans granted by Direct Finance and that were assigned to Phoenix, whereas Direct Finance continued to manage them. | The motion to certify the claim as a class action lawsuit continues to be heard in court.<br>A pre-trial hearing is scheduled for May 28, 2025. |
| 45. | June 2024<br>Tel Aviv District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that Phoenix Insurance renewed home insurance policies (structure and/or structure and contents) without the policyholders' knowledge of and/or consent for the policy's renewal, including changes in the premium price and/or material changes to the policy itself. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>The parties are in a mediation procedure. |
| 46. | June 2024<br>Tel Aviv District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that Phoenix Insurance sends the plaintiffs and the class members advertising materials without obtaining their express approval for sending advertising materials and/or sending advertising materials that deviate from the services they had agreed to receive. | The motion to certify the claim as a class action lawsuit continues to be heard in court.<br>A pre-trial hearing is scheduled for March 26, 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Contingent liabilities (cont.)**

**2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 47. | August 2024<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated that it significantly exceeds NIS 2.5 million. | The lawsuit concerns collective health insurance, claiming that Phoenix Insurance does not publish on its website, or anywhere else, the price list for preferred physicians, nor does it indemnify the policyholders with the entire refund amount to which they were entitled with respect to surgeries conducted by non-preferred physicians or for an alternative non-surgical procedure with a non-preferred service provider. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>A pre-trial hearing is scheduled for May 26, 2025. |
| 48. | September 2024<br>Tel Aviv District Court<br>A.A. Quality Pension Insurance Company (2022) Ltd., additional insurance agencies, additional companies and additional defendants.<br>The claim amount was estimated at NIS 500 million in relation to all of the defendants. | The lawsuit concerns the allegation that the defendants and/or anyone on their behalf, unlawfully and in exchange for a financial incentive, switched the class members' funds to a self-managed provident funds program (IRA) at the Slice Gemel Ltd., and that as a result, their funds were transferred to overseas funds that do not comply with legal requirements, thereby causing the class members to lose their savings. | A.A. Quality's response to the motion to certify has yet to be filed.<br>Subsequently, the special administrator for Slice filed a motion for a stay of proceedings, pending a ruling on the arrangement plan with respect to Slice Gemel Ltd.<br>On February 11, 2025, the court handed down a ruling suspending further adjudication of the case. |
| 49. | November 2024<br>Labor Court - Haifa<br>Phoenix Pension and Provident Funds<br>The amount of the claim was not estimated. | The lawsuit concerns the allegation that when seeking a professional response from a human on the call center service, Phoenix Pension and Provident Fund customers were allegedly forced to wait for a duration exceeding the duration stipulated by law and/or even abandon their call because of the long waiting times. Thus, according to the plaintiff, these customers incurred non-pecuniary damage. | Phoenix Pension and Provident has yet to submit their response to the motion to certify the claim as a class action.<br>A pre-trial hearing is scheduled for July 14, 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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 2. Class actions - motions to certify lawsuits as class actions certified as class actions (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 50. | December 2024<br>Central District Court<br>Phoenix Insurance and Hever Permanent Army Soldiers and Pensioners Organization Ltd.<br>The claimed amount was estimated at NIS 468 million for all defendants with respect to the reduction of insurance coverage and overcharging insurance premiums. | The lawsuit concerns the allegation that Phoenix Insurance and Hever allegedly coordinated, in contravention of the law and the policy, by unilaterally and adversely changing the "Hever" collective health insurance policy, and by – after the policy came into force – canceling insurance coverage under the policy whereby "approval for pharmaceuticals is issued through form 29C," for non-Healthcare Services Basket pharmaceuticals and/or Healthcare Services Basket pharmaceuticals with a different indication than the medical condition for which they are indicated. According to the plaintiff, Phoenix Insurance did so while charging the same insurance premiums it had charged prior to the change, thus supposedly overcharging insurance premiums. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>A pre-trial hearing is scheduled for June 12, 2025. |
| 51. | December 2024<br>Central District Court<br>Phoenix Insurance<br>The claimed amount was not assessed but it was stated that the estimated damage exceeds NIS 2.5 million. | The lawsuit concerns the allegation that, in comprehensive motor insurance, in the event of a total loss (as defined in the insurance policy), Phoenix Insurance allegedly deducts reducing variables from the value of the vehicle (i.e., non-unambiguous variables, which are not included in the tables in the Itzhak Levi price list), thus violating the provisions of the law and the insurance contract. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>A pre-trial hearing is scheduled for July 1, 2025. |
| 52. | January 2025<br>Central District Court<br>Phoenix Insurance<br>The claimed amount was not assessed but it was stated that the estimated damage exceeds NIS 2.5 million. | The lawsuit concerns the allegation that Phoenix Insurance unlawfully denies claims for "image-guided injections" of all kinds, allegedly due to the lack of insurance coverage and/or because Phoenix Insurance pays a lower amount than the policyholders' applicable entitlement amount for this, compared to health insurance policies that provide insurance coverage for surgery and extended coverage for alternative treatments to surgery. | Phoenix Insurance's response to the motion to certify the claim as a class action has yet to be filed.<br>A hearing date has not yet been scheduled. |

[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 claim amount as assessed (if assessed) by the plaintiff(s) in the motion to certify the claim as a class action lawsuit.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 3. Concluded claims*

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 1. | November 2016<br>Jerusalem Regional Labor Court<br>Excellence Nessuah Gemel Ltd. (currently: Phoenix Pension and Provident Fund Ltd.)<br>Approx. NIS 215 million. | The plaintiffs argue that under the rules and regulations of the Excellence Gemel provident fund, which were in effect until January 1, 2016, and according to the rules and regulations of the Excellence Advanced Education fund, Excellence Gemel may not collect investment management expenses from planholders, since collection of such expenses had to stipulated clearly and expressly in the rules and regulations of the funds. | On March 27, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action. |
| 2. | June 2019<br>Jerusalem Regional Labor Court<br>Halman Aldubi Provident and Pension Funds Ltd. (which was merged into Phoenix Pension and Provident Fund Ltd.)<br>NIS 17.5 million. | The statement of claim alleges that IBI Provident and Study Fund Management Company Ltd. (which was merged with Halman Aldubi on July 1, 2018) charged the plaintiff and the other planholders of the advance education fund under its management, investment management expenses, in addition to the fund management fees, contrary to the fund's bylaws. | On April 7, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action. |
| 3. | June 2019<br>Tel Aviv Regional Labor Court<br>Phoenix Insurance<br>Approx. NIS 351 million. | According to the plaintiff, Phoenix Insurance charges policyholders of insurance policies which combine a life insurance component and a pension saving component (executive insurance) for investment management expenses without such charges being included in the terms and conditions of the policy. | On April 21, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 4. | February 2020<br>Tel Aviv Regional Labor Court (the hearing was transferred from the Tel Aviv District Court)<br>Halman Aldubi Provident and Pension Funds Ltd. (which was merged into Phoenix Pension and Provident Fund Ltd.)<br>NIS 335 million (alternatively NIS 58 million, and alternatively 36 million). | The claim is that Halman Aldubi allegedly violated its duty to the plaintiff and to all beneficiaries in the provident funds of Halman Aldubi, of deceased planholders, and any planholder of the Halman Aldubi provident funds with whom contact was lost, to locate and inform the said beneficiaries, as well as the planholders with whom contact was lost, that they are entitled to funds in the Halman Aldubi funds, on the dates set forth to that effect in the Supervision of Financial Services Regulations (Provident Funds) (Locating Planholders and Beneficiaries), 2012, in the period beginning on January 1, 2013 until the date of the ruling in the lawsuit. | On April 25, 2024, the Court handed down a judgment dismissing the motion to certify the claim as a class action. |
| 5. | March 2019<br>Central District Court<br>Phoenix Insurance<br>Approx. NIS 2.6 million. | According to the plaintiff, the claim deals with Phoenix Insurance’s practice to delay the repayment of the relative portion of insurance premiums upon cancellation of compulsory motor and property insurance policies rather than paying it within the period set by law; the plaintiff also claims that Phoenix Insurance repays the said amount without adding linked interest. The defendant also claims that Phoenix Insurance refrains from repaying full linkage when refunding the relative portion of the insurance premiums. | On June 2, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 6. | July 2023<br>Tel Aviv District Court<br>Phoenix Insurance<br>NIS 3.18 million. | The lawsuit concerns the claim that callers to Phoenix Insurance's call center to purchase comprehensive motor / third party insurance were allegedly treated differently than other callers due to their ethnic background, in that they had been asked to submit a no claims confirmation, while other callers allegedly had the option to present the confirmation retroactively, after entering into the insurance policy. | On June 16, 2024, a judgment was rendered, approving the settlement agreement between the parties.<br>In accordance with the settlement agreement, Phoenix will clarify and refine its procedures and guidelines and ensure its continued equal and non-discriminatory service, make a donation to the class action fund, and pay the representative plaintiff a compensation and his counsel's legal fees. |
| 7. | June 2015<br>Beer Sheva District Court<br>Phoenix Insurance<br>Approx. NIS 125 million. | The cause of action, as approved by the District Court, is a violation of the provisions of the policy regarding special compensation (reimbursement) for performing surgery in a private hospital funded by "additional insurance services" (SHABAN) and the questions common to the class members are: what is the value of the commitment form on behalf of a health maintenance organization in respect of a privately-owned hospital (Form 17), according to which the amount to be reimbursed to the policyholder is calculated; how Phoenix Insurance in effect calculated the amount reimbursed to policyholders who underwent surgeries as part of SHABAN; and whether Phoenix Insurance violated the provisions of the policy, and did not reimburse the full amount to the policyholders. | In December 2019, the District Court granted the motion to certify the claim as a class action.<br>On June 30, 2024, a judgment was rendered, approving the settlement agreement between the parties in the class action.<br>In accordance with the approved settlement agreement, Phoenix Insurance will pay each one of the class members (as defined in the settlement agreement) a total equal to 7.225% of the value of the compensation it originally paid in practice to each class member in respect of the surgical procedure they underwent at the expense of the health maintenance organization in the relevant period; as to the future regulation, starting on the settlement agreement's approval date, Phoenix Insurance will add an amount equal to 7.225% of the value of the compensation to the special compensation, which will be paid to policyholders in the relevant policies as defined in the settlement agreement. In addition, it was agreed that Phoenix Insurance will pay compensation to the representative plaintiffs and their counsels' legal fees. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 8. | January 2020<br>Central District Court<br>Phoenix Insurance, other insurance companies and Drachim Road Side.<br>The claim amount was not estimated but it was stated that it significantly exceeds NIS 2.5 million. | The plaintiff claims that, in cases where vehicles' windscreens broke, the defendants had provided and still provide alternative windscreens, which do not meet Israeli standards and are not manufactured by the same maker as the car; by doing so, the defendants allegedly breach their obligations under the insurance policies and coverage contracts. | On July 5, 2024, the judgment was rendered dismissing the motion to certify the claim as a class action. |
| 9. | January 2017<br>Central District Court<br>Phoenix Insurance and other insurance companies<br>At least approx. NIS 12.25 million in respect of each of the defendants. | According to the plaintiffs, insurance companies overcharge insurance premiums since they do not disclose to policyholders a "practice" in the motor insurance subsegment that allows updating the age of the young driver insured under the policy and/or the years of driving experience when moving into another age bracket and/or years of driving experience bracket which can potentially result in a reduction of the insurance premium.<br>It is noted that the plaintiffs refer in their claim to a decision to grant the motion to certify the claim as a class action dealing with the same issue and filed against another insurance company, in which the said practice had allegedly been proven. | On July 16, 2024, the court issued a ruling confirming the plaintiffs' withdrawal from the motion to certify the claim as a class action. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 10. | February 2010<br><br>Central District Court<br><br>Phoenix Insurance (and other insurance companies in a parallel case, in light of filing a consolidated class action statement of claim)<br><br>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 November 2016, the District Court - in a parallel case filed against several other insurance companies - partially certified motions to approve the claims as class actions.<br><br>The class action - both in the corresponding case and in the case heard against Phoenix Insurance - continued to be heard jointly by the District Court.<br><br>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).<br><br>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.<br><br>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. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Contingent liabilities (cont.)**

**3. Concluded claims* (cont.)**

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 10. (cont.) | | | In June 2024, the Court heard the motion for approval of the settlement agreement, including regarding the position of the Attorney General.<br>On August 15, 2024, a judgment was rendered by the District Court confirming the settlement agreement filed by the parties.<br>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.<br>The proceeding was thus concluded and Phoenix Insurance works to implement the settlement agreement.<br>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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 11. | February 2016<br>Central District Court<br>Phoenix Insurance<br>NIS 100 million. | The plaintiffs argue that Phoenix Insurance does not link the payments it is required to pay policyholders under life insurance policies (which it issued until July 19 1984) to the base index due to an insured event or due to the redemption of the policy, to the correct base index in accordance with the linkage terms and conditions set out in the policies; i.e., the latest CPI published before the first of the month in which the insurance term begins; the plaintiffs argue that this has a significant effect on the benefits to which the policyholders will be entitled. | On September 20, 2024, a judgment was rendered approving the settlement agreement between the parties in the motion to certify.<br>In accordance with the approved settlement agreement, Phoenix Insurance will pay class members, who are policyholders, and who engaged in policies between January 1, 1980 and August 31, 1982 (Class A), and policyholders, who engaged in policies between September 1, 1982 and July 19, 1984 (Class B) (all in accordance with the definitions as per the settlement agreement) compensation at a rate of 15% or 25% (in accordance with the above classes) of the difference between the amounts calculated in accordance with the policy's terms and conditions in accordance with the CPI that was actually set in the policy and the calculation of those amounts in accordance with the CPI, which should have been set as claimed in the motion to certify. In addition, it was agreed that Phoenix Insurance will pay compensation to the representative plaintiffs and their counsels' legal fees. |
| 12. | September 2023<br>Tel Aviv-Jaffa District Court<br>Phoenix Insurance and seven other insurance companies<br>The claim amount was estimated at NIS 80 million in relation to all of the defendants. | The lawsuit concerns the claim that policyholders whose vehicles require optional flatbed towing or must be towed using this method when the vehicle requires repair (and must be towed to an auto repair shop), and who had purchased a rider for the defendants to provide towing services, had allegedly paid the defendants premiums in vain, as the defendants only provide conventional towing services, and they charge an additional, separate fee for flatbed towing, without disclosing this in the rider. | On September 22, 2024, the Court handed down a judgment granting the plaintiff's withdrawal from the motion to certify the class action against Phoenix Insurance. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 13. | December 2019<br>Central District Court<br>Phoenix Insurance and PassportCard Israel General Insurance Agency (2014) (hereinafter - "**PassportCard**")<br>The amount of the claim was not estimated. | According to the plaintiff, the defendants sell travel insurance without informing their customers - at the time of issuing the insurance policy - about the fact that the "search and rescue" component can be excluded if it is not required by the customers; the plaintiff also claims that the defendants do not inform customers about price changes they make in insurance policies' components; furthermore, the defendants do not inform customers in a clear manner about the right to reimbursement of a proportionate share of the insurance premiums in the event that the actual trip is shorter than planned, and in the event that the insurance period is shortened for any reason whatsoever (including due to cancellation of the insurance policy).<br>The plaintiff also claims that even when the defendants reimburse insurance premiums to policyholders who shortened their travel period and at the same time also shortened the insurance period for any reason whatsoever, they do not reimburse the full insurance premium for the shortened insurance period, contrary to law and the insurance policy. | In April 2023, the Court approved a settlement agreement between Phoenix Insurance and the plaintiff in relation with Phoenix Insurance's travel insurance policy, according to which Phoenix Insurance will make a donation to a dedicated fund set up pursuant to the Class Actions Law; Phoenix Insurance will regulate its future conduct as set out in the settlement agreement and in the judgment, and pay the lead plaintiff's compensation and his counsels' legal fees at amounts which are immaterial to Phoenix Insurance. This settlement agreement was implemented in full.<br>The motion to certify against PassportCard continued to be heard, and on October 10, 2024, a judgment was rendered approving the settlement agreement between PassportCard and the plaintiff with respect to PassportCard's overseas travel insurance policies. Note that this settlement agreement does not establish any liability towards Phoenix Insurance. |
| 14. | April 2023<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that in an insured event in which the policyholder's and/or a third party's vehicle is damaged, Phoenix Insurance underpays the appraiser's fees, as paid by the policyholder and/or the third party. | On October 11, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the class action. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 15. | March 2023<br>Central District Court<br>Phoenix Insurance<br>The claim amount was not estimated but it was stated as being more than NIS 2.5 million. | The lawsuit concerns the claim that when a policyholder of a comprehensive motor insurance policy has an insured event, due to which they file insurance claims and/or demands and/or request for insurance benefits, and decides to repair his/her car at an auto repair shop that is not among authorized auto repair shops, Phoenix Insurance offsets various amounts from the insurance benefits even though it had authorized the appraiser's assessment, claiming that the auto repair shop can purchase spare parts from its own vendors for a lower price than these spare parts' consumer prices, and thus, the policyholder allegedly ends up receiving insurance compensation that does not cover the true cost of the damage they incurred as determined in the appraiser's assessment. | On November 4, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action. |
| 16. | May 2022<br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br>Phoenix Pension and Provident (formerly - "Phoenix Excellence Pension and Provident Funds Ltd.") and another management company<br>The claim amount was not estimated but it was stated that it exceeds NIS 3 million. | The lawsuit deals with the claim that with regard to CPI-linked loans, the defendants adopted a practice of a one-way linkage mechanism, whereby when the CPI increases compared with the base index, the customer's monthly payment is increased accordingly, and when the CPI decreases, the monthly payment does not change; the plaintiffs claim that this practice was adopted despite the fact that this is not mentioned in the provisions of the agreement.<br>The plaintiffs noted that three motions to certify lawsuits as class actions are pending, which they claim give rise to joint issues against three other companies, including Phoenix Insurance (the claim against Phoenix Insurance was concluded, see Section 18 in the table below). | On November 19, 2024, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify the claim as a class action against Phoenix Pension and Provident. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## A. Contingent liabilities (cont.)

### 3. Concluded claims* (cont.)

| No. | Date,[1] court,[2] defendants and claim amount[3] | Main arguments | Details |
|---|---|---|---|
| 17. | June 2024<br>Tel Aviv District Court<br>Phoenix Insurance, three other insurance companies, and an insurance agency<br>NIS 250,000 (in relation to all the defendants) and punitive compensation of NIS 26 billion (in relation to all the defendants) | The lawsuit concerns the plaintiff's claim of discrimination when providing services or products in travel insurance policies, since they do not include insurance coverage for "mental illness". | On February 10, 2025, the court ordered that the motion to certify be stricken out. |
| 18. | June 2020<br>Tel Aviv Regional Labor Court (the hearing was transferred from the Central District Court due to substantive jurisdiction)<br>Phoenix Insurance and another insurance company<br>Approx. NIS 10.5 million for each defendant. | According to the claim, the defendants overcharge customers in loan agreements they enter into with their customers; overcharging takes place due to a one-way linkage mechanism, which is in place under those agreements, whereby if the CPI increases above the base CPI, the defendants collect the linkage differences due to the increase; however, if the CPI decreases below the base index, the defendants do not credit their customers for the said decrease. | On February 16, 2025, the court issued a ruling confirming the plaintiff's withdrawal from the motion to certify against Phoenix Insurance. |

[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 claim 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, 2024 and March 27, 2024, see Note 43A.2, Sections 8-10 of the table of concluded claims in the Company's Financial Statements as of December 31, 2023, published on March 27, 2024 (Ref. No. 2024-01-026677).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 4. Legal and other proceedings

Following is a description of legal and other proceedings against the Group. 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. On November 11, 2020, an insurance agency filed a lawsuit in the amount of approx. NIS 17.6 million against Phoenix Insurance and nine other defendants, including an agency which consolidated in Phoenix group's financial statements, alleging misuse of the plaintiff's trade secrets and list of customers. It should be noted that the plaintiff had previously filed a motion for a temporary injunction in respect of the subject matter of the claim - and the motion was dismissed. On December 22, 2024, a judgment approving the mediation agreement signed between the parties and dismissing the lawsuit without a costs order was rendered. The proceeding was thus concluded.

B. On January 29, 2017, Pilat Group Ltd. (hereinafter - "**Pilat Group**") and Pilat Holdings (1986) Ltd. (hereinafter, jointly, - "**Pilat Group**" and/or the "**Plaintiffs**") filed a lawsuit with the District Court, against Halman Aldubi Provident and Pension Funds Ltd. (by virtue of its merger with Hadas Arazim Provident Funds Ltd. on April 30, 2013) (hereinafter - "**Halman Aldubi**" and "**Hadas Provident**", respectively) - which was merged into Phoenix Pension and Provident on October 1, 2021 - and against 17 other defendants, including Oracle Solutions Ltd. (hereinafter - "**Oracle**"). The main arguments of the claim was that some of the defendants joined Oracle in purchasing shares of the Pilat Group, constituting approx. 17.9% of the voting rights in Pilat Group (hereinafter - the "**Oracle Group**"), and that Hadas Provident joined forces with the Oracle Group to acquire control of Pilat Group, such that Oracle would hold 20% of the voting rights, and Hadas Provident - approx. 17%, while obtaining the approval of the Israel Securities Authority (ISA) that the Oracle Group and Hadas Provident not be considered "joint holders" under the Securities Law, 1968, which concealing from the ISA data and documents reflecting cooperation between the parties. In addition, allegations were made regarding a series of appointments and interested party transactions made in Pilat Group in violation of the law, which allegedly contributed significantly to the collapse of Pilat Group.

In the statement of claim, the Court is requested to order the defendants, jointly and severally, to compensate the plaintiffs for the damage caused to them, according to the claim, due to the impairment of Pilat Group, at a total of NIS 35.9 million; in addition declaratory reliefs are requested against the Oracle Group and Hadas Provident. In June 2023, the Court approved a mediation agreement between the plaintiffs and all of the other defendants other than Halman Aldubi. On February 19, 2025, a judgment was handed down dismissing the lawsuit against Halman Aldubi and certifying the mediation agreement between the parties for the purpose of the expenses payable to Halman Aldubi by the Pilat Group. The proceeding was thus concluded.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Contingent liabilities (cont.)**

**4. Legal and other proceedings (cont.)**

C. 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.

D. In April 2023, a letter was received from the Capital Markets 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.

E. On September 11, 2024, a lawsuit was received against ESOP Management and Trust Services Ltd. (hereinafter - "**ESOP**") regarding events that mainly occurred in the years 2015-2017, when ESOP was the trustee under Section 104H of the Income Tax Ordinance [New Version], and in accordance with a tax ruling issued in the case. Under the tax ruling, the plaintiff's shares were deposited with ESOP in trust, and ESOP who was meant to hold the shares until they are sold and the withholding tax is paid, in accordance with the terms of the ruling and Section 104H of the Ordinance. According to the plaintiff, EESOP ought to have paid the withholding tax and sold the shares, of its own initiative, when the taxes became due in accordance with the provisions of the Ordinance. Subsequently, the plaintiff received an assessment from the Israel Tax Authority together with a deficit fine; therefore, as part of the lawsuit they request that ESOP is charged a total of approx. NIS 22 million. The proceeding continues to be heard in court.

F. 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 21.15 million million. The causes of action against the Group in these proceedings are different.

**5. 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.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### A. Contingent liabilities (cont.)

#### 5. Complaints (cont.)

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 monetary 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 profits 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.

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 and more.

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.

#### 6. Summary table

The following table summarizes the amounts claimed in 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 amounts claimed do not necessarily reflect the amounts of exposure 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 compromise agreement was approved in respect thereof.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**A. Contingent liabilities (cont.)**

**6. Summary table (cont.)**

| Type | No. of claims | The amount claimed in NIS thousand (unaudited) |
|---|---|---|
| Certified class actions: | | |
| A specific amount was attributed to the Company | 5 | 794,743 |
| The claim pertains to several companies and no specific amount was attributed to the Company | 2 | 328,000 |
| No claim amount was specified | 6 | - |
| Pending motions to certify claims 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 claim amount was specified | 20 | - |
| Other material claims: | | |
| A specific amount was attributed to the Company | 1 | 21,820 |
| The claim pertains to several companies and no specific amount was attributed to the Company | - | - |
| No claim amount was specified | - | - |
| Claims and other requirements | 17 | 21,149 |

The total provision amount in respect of class actions, legal proceedings and others, filed against the Group as detailed above as of December 31, 2024 and December 31, 2023, amounted to approx. NIS 549,943 thousand (of which a total of approx. NIS 236,142 thousand is for concluded class actions) and approx. NIS 449,468 thousand, respectively.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### B. Guarantees and pledges provided

1) In 2002, the TASE's Board of Directors decided to establish a risk reserve for its clearing house to secure members' undertakings to the clearing house. The share of each TASE member in the fund shall be determined in accordance with its share in the volume of trade taking place on the TASE based on its general daily average acquiring volume. Accordingly, Excellence deposited its share with the TASE risk reserve - amounting to approx. NIS 90 million as of December 31, 2024 (as of December 31, 2023 - approx. NIS 55 million).

2) As of the date on which Amendment No. 28 came into effect, fund managers who opt to do so will be allowed, in accordance with the provisions and conditions set out in the tracker funds regulations, to set variable management fees, which under certain circumstances will allow fund managers to cancel or reduce the difference between the fund's yield and the change in the price of the underlying asset during the calculation period, by increasing the management fees if the fund's yield exceeded the yield on the underlying asset (positive management fees), and by refunding management fees when the difference between the fund's yield and the yield on the underlying asset is negative (negative management fees), by a rate of 0.1%, 0.2% or 0.3%, as a function of the fund's exposure to the indexes listed on the tracker funds regulations. To secure the payment of the variable management fees, fund managers are required to provide a deposit, whose amount will be determined in accordance to a mechanism set in the tracker funds regulations; alternatively, fund managers can provide a bank guarantee. The deposit will be deposited with an account, which is free from any charge, foreclosure, lien or any other third-party right; the trustee shall have exclusive signatory rights in such an account. KSM Mutual Funds decided that some of the tracker funds under its management shall have variable management fees; therefore, KSM Funds provided a bank guarantee in favor of the trustees of the ETFs; the guarantee was issued by Bank Hapoalim Ltd. as collateral for payment of the variable management fees. The amount of the guarantee is calculated by multiplying the rate of variable management fees by total assets under management in the ETF in respect of which variable management fees were determined in accordance with the Joint Investment Trust Regulations (Tracker Funds), 2018. The above – except for a designated deposit (in lieu of a bank guarantee, as stated above) in favor of the trustee for Hermetic (NIS 15.6 million), in favor of the trustee for Almagor (NIS 0.1 million), and in favor of the trustee for U-Bank (NIS 0.004 million).

3) Excellence Investment Management and Securities Ltd. placed charges - unlimited in amount - on its securities account in favor of Mizrahi Tefahot Bank Ltd. and in favor of the TASE Clearing House. The charge in favor of Mizrahi Tefahot Bank Ltd. is designed to secure liabilities in respect of writing MAOF options of Excellence Investment Management and Securities Ltd. and its customers. The charge in favor of the TASE Clearing House is required under the directives of the TASE. As of December 31, 2024, the liability amount is NIS 19 million (December 31, 2023 - approx. NIS 24 million). Furthermore, a guarantee was provided by Mizrahi Tefahot Bank Ltd. in respect of the bank's obligation to the TASE Clearing House for daily monetary acquiring purposes. The maximum guarantee amount is NIS 100 million (as of December 31, 2023 - approx. NIS 50 million), and it varies in accordance with the TASE Clearing House's directives regarding a minimum debit ceiling.

### C. Commitments

1) As of December 31 2024, Phoenix Insurance has commitments to acquire investment property and property, plant and equipment totaling approx. NIS 895 million, of which approx. NIS 390 million is in respect of yield-dependent contracts; most of the amount is in respect of the 1000 Complex, see also Section 4 below (as of December 31, 2023, Phoenix Insurance had such commitments totaling approx. NIS 1,321 million, of which NIS 456 million is in respect of yield-dependent contracts).

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### C. Commitments (cont.)

2) The Group has commitments to pay rent and maintenance in respect of offices in future years (excluding VAT), as follows:

| Year | December 31, 2024 | December 31, 2023 |
|---|---|---|
| | NIS thousands (*) | |
| Up to one year | 20,677 | 23,941 |
| One to two years | 3,975 | 19,915 |
| Two to three years | 3,624 | 6,029 |
| Three years and up | 302 | 12,058 |
| | **28,578** | **61,943** |

(*) The rent is linked in part to the exchange rate of the US dollar and in part to the CPI. The above amounts do not reflect the effect of future changes in the CPI and/or the exchange rate of foreign currency on the amounts of commitments, and they are presented in nominal values.

3) Phoenix Insurance has undertakings for future investments in investment and venture capital funds totaling approx. NIS 12,029 million as of December 31, 2024, of which approx. NIS 8,633 million is in respect of yield-dependent contracts. (as of December 31, 2023, approx. NIS 11,713 million, of which approx. NIS 8,434 million is in respect of yield-dependent contracts.) In addition, the Company has commitments to provide credit totaling approx. NIS 3,280 million as of December 31, 2024, of which, a total of approx. NIS 1,757 million is in respect of yield-dependent contracts. (as of December 31, 2023 - approx. NIS 3,609 million, of which approx. NIS 1,667 million is in respect of yield-dependent contracts.)

4) On December 17, 2019, Phoenix Insurance won a tender that relates to an area measuring approx. 60 dunam located in the "Elef Complex" in Rishon Lezion, where the construction rights in the tender pursuant to the present urban building plan amount to a total of approx. 355,000 sq.m. In accordance with the terms of the tender, the winner undertook to construct about half of the building area within a period of about eight years from the signing date of the agreement with the City of Rishon Lezion, where an obligation for self use exists for an area measuring about 50,000 sq.m. in 5 years. With respect to the remaining land, on September 5, 2021, a deal was signed with Ashtrom for the sale of 26.07% of the land (excluding the portion designated for own use) by the Company and "Acro Landscape, Limited Partnership," who had won the tender. The estimated cost of construction work with respect of half of the building rights, which the Company undertook to construct within 8 years, is approx. NIS 2.29 billion, of which approx. NIS 1.04 billion is attributed to the construction of the building designated for own use.

5) Phoenix Pension and Provident Fund Ltd. has an agreement with Malam Provident and Pension Funds Operation Ltd., whereby Malam renders Phoenix Pension and Provident Fund Ltd. operating services for planholders' accounts with the provident fund and the personally managed advanced education fund under its management, in consideration for tiered monthly operating fees derived from the planholders' total assets. The agreement is for an unlimited period; it includes a termination mechanism whereby the parties may terminate it by giving advance notice in accordance with the terms of the agreement. Malam and Pension and Provident also provides operational services to the members' accounts in the veteran pension funds "Magen" and the "Lawyers' Pension Fund."

6) Phoenix Pension and Provident Fund Ltd. and Mizrahi Tefahot Bank Ltd. entered into an agreement for the operating of planholders' accounts with provident funds under its management. In 2021, the term of the agreement was extended until the end of 2026; the agreement has in place a termination mechanism and an automatic extension mechanism.

7) As of the report date, Phoenix Pension and Provident Fund Ltd. entered into distribution agreements with most Israeli banking corporations for the distribution of the provident and pension funds under its management.

# NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

## C. Commitments (cont.)

8) As part of the operation of the insurance tracks in the supplementary pension fund managed by Phoenix Pension and Provident, as of 2023, the Company has a reinsurance agreement with Phoenix Insurance Company Ltd. which replaced the reinsurance agreement with the SWISS RE company. The new agreement covers all claims whose insured event date was on January 1, 2023 and thereafter. The agreement with Swiss Re will become a run off cover as soon as the agreement with Phoenix Insurance Company Ltd. will come into effect. The said reinsurance agreement includes a mechanism whereby the pension fund bears 10% of the exposure amount, and the remaining balance (approx. 90%) is ceded to the reinsurer - Phoenix Insurance Company Ltd. The agreement remains unchanged in 2024. The reinsurance premium is based on the risk premium set under the provisions of the legislative arrangement. In January 2025, the reinsurance agreement with Phoenix Insurance Company Ltd. was updated such that, effective from January 1, 2025, the agreement does not include coverage for war and terrorism-related events.

9) In December 2021, a collective agreement was signed for the period from January 1, 2022 to December 31, 2024 between Phoenix Insurance and the New Histadrut Workers' Union – MAOF (hereinafter – the "**Histadrut**"), and the Workers Committee. Concurrently, a new collective agreement was signed for an identical period with Phoenix Pension and Provident (hereinafter jointly for the purpose of this section: the "**Agreement**"); the two companies jointly: "**Phoenix**"). In the reporting year, negotiations towards signing a new collective bargaining agreement commenced, as well as negotiations on the relocation agreement to the new Rishon LeZion campus. For details regarding the main terms of the collective bargaining agreement that expired at the end of the reporting year, see Section 4.6.4 to 2023 Periodic Report (immediate report dated March 27, 2024, Ref. No.: 2024-01-02667).

10) Phoenix Investment House Ltd. has taken out professional liability insurance and fidelity insurance with Phoenix Insurance; the insurance covers the employees of Excellence Investments and its subsidiaries for a 12-month period beginning in June 2024. Furthermore, Excellence has taken out crime insurance, which covers it directly, and is also insured - as of October 2018 - under the officers and directors liability insurance of Phoenix group.

11) Excellence Investment Management and Securities Ltd. has an agreement with FMR Computers and Software Ltd. ("FMR"), according to which the consolidated company receives software development services, computer-assisted data processing, including generation of reports, and computer processing based on information received directly from the TASE. The agreement is extended from time to time. In June 2021 the Company signed an agreement to extend the term of the services agreement with FMR through June 2025; as part of the extension, information security and cyber services were added.

12) Phoenix Insurance and Excellence Nessuah Services Ltd. have an agreement with Danel Financial Solutions Ltd., whereby the company has a license to use the Danel FC software for management of financial assets and for provision of software maintenance services. On May 11, 2021, the term of the existing agreement was extended by 5 years through December 31, 2025.

13) Gama has an acquiring aggregator agreement with CAL, pursuant to which Gama operates as an acquiring aggregator, which was made on July 6, 2017, and was retroactively extended by 5 more years starting from January 1, 2025, on February 27, 2025, subsequent to the balance sheet date. By virtue of the agreement, Gama shall provide acquiring aggregator services to merchants through CAL, which delivers to Gama the transactions' proceeds less a variable fee, which is derived from the overall turnover of all merchants that worked with CAL using Gama's acquiring aggregator services during that month.On February 27, 2025, subsequent to the balance sheet date, the Company retroactively renewed the acquiring aggregator agreement with Cal for a period of 5 additional years, effective from January 1, 2025, until December 31, 2029.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

### C. Commitments (cont.)

14) In order to provide the vouchers factoring services outside its activity as an acquiring aggregator, Gama has agreements with all leading entities providing acquiring services in Israel: Isracard, Max and CAL; the agreements allow Gama to provide debit card vouchers factoring services to merchants that have in place acquiring agreements with those companies, with the latter undertaking to pay Gama the acquiring proceeds assigned to Gama by the merchants.

15) On November 28, 2022, Gama signed an acquiring aggregator agreement with Premium Express Ltd. (hereinafter - "**Premium**"), a subsidiary of Isracard Ltd., in connection with the American Express brand (hereinafter - the "**Aggregator Agreement**"). Alongside the aggregator agreement, Gama has with Israel Credit Cards Ltd. of July 6, 2017, the said engagement with Premium allows Gama to render aggregator acquiring services to all acquiring brands available in Israel. The term of the Aggregator Agreement is 5 years from the date on which it was signed; the agreement may be terminated before the end of its term subject to conditions set out therein. On February 27, 2025, subsequent to the balance sheet date, the Company retroactively renewed the acquiring aggregator agreement with Cal for a period of 5 additional years, effective from January 1, 2025, until December 31, 2029.

16) Gama has agreements for assignment, by way of sale to banks, of credit card transaction vouchers. In 2015-2016 Gama entered into separate agreements with Bank Leumi le-Israel B.M., Bank Hapoalim Ltd., Israel Discount Bank Ltd., and Bank Mizrahi Tefahot Ltd., for the execution of assignment transactions by way of sale of Gama's rights to receive funds in respect of the factoring of payment card transaction vouchers, which were assigned to Gama by merchants. As part of the agreements with the banks, it was agreed that Gama shall irrevocably assign to each of the banks, by way of sale, its rights to receive funds in respect of vouchers cleared for certain merchants by a certain acquiring services entity, in connection with management and factoring agreements signed between Gama and the merchants, whereby the merchants assigned to Gama their rights to receive funds from the acquiring services entities in respect of payment card transaction vouchers executed with cardholders. Pursuant to the provisions of the agreements with the banks, Gama gave the acquiring entities an irrevocable order to deposit the proceeds in respect of the vouchers directly with the bank. Gama makes a representation to each bank regarding the nature of the vouchers, and insofar as the representations are found to be incorrect in respect of any of the vouchers, Gama will refund the voucher's proceeds to the bank that purchased it. Based on past experience, Gama believes that its exposure in respect of those representations is very negligible.

17) Several companies and investment funds engaged in the Group's alternative investments activity have in place an administration services agreement with Tzur Capital Management Ltd. for the provision of services in connection with the partnerships' operating activities, and for the purpose of managing the tax arrangement as the partnership's tax trustee. As part of the agreements, the administrator undertook to provide some of the investment funds trust services in connection with the execution of the tax arrangement, including, among other things, assisting the general partner to calculate operating results for tax purposes for each investor on the tax payment date of each tax year, and calculating the tax to be deducted in respect thereof; and, providing any other data in its possession, which is required to the investors in connection with their compliance with the reporting requirements to the tax authorities in respect of their investment in the partnership, upon request by the investors.
Furthermore, the administrator undertook to provide some of the investment funds trust services in connection with the partnership's accounts (the "Transition Account" and the "Activity Accounts"), which include, among other things, the joint signatory right in the partnership's accounts together with the general partner under certain circumstances, and the administrator's function as a trustee in those accounts in accordance with the partnership agreement. Furthermore, the administrator will provide the partnerships administration services, which include, among other things, management of the investors register, providing various reports to investors and revelation of the fund's assets, FACTA and prevention of money laundering.

## NOTE 43 - CONTINGENT LIABILITIES AND COMMITMENTS (cont.)

**C. Commitments (cont.)**

18) As to agreements for investments in investees, and agreements of investees with others, see Note 8.

**D. Leases**

A. Leases in which the Group is a lessee under an operating lease

The Group is a party to operating lease agreements in respect of vehicles. The average duration of the leases is 3 years, and the leases do not have an extension option. Following is a breakdown of the minimum future lease fees receivable in respect of non-cancelable operating lease contracts as of December 31:

| | For the year ended December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Up to one year | 14,123 | 15,676 |
| From one year to five years | 15,334 | 11,870 |
| | 29,457 | 27,546 |

B. Leases in which the Group is the lessor

Phoenix Insurance Company leases several commercial buildings (investment property) to external entities. The lease agreements are for variable periods that cannot be canceled; the rent is linked to the CPI. Renewal of the lease contracts at the end of their term is subject to the consent of the Company and the lessees.

Following is a breakdown of the minimum future lease fees receivable in respect of non-cancelable lease contracts (without options):

| | For the year ended December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Up to one year | 174,097 | 117,877 |
| From one year to five years | 476,334 | 360,950 |
| Over five years | 172,065 | 407,908 |
| | 822,496 | 886,735 |

## NOTE 44 - SUBSEQUENT EVENTS

A. For details regarding approval by the Company’s Board of Directors for the dividend distribution and share buyback subsequent to balance sheet date, see Note 16.

B. On March 12, 2025, the Company's Board of Directors approved the award of options and restricted shares to employees of the Company and its subsidiaries, some of whom are officers of the Company (including the Company's CEO) and to service providers of the Company. For further details, see Note 37B7.

C. In connection with class actions filed and developments in lawsuits after the balance sheet date, see Note 43.

# NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9

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

IFRS 17 sets rules for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes the current guidance on this issue under IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority. The new standard is expected to trigger material changes in the Company's financial reporting.
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. Phoenix Insurance 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.

A. **<u>Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9</u>**

As part of the standards' adoption process, the Company is implementing and integrating IT systems that are necessary for applying the provisions. In addition, the Company is testing and mapping the required controls and the flow of information to the financial statements.

In accordance with the Commissioner's requirements, the Company filed Part One of the results of the second Quantitative Impact Study (hereinafter - "**QIS**") (QIS1 was submitted in August 2023); Part One of QIS2 includes only the calculation of the opening balances as of July 10, 2024. On September 15, 2024, the Company filed the second part of QIS 2, comprising on-balance sheet data in accordance with IFRS 17 and IFRS 9 as of January 1, 2024 and March 31, 2024, and operating results data for the three-month period ended March 31, 2024. On December 31, 2024 the Company submitted the QIS3 data, which included on-balance sheet data in accordance with IFRS 17 and IFRS 9 as of January 1, 2024 and June 30, 2024, and operating results data for the six-month period ended June 30, 2024.

In addition, according to the Roadmap, in the Annual Financial Statements for 2024 - the Insurance Company is required to provide disclosure regarding the line items of the statement of financial position (pro-forma balance sheet) as of January 1, 2024; that is to say, opening balance data as of the transition date, including 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 provision for credit losses, as well as disclosure of main line items of the comprehensive income statement for the six-month period ended June 30, 2024. For details regarding a pro forma balance sheet as of January 1, 2024, see Section D below.

For the purpose of the preparations made by insurance companies in Israel for the adoption of IFRS 17, the Commissioner published an insurance circular entitled Professional Issues Pertaining to the Application of IFRS 17 in Israel (hereinafter - the "**Professional Issues Circular**"). The accounting policies described below are based, among other things, on this circular.

It is emphasized that all the details provided below in connection with the accounting policy are correct as of the date of this report and may change.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 1. The Standard's scope

IFRS 17 applies to contracts, which meet the definition of an insurance contract and include:

a) Insurance contracts, including reinsurance contracts, which the Company issues;
b) Reinsurance contracts held by the Company; and
c) Investment contracts with discretionary participation features, which the Company issues, provided that it also issues 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

IFRS 17 stipulates that an Investment Component and a Service Component will be separated from the insurance contract only if they are distinct. An embedded derivative shall be separated only if it meets the criteria set forth in IFRS 9. Where these components were separated from the insurance contract, they will be accounted for within the scope of the relevant standard.

The application of IFRS 17 will have a material effect on the classification of contracts as insurance contracts compared to IFRS 4. Furthermore, the Company is not expected to separate from the insurance contracts components, which will be accounted for within the scope of another standard.

#### 2. The measurement model

The standard includes three models for measuring the liability in respect of insurance contracts:

A. General measurement model (GMM)

In accordance with this model, which constitutes the standard's default model, the liability in respect of groups of insurance contracts should be measured at the initial recognition date as the present value of the discounted best-estimate of future cash flows (BE), plus an explicit risk adjustment (RA) in respect of the non-financial risks. The expected income implicit in the insurance contracts, which is derived from such calculations, shall be recognized as a liability (contractual service margin - CSM), which was recognized in profit and loss over the Group's coverage period. If an expected loss will be derived, it will be recognized immediately in profit and loss. Such liability components are classified into two types of liabilities: Liability for remaining coverage (LRC) and liability for incurred claims (LIC).

In subsequent periods, the contractual service margin will be adjusted in respect of changes in non-financial assumptions related to the future service. If the contractual service margin reached zero as a result of those changes, any change beyond that will be recognized immediately in profit and loss. On the other hand, changes arising from the time value of money and financial risks shall be recognized immediately in profit and loss under finance expenses in respect of insurance contracts.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 2. The measurement model (cont.)

A. The general model - the GMM model (cont.)

In held reinsurance contracts, the contractual service margin may be an asset or a liability and it represents the net expected cost or the net expected income, respectively. If the reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by the reinsurer, the Company will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the contractual service margin.

Following are the main products, which will be measured using the GMM model by segments:

Issued insurance contracts

- Life Insurance Segment - non-yield-dependent savings policies, individual and collective life insurance, and individual and collective disability insurance, which are sold as a standalone policy.
- Health Insurance Segment - all health insurance products, excluding short-term health insurance products.

Reinsurance contracts

- In the Life Insurance Subsegment - all reinsurances
- In the Health Insurance Segment - all reinsurances

B. The variable fee approach - the VFA model

This model is a modification of the GMM model and applies to contracts with direct participation features. Insurance contracts with direct participation features are insurance contracts under which the Company promises an investment return to the policyholder based on underlying items. In other words, the contract includes a significant service associated with investments.
IFRS 17 defines an insurance contract with direct participation features as an insurance contract, unpot the entering into which:

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.

In accordance with the VFS model, the cash flows for the fulfillment of the contract are composed of the liability to pay the policyholder an amount equal to the fair value of the underlying items, net of the variable fee in respect of the service. A change in the liability to pay the policyholder an amount equal to the fair value of the underlying items is recognized directly in finance expenses in respect of insurance contracts. The contractual service margin is adjusted in respect of changes in non-financial assumptions, as is the case in the GMM model, and in respect of financial changes, which affect the variable fee.

The VFS model is expected to significantly reduce the fluctuations in the Company's results in respect of insurance contracts, which include a participating savings component, arising from the actual performance of the capital market in the reporting period.

Following are the main products, which will be measured using the VFA model:

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 2. The measurement model (cont.)

B. The variable fee approach - the VFA model (cont.)

Issued insurance contracts

Life Insurance Segment - savings policies, which include a yield dependent savings component.

VFA contract risk mitigation alternative

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 intends to put into practice the risk mitigation alternative set in the standard with regard to changes in the cash flows for the performance of a contract 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 (income) from insurance contracts' concurrently with the income 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.

C. The premium allocation approach - the PAA model

This model is a simplification of the general measurement model; it can be applied to certain groups of insurance contracts, for which it provides a measurement, which is a reasonable approximation to a measurement in accordance with the general measurement model.

In accordance with this model, the liability in respect of the remaining coverage is determined as the total amount of the premiums received net of any insurance acquisition cash flows, and net of the premium amounts and insurance acquisition cash flows, which were recognized in profit or loss in respect of the coverage period, which elapsed. Premiums received and insurance acquisition cash flows are recognized in profit or loss over the coverage period on the basis of the passage of time. If insurance contracts in the group have a significant financing component, the Company shall adjust the carrying amount of the liability for remaining coverage to reflect the time value of money and the effect of financial risk in accordance with the interest rate curve as of initial recognition date, which is calculated as detailed in this note.

For groups of insurance contracts, under the PAA model the Company may recognize any insurance acquisition cash flows as expenses when it incurs those costs, provided that the coverage period of each contract in the group is no more than one year. The Company expects that it will not apply this alternative.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

**A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)**

**2. The measurement model (cont.)**

C. Premium Allocation Approach - the PAA model (cont.)

If facts and circumstances indicate that a group of insurance contracts is onerous, the Company measures the present value of the future cash flows plus a risk adjustment in respect of non-financial risks, as is the case in the principles of the general measurement model. If this amount exceeds the carrying amount of the liability in respect of the remaining coverage, the Company shall increase the liability in respect of the remaining coverage against an immediate recognition of a loss in the statement of profit and loss.

If a reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by it, the Company will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the carrying amount of the asset for remaining coverage.

The liability for incurred claims is calculated in accordance with the same principles as those used in the GMM model. 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.

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 model.

The Company may apply the Premium Allocation Approach for held groups of reinsurance contracts, adapted to reflect the features of reinsurance contracts held, which differ from insurance contracts issued.

The Company opted to measure the following groups of insurance contracts under the PAA model:

Property and Casualty Insurance

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 model, and the liability, which will be produced from applying the general model (PPA eligibility test).
The Company expects that all of its property and casualty insurance contracts will meet the criteria for the implementation of this approach.
The measurement of the insurance contracts using the PAA model is essentially similar to the measurement of property and casualty insurance contracts under the Company's existing policy pursuant to IFRS 4. However, there are measurement differences, which affect the amount of the liability in respect of insurance contracts, such as: The restriction regarding the discounting of acquisition costs, the offsetting of excess fair value of non-financial assets (UGL), reinsurers deposits, etc.

Health Insurance

Short-term insurance contracts, such as: Travel insurance contracts.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 3. Aggregation level

IFRS 17 requires the aggregation of insurance contract into groups for recognition and measurement purposes. The Company will determine the groups upon initial recognition and will not change the composition of the groups at a later date.
Initially, the Company is required to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Once it identified a portfolio, the Company shall divide it into a minimum of the following groups, based on the expected profitability upon initial recognition:

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

In accordance with the standard, for contracts to which the Company applies the PPA model, the Company shall assume no contracts in the portfolio are onerous at the initial recognition date, unless facts and circumstances indicate otherwise. IFRS 17 stipulates that an entity shall not include contracts issued more than one year apart in the same group, such that each underwriting year will be associated with a separate group of insurance contracts.

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 will normally allocate the insurance contract in its entirety to a single group of insurance contracts. It is only in cases where the legal form of the policy does not reflect the economic substance of the rights and obligations included in the contract, that the Company separates the coverages and recognizes them as separate insurance contracts. This approach is materially different from the Company's policy under IFRS 4, where under the Company normally recognizes and measures 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 will recognize and measure such policies as a single insurance contract.

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 ordinary compulsory motor insurance policies sold by the Company.

# NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

## A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

### 4. Contract boundaries

Cash flows are within the boundaries of an insurance 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 services. A substantive obligation to provide services ends when the Company has the practical ability to reassess the risks of the particular policyholder (single policyholder) or the insurance contracts portfolio. At this point, the Company has the practical ability to set a new price or to change the terms of the benefits that fully reflect the same risks, provided that in the pricing at the portfolio level the overall premium did not include a future cost risk. The Company's practical ability to set a price at a future date, which fully reflects the risks in the contract from that date, exists in the absence of constraints, which prevent the Company from setting the same price it would for a new contract with the same characteristics as the existing contract.

When determining the contract boundaries of insurance contracts, the Company assesses each contract separately, and weighs all the substantive obligations and rights, regardless of whether they arise from a contract, law or regulation, and ignoring conditions with no commercial substance.

Cash flows are within the boundary of a reinsurance contract 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 coverage.

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

A. <u>Individual health insurance policies issued from 2016 and thereafter</u>
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 will be included in the contract's boundaries.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 4. Contract boundaries (cont.)

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's boundaries, 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.

C. Reinsurance contracts held

In accordance with the accounting policy applied under IFRS 4, the measurement of the reinsurance contracts is only in respect of the underlying contracts, which were transferred to the reinsurer as of the balance sheet date. In accordance with IFRS 17, except for these cash flows, the reinsurance contract boundaries 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.

#### 5. Risk adjustment (RA) in respect of non-financial risk

The RA reflects 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 also reflects the following:

- The level of compensation for diversification that the Company includes when setting the compensation it claims for bearing that risk; and
- Both favorable and unfavorable outcomes, in a way which reflects the Company's degree of risk aversion.

The Company adjusts the estimated present value of the future cash flows in respect of this amount, which is reflected separately in the Company's total liabilities.

IFRS 17 does not specify the estimation techniques used to determine the risk adjustment for non-financial risk.
In life and health insurance, the risk margin will be 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 margin at the portfolio level, the Company takes into account the compensation for diversification between the Company's various portfolios and segments. For its reinsurance contracts, the Company calculates the non-financial risk margin 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 margin transferred to the reinsurer as the amount of the difference between gross and retention as detailed above.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 6. Interest rate curves

IFRS 17 stipulates that the estimates of future cash flows should be adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent that the financial risks are not included in the estimates of the cash flows.

The standard stipulates that the discount rates applied to the estimates of the future cash flows shall:

a) reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts;
b) be consistent with observable current market prices (if any) for financial instruments with cash flows whose characteristics are consistent with those of the insurance contracts, in terms of, for example, timing, currency and liquidity; and
c) exclude the effect of factors which influence such observable market prices but do not affect the future cash flows of the insurance contracts.

The Company determines the interest rate curves for all groups of insurance contracts using the Botton-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.

The technique used to estimate the risk-free interest rate curve as described above is in line with the approach implemented for purposes of Liability Adequacy Test (LAT) under IFRS 4.

#### 7. The coverage units and the manner of releasing the contractual service margin (CSM)

The CSM represents the liability in respect of the unrealized gain relating to future services. In accordance with the standard, the CSM will be recognized in profit and loss over the coverage period through a pattern which reflects the insurance service provided by the Company in connection with the contracts which are included in the insurance contracts group. This pattern is determined based on the coverage units which were provided during the period compared to the coverage units which are expected to be provided in the future in connection with the insurance contracts group.
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 Company selected several parameters for the purpose of calculating the coverage units, and various weights in order to adapt the different coverage units, based on the expected amount of benefits payable to a policyholder from each type of coverage or service.

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

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

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 8. Cash flow for purchase of insurance

Insurance acquisition cash flows are cash flows arising from the costs to sell, underwriting and starting a group of insurance contracts which are directly attributable to the portfolio of insurance contracts to which the group belongs. When insurance acquisition cash flows are directly attributable to a group of insurance contracts, they will be allocated to that group and to groups, which will include insurance contracts, which are expected to arise from renewals of the insurance contracts within that group, where relevant. Insurance acquisition cash flows, which are directly attributable to a portfolio of insurance contracts, will be allocated to groups of contracts in the portfolio, including groups of insurance contracts, which have not yet been recognized. If the Company allocated an insurance acquisition cash flows amount to insurance contracts which have not yet been recognized, this amount will be recognized as a separate asset. Cash flows to purchase insurance shall be allocated to future renewals. This asset will be derecognized when the renewals to which the asset relates will be recognized. Furthermore, the Company will assess the recoverability of the asset if there will be indications of impairment.

Insurance acquisition cash flows relating to insurance contracts, which have already been recognized, 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 (in the GMM/VFA model), or the carrying amount of the liability in respect of the remaining coverage in the PAA model. This is a significant change in relation to the policy as per IFRS 4, whereby all insurance acquisition cash flows were recognized and measured as a separate asset in the statement of financial position. It is noted that consequently in the GMM/VFA model the insurance acquisition cash flows will be recognized in the Company's profit or loss in accordance with the timing of the CSM release, instead of the amortization method currently in place, which is based on straight line amortization plus taking into account actual cancellations.

The Company is still studying the need to recognize an insurance acquisition cash flows asset.

#### 9. Presentation

Under IFRS 17, the Company will disaggregate the amounts recognized in the statement of profit or loss and other comprehensive income into:

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

B. Finance income or finance expenses from insurance.

The above disaggregation shall increase transparency as to the Company's sources of income.

Insurance service results

Total revenues from insurance contracts for a group of insurance contracts is the consideration for the contracts adjusted to reflect finance effects.
Revenue from insurance services in the GMM and VFA model shall be calculated based on the decrease in liability in respect of the remaining coverage in respect of the services provided in the period plus the allocation of the premiums amount relating to recovery of the insurance acquisition cash flows for the reporting period. The Company will make this allocation in accordance with the coverage units used to release the CSM. In the PAA model, income from insurance services are recognized over the coverage period based on the passage of time.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 9. Presentation (cont.)

Insurance service results (cont.)

Investment components, which were not separated from the insurance contracts, will not be recognized in expenses and income from insurance contracts. 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.

The key investment components which were identified are in products which included a savings component.
Following the above, the Company expects that its income and expenses from insurance services will decline significantly in the transition to IFRS 17, with no effect on comprehensive income.

Expenses which are directly attributable to sale and fulfillment of the insurance contracts shall be included in the measurement of the insurance contract and recognized as an expense as part of insurance service results. Expenses which are not directly attributable to the insurance contracts will be recognized as an expense as incurred outside the insurance service results.

Finance income or finance expenses from insurance

Under IFRS 17, changes in the carrying amount of the group of insurance contracts arising from the effect of the time value of money and changes in the time value of money; and the effect of financial risk and changes in financial risk are recognized as insurance finance income or expenses.

IFRS 17 stipulates that the Company shall make an accounting policy choice between:

a) including insurance finance income and expenses for the period in profit or loss; or
b) Disaggregating insurance finance income and expenses for the period between profit or loss and other comprehensive income.

This selection is carried out at the level of the insurance contracts portfolio.

The accounting policy, which was selected by the Company for all insurance portfolios, is the inclusion of insurance finance income and expenses for the period in profit or loss. This policy together with the policy to designate the financial assets, within the scope of IFRS 9 eliminates mismatches in the measurement of assets and liabilities.

IFRS 17 does not require disaggregation of the RA between insurance service results and finance income or finance expenses from insurance.

The Company expects it will not apply this expedient and that it will disaggregate the RA between insurance service results and finance income or finance expenses from insurance.

#### 10. Provisions for the Transitional Period

IFRS 17 should be applied retrospectively (hereinafter - "**Full Retrospective Application**"), unless this is impractical. In applying the Full Retrospective Application, the Company shall identify, recognize and measure each group of insurance contracts and any insurance acquisition cash flows as of the transition date as if IFRS 17 had been applied retrospectively. Furthermore, the Company shall derecognize any existing balances which would not exist had IFRS 17 been applied retrospectively. Any resulting net difference will be recognized in equity.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 10. Provisions for the Transitional Period (cont.)

The transition date is January 1, 2024, such that upon initial application the Company will restate the comparative figures for 2024.

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

a) The modified retrospective approach (MRA) - to achieve the closest outcome to full retrospective application possible using reasonable and supportable information available without undue cost or effort; or

b) The fair value approach (FVA) - 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 following is the application approach as of the transition date for the insurance portfolios selected by the Company:

1. The full retrospective approach (FRA)

- For property and casualty insurance portfolios.
- For short-term health insurance portfolios measured in accordance with the PAA model.

It is the Company's position that it is impractical to apply the retrospective approach for life and long-term health insurance portfolios for the following reasons:

a) The effects of a full retroactive 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, information regarding changes in assumptions and assessments, etc.) is not available due to data retention requirements or other reasons.

b) The full retrospective application approach requires assumptions regarding Company management's intentions in previous periods or material accounting assessments, which cannot be executed the use of hindsight.

2. The modified retrospective approach (MRA)

For some of the insurance contract groups in the Life and Health Insurance Segment.
In applying this approach, the Company implemented the following permitted adjustments for the purpose of setting the CSM on the transition date:

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

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

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)

#### 10. Provisions for the Transitional Period

2. The modified retrospective approach (MRA) (cont.)

   c) The CSM determined as of the initial recognition date as described above is reduced as of the transition date by comparing the remaining coverage units at that date with the coverage units provided before the transition date.

      For further details regarding the CSM balance as of the transition date according to this approach, see Section E below.

3. The fair value approach - FVA

   All other insurance contract groups in the Life and Health Insurance Segment will be measured in accordance with the FVA approach.

   In accordance with the Commissioner's Directive, the assessment of the fair value of the liabilities and the reinsurance assets shall be carried out using the Appraisal Value method (hereinafter - "**AV**"). The calculations under this method shall be 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.

   Following are the main assumptions underlying the valuation:

   1. Required capital: The capital requirements are based on the provisions of Solvency II. 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.

   2. 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.

   3. Target Return on Equity (TRE): The appraisal ASSUMES 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.

   4. 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.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

**A. Phoenix Insurance's preparations for the application of IFRS 17 and IFRS 9 (cont.)**

**10. Provisions for the Transitional Period**

3. The fair value approach - FVA (cont.)

5. 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 Solvency II calculations.

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

In applying the fair value approach, 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.

**B. IFRS 9 - Main changes in the accounting policies**

**Classification and measurement**

Financial assets

In implementing IFRS 9, the Company will classify financial assets in accordance with their subsequent measurement at amortized cost, at fair value through other comprehensive income or at fair value through profit or loss, based on the entity's business model for managing financial assets, and projected cash flow of the financial asset.
A financial asset will be measured at amortized cost if the two following conditions are fulfilled:

a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
b) The contractual terms and conditions of the financial asset provide entitlement, at specified dates, to cash flows that are only principal and interest payments in respect of the outstanding principal amount (hereinafter - the "**Principal and Interest Test**").

A financial asset will be measured at fair value through other comprehensive income if the two following conditions are fulfilled:
a) The financial asset is held within a business model whose objective is to collect contractual cash flows and to sell financial assets; and
b) The principal and interest criterion is fulfilled.
A financial asset will be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income.

Notwithstanding the foregoing, on initial recognition date, the Company may designate a financial asset as measured at fair value through profit or loss if such designation eliminates or significantly reduces a measurement or recognition inconsistency, which would have otherwise arisen from the measurement of assets or liabilities or from recognition of gains and losses thereon using other bases.

The application of IFRS 9 will have the following effect on the classification and measurement of the Company's financial assets:

Participating portfolio

The underlying items of insurance contracts, which include participating savings and other insurance contracts, which include profit participation, will be measured at fair value through profit or loss, as is the case in the accounting policy as per IAS 39.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

### B. IFRS 9 - Main changes in the accounting policies (cont.)

**Classification and measurement (cont.)**

The Nostro portfolio

- Investment in equity instruments will be measured at fair value through profit or loss instead of at fair value through other comprehensive income under IAS 39.
- Derivatives will be measured at fair value through profit or loss as is the case in IAS 39.
- Investments in equity instruments held against insurance liabilities will be measured at fair value through profit or loss, in order to create an accounting mismatch with the measurement of liabilities in respect of insurance contracts.
- Designated bonds - will be measured at fair value through profit or loss in accordance with the circular published by the Authority regarding measurement of the fair value of the designated bonds, in order to create an accounting match with the measurement of liabilities in respect of guaranteed return insurance policies.
- Investments in illiquid equity instruments held against equity and other liabilities, which are not insurance liabilities will be measured at amortized cost. Liquid debt instruments shall be measured at fair value through profit or loss.

In accordance with changes in the measurement of assets, on December 31, 2024 the Company transferred assets between the segments in order to achieve an allocation of assets, which is optimal in terms of the liabilities' characteristics.

Financial liabilities

The Company does not expect a material change in the classification and measurement of the financial liabilities.

**Impairment model of financial assets**

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

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

a) Debt instruments with no significant impairment in credit quality since initial recognition or with a low credit risk - the provision for loss recognized for this debt instrument will take into account current expected credit losses in the 12 months period after the reporting date, or;

b) debt instruments with significant deterioration in credit quality since initial recognition and their credit risk is not low, the provision for loss recognized will take into account the expected credit losses - over the balance of the useful life of the instrument. The will apply Company the expedient, according to which it shall assume that the credit risk of a debt instrument has not increased significantly since its initial recognition date, if it is determined, at the reporting date, that the instrument has low credit risk, for example - if the instrument has an external "investment grade" rating.

The impairment in respect of debt instruments measured at amortized cost shall be recognized in profit or loss against a provision, whereas the impairment in respect of debt instruments measured at fair value through other comprehensive income shall be recognized against capital reserve and will not reduce the carrying amount of the financial asset in the statement of financial position.

# NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

## C. Amendments to IFRS 9 - Financial Instruments and IFRS 7 - Financial Instruments: Disclosures

On May 30, 2024, the International Accounting Standards Board (hereinafter - "**IASB**") published amendments to IFRS 9 Financial Instruments (hereinafter - "**IFRS 9**") and IFRS 7 Financial Instruments: Disclosures (hereinafter - "**IFRS 7**"), which amend certain aspects of classification and measurement of financial instruments.

The amendments address the following topics:

1. Derecognition of a financial liability settled through an electronic payment system - an entity may deem a financial liability (or part thereof), which is settled in cash through an electronic payment system, to be discharged before the settlement date if specified criteria are met. The above option constitutes an accounting policy, and an entity that elects to apply this policy would be required to apply it to all settlements made through the same electronic payment system.
2. Assessing the features of contractual cash flows for the purpose of classifying financial assets - the amendments provide clarity on how to assess the features of the contractual cash flows of financial assets with environmental, social and corporate governance (ESG) features and other similar contingent features. Furthermore, the amendments expand the definition of the term non-recourse and clarify the features of contractually linked instruments (CLIs).
3. Disclosures - new disclosure requirements were added to IFRS 7 for financial assets and liabilities with contractual conditions related to contingent events (including those with ESG-linked features), and equity instruments measured at fair value through other comprehensive income (FVTOCI).

The amendments to the standards will be applied retrospectively as from annual reporting periods beginning on January 1, 2026 or thereafter. Earlier adoption is permitted but will need to be disclosed. Furthermore, an entity may early adopt only the amendments related to the classification of financial assets and the related disclosures while providing a disclosure. An entity will not present comparative information, but is permitted to do so if, and only if, it is possible without the use of hindsight.
The Company is assessing the effects of the above amendments on its consolidated interim financial statements.

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

**D. Quantitative disclosure - pro forma data regarding the expected effect of the application of IFRS 17 and IFRS 9 on statements of financial position line items as of January 1, 2024:**

| | | As of December 31, 2023 as reported | Effect of restatement | As of January 1, 2024 (restated) |
|---|---|---|---|---|
| | | | 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 certificate deposits and structured bonds | | 173,000 | | 173,000 |
| Credit assets in respect of factoring, clearing and financing | | 3,700,349 | - | 3,700,349 |
| Receivables and debit balances | | 1,047,092 | (17,535) | 1,029,557 |
| Current tax assets | | 157,662 | - | 157,662 |
| Insurance contract assets | | - | 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** | **(36,418)** | **159,758,311** |
| **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 | (2,083,605) | 1,585,560 |
| 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 | | 103,719,615 | 2,974,603 | 106,694,218 |
| 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 | 6 | 764,322 | (329,950) | 434,372 |
| Liabilities in respect of structured products | | 171,000 | - | 171,000 |
| **Total liabilities** | | **148,899,697** | **598,739** | **149,498,436** |
| | | | | |
| **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 | 543,863 | 9,042,925 |
| Total equity attributable to Company's shareholders | | 10,580,295 | (635,157) | 9,945,138 |
| Non-controlling interests | | 314,737 | - | 314,737 |
| **Total equity** | | **10,895,032** | **(635,157)** | **10,259,875** |

## NOTE 45 - APPLICATION OF IFRS 17 AND IFRS 9 (cont.)

**D. Quantitative disclosure - pro forma data regarding the expected effect of the application of IFRS 17 and IFRS 9 on statements of financial positionline items as of January 1, 2024: (cont.)**

1. Most of the change arises from revaluation to fair value of designated bonds instead of measurement at adjusted cost. For further details, see Section B above. 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 estimate of 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. For further details, see Note 23, Section 2A(b).

**E. Disclosure regarding Contractual Service Margin (CSM) and Risk Adjustment (RA) as of January 1, 2024 in NIS thousand:**

| | Life and Long-Term Savings | Health | Property and Casualty | Total |
|---|---|---|---|---|
| **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 | **3,045,901** | **6,669,881** | **-** | **9,715,782** |
| **Risk adjustment (RA)** | | | | |
| Risk adjustment (RA) | 762,963 | 1,152,464 | 493,199 | 2,408,627 |
| Risk adjustment (RA), reinsurance | 108,606 | 233,846 | 198,008 | 540,460 |
| Risk adjustment, net | **654,357** | **918,618** | **295,192** | **1,868,167** |

* Of the abovementioned balances, the CSM amount for which the Company implemented the adjusted modified retrospective approach (MRA) is approx. NIS 3 billion.

**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.

**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.

## Appendix A - Breakdown of Other Financial Investments of Consolidated Insurance Company

## Further information regarding other financial investments

### A. Liquid debt assets

Composition:

| | As of December 31, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Carrying value | Amortized cost | Carrying value | Amortized cost |
| | NIS thousand | | | |
| **Government bonds** | | | | |
| Available for sale | 3,421,555 | 3,450,643 | 2,569,068 | 2,754,618 |
| Total government bonds | 3,421,555 | 3,450,643 | 2,569,068 | 2,754,618 |
| **Other debt assets:** | | | | |
| Non-convertible | | | | |
| Available-for-sale | 2,416,910 | 2,415,842 | 2,825,519 | 2,977,081 |
| Total other non-convertible debt assets | 2,416,910 | 2,415,842 | 2,825,519 | 2,977,081 |
| Convertible | | | | |
| Presented at fair value through profit and loss | 249,088 | 513,995 | 148,802 | 154,611 |
| Total other convertible debt assets | 249,088 | 513,995 | 148,802 | 154,611 |
| Total liquid debt assets | 6,087,553 | 6,380,480 | 5,543,389 | 5,886,310 |
| Regular impairments carried to profit and loss (cumulative) | 269,482 | | 382,196 | |

### B. Shares

Composition:

| | As of December 31, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Carrying value | Cost | Carrying value | Cost |
| | NIS thousand | | | |
| Liquid | | | | |
| Available for sale | 2,287,818 | 1,939,071 | 1,678,362 | 1,604,213 |
| Total liquid shares | 2,287,818 | 1,939,071 | 1,678,362 | 1,604,213 |
| Illiquid | | | | |
| Available for sale | 571,215 | 376,175 | 497,469 | 326,809 |
| Total illiquid shares | | | | |
| Total shares | 2,859,033 | 2,315,246 | 2,175,831 | 1,931,022 |
| Regular impairments carried to profit and loss (cumulative) | 263,162 | | 299,754 | |

## Additional information regarding other financial investments (cont.)

### C. Other financial investments

Composition:

| | As of December 31, 2024 | | As of December 31, 2023 | |
|---|---|---|---|---|
| | Carrying value | Cost | Carrying value | Cost |
| | NIS thousand | | | |
| Liquid | | | | |
| Presented at fair value through profit and loss, designated upon initial recognition | 5,044 | 3,183 | 785 | 711 |
| Available for sale | 203,166 | 110,481 | 273,358 | 238,090 |
| Derivative instruments | 254,391 | 505,256 | 231,363 | 172,370 |
| Total other liquid financial investments | 462,601 | 618,920 | 505,506 | 411,171 |
| Illiquid | | | | |
| Presented at fair value through profit and loss | 36,251 | 47,963 | 8,554 | 17,995 |
| Available for sale | 5,498,391 | 4,509,436 | 5,006,412 | 3,998,612 |
| Derivative instruments | 378,945 | 39,238 | 509,090 | 22,508 |
| Total other illiquid financial investments | 5,913,587 | 4,596,637 | 5,524,056 | 4,039,115 |
| Total other financial investments | 6,376,188 | 5,215,557 | 6,029,562 | 4,450,286 |
| Regular impairments carried to profit and loss (cumulative) | 285,477 | | 256,780 | |

# Part 4

## Separate Financial Information

Avigdor Arikha, Gardenias, 1989, Oil on canvas, Phoenix Collection

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To

The Shareholders of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.)

Dear Sir/Madam,

**Re: Special report to the audit of the separate financial information in accordance with Regulation 9(c) of the Securities Regulations (Periodic and Immediate Reports), 1970**

We have audited the separate financial information disclosed in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970 of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd) (hereinafter – the “Company") as of December 31, 2024, and 2023, and for each of the three years the last of which ended December 31, 2024, and which is included in section 4 of the Company's periodic report. The Company's board of directors and management are responsible for the separate financial information. Our responsibility is to express an opinion the separate financial information based on our audits.

We did not audit the separate financial information taken from the separate financial information of investees, which the total investment in them, amounted to approximately NIS 1,730,466 thousand and NIS 1,223,500 thousand as of December 31, 2024 and 2023, respectively, and the Company's share in of their earnings amounted to approximately NIS 158,559 thousand, NIS 105,197 thousand and NIS 73,738 thousand for the years ended December 31, 2024, 2023 and 2022, respectively. The separate financial information of those companies was audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the financial information in respect of those companies, is based on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing Standard in Israel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the board of directors and management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

Based on our audits and the reports of other auditors the accompanying separate financial information is prepared, in all material respects, in accordance with Regulation 9(c) to the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,

March 12, 2025

**Kost Forer Gabbay & Kasierer**

**Certified Public Accountants**

| | Note | As of December 31 2024 | As of December 31 2023 |
|---|---|---|---|
| | | NIS thousand | |
| **Assets** | | | |
| Investments in investees | | 10,620,118 | 9,489,368 |
| Loans and capital notes to investees | 9 | 1,073,102 | 1,166,632 |
| **Total non-current assets** | | 11,693,220 | 10,656,000 |
| Current maturities of loans and capital notes to investees | 9 | 52,835 | 18,650 |
| Investment in Restricted Tier 1 capital of Phoenix Insurance | 9 | 1,248,061 | 1,336,368 |
| Deferred tax assets | 8C | 15,024 | 24,700 |
| Other financial investments | 4 | 127,985 | 35,559 |
| Receivables and debit balances | 5 | 45,102 | 14,776 |
| Dividend receivable from Phoenix Insurance | 9 | 573,751 | - |
| Current tax assets | | 14 | 44 |
| Cash and cash equivalents | 3 | 65,494 | 403,736 |
| **Total current assets** | | 2,128,266 | 1,833,833 |
| **Total assets** | | 13,821,486 | 12,489,833 |
| **Equity attributable to Company's shareholders** | | | |
| Share capital | | 315,764 | 313,340 |
| Premium on shares and capital reserves | | 899,856 | 860,345 |
| Treasury shares | | (376,885) | (193,866) |
| Capital reserves | | 1,284,710 | 1,101,414 |
| Surplus | | 9,785,999 | 8,499,062 |
| **Total equity** | | 11,909,444 | 10,580,295 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Financial liabilities | 7 | 1,719,133 | 1,828,678 |
| **Current liabilities** | | | |
| Financial liabilities | 7 | 173,160 | 67,648 |
| Payables and credit balances | 6 | 19,749 | 13,212 |
| **Total current liabilities** | | 192,909 | 80,860 |
| **Total liabilities** | | 1,912,042 | 1,909,538 |
| **Total equity and liabilities** | | 13,821,486 | 12,489,833 |

The attached additional information is an integral part of the Company's separate financial information.

| **Benjamin Gabbay** | **Eyal Ben Simon** | **Eli Schwartz** |
|---|---|---|
| **Chairman of the Board** | **Chief Executive Officer** | **Executive Vice President, CFO** |

Date of approval of the financial statements - March 12, 2025

| | Note | For the year ended December 31 2024 | 2023 | 2022 |
|---|---|---|---|---|
| | | | NIS thousand | |
| Company's share in the profits of investees, net of tax | | 1,796,720 | 736,279 | 1,216,360 |
| Net investment income and finance income | | 126,937 | 94,762 | 101,271 |
| Revenue from management fees of investees | 9 | 23,010 | 3,000 | 3,000 |
| Total revenue | | 1,946,667 | 834,041 | 1,320,631 |
| General and administrative expenses | | 32,072 | 18,847 | 9,897 |
| Finance expenses | | 87,093 | 53,661 | 62,710 |
| Total expenses | | 119,165 | 72,508 | 72,607 |
| Profit before income tax | | 1,827,502 | 761,533 | 1,248,024 |
| Expenses (income) for income tax | 8 | 9,676 | (15,870) | (9,100) |
| Profit for the year, attributable to the Company’s owners | | 1,817,826 | 777,403 | 1,257,124 |

The attached additional information is an integral part of the Company's separate financial information.

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | | NIS thousand | |
| Profit for the year, attributable to the Company's owners | 1,817,826 | 777,403 | 1,257,124 |
| Other comprehensive income: | | | |
| **Amounts that will be or that have been reclassified to profit or loss when specific conditions are met** | | | |
| Net change in fair value of financial assets classified as available for sale, carried to capital reserves | - | - | (754) |
| Net change in fair value of financial assets classified as available for sale, carried to the income statement | - | - | (111) |
| Gain on impairment of financial assets classified as available for sale, carried to the income statement | - | - | 208 |
| The Group's share in other comprehensive income (loss) of investees | 281,306 | 306,349 | (230,419) |
| Taxes on income relating to components of other comprehensive income | - | - | 152 |
| **Total components of income (loss) items, subsequently reclassified to profit or loss** | 281,306 | 306,349 | (230,924) |
| **Amounts that shall not be subsequently reclassified to profit or loss** | | | |
| Group's share in other comprehensive income (loss) of equity-accounted investees | (12,310) | 9,072 | 97,707 |
| Other comprehensive income (loss) for the year, net | 268,996 | 315,421 | (133,217) |
| Total comprehensive income for the year | 2,086,822 | 1,092,824 | 1,123,907 |

The attached additional information is an integral part of the Company's separate financial information.

| | Attributable to Company's shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium on shares and capital reserves | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
| | NIS thousand | | | | | | | | | | |
| Balance as of January 1, 2024 | 313,340 | 860,345 | (193,866) | 8,499,062 | (395,095) | 11,000 | 69,507 | 228,941 | 8,041 | 1,179,020 | 10,580,295 |
| Net income for the year | - | - | - | 1,817,826 | - | - | - | | - | - | 1,817,826 |
| Other comprehensive income (loss) | - | - | - | 225 | - | - | - | (12,535) | (10,029) | 291,335 | 268,996 |
| Total comprehensive income (loss) | - | - | - | 1,818,051 | - | - | - | (12,535) | (10,029) | 291,335 | 2,086,822 |
| Share-based payment | - | 13,653 | - | - | - | - | 19,417 | - | - | - | 33,070 |
| Acquisition of treasury shares (see Note 16D to the Consolidated Financial Statements) | - | - | (183,019) | - | - | - | - | - | - | - | (183,019) |
| Exercise of employee options | 2,424 | 25,858 | - | - | - | - | (28,282) | - | - | - | - |
| Dividend (see Note 16H to the Consolidated Financial Statements) | - | - | - | (535,000) | - | - | - | - | - | - | (535,000) |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 3,886 | - | - | - | (3,886) | - | - | - |
| Transaction with minority interest | - | - | - | - | 10,670 | - | - | - | - | - | 10,670 |
| Acquisition of non-controlling interests | - | - | - | - | (83,394) | - | - | - | - | - | (83,394) |
| Balance as of December 31, 2024 | 315,764 | 899,856 | (376,885) | 9,785,999 | (467,819) | 11,000 | 60,642 | 212,520 | (1,988) | 1,470,355 | 11,909,444 |

The attached additional information is an integral part of the Company's separate financial information.

| | Attributable to Company's shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium on shares and capital reserves | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
| | NIS thousand | | | | | | | | | | |
| Balance as of January 1, 2023 | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 |
| Effect of first-time application of IFRS 9 | - | - | - | 1,522 | - | - | - | - | - | (1,522) | - |
| Balance as of January 1, 2023 after first-time application of IFRS 9 | 311,640 | 851,918 | (155,628) | 8,014,645 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 895,147 | 10,144,758 |
| Net income for the year | - | - | - | 777,403 | - | - | - | - | - | - | 777,403 |
| Other comprehensive income | - | - | - | 172 | - | - | - | 8,900 | 22,476 | 283,873 | 315,421 |
| Total comprehensive income | - | - | - | 777,575 | - | - | - | 8,900 | 22,476 | 283,873 | 1,092,824 |
| Share-based payment | - | 493 | - | - | - | | 16,221 | - | - | - | 16,714 |
| Acquisition of treasury shares | - | - | (38,238) | - | - | - | - | - | - | - | (38,238) |
| Exercise of employee options | 1,700 | 7,934 | - | - | - | - | (9,634) | - | - | - | - |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 4,013 | - | - | - | (4,013) | - | - | - |
| Dividend (see Note 16H to the Consolidated Financial Statements) | - | - | - | (297,171) | - | - | - | - | - | - | (297,171) |
| Transaction with minority interest | - | - | - | - | (199,605) | - | - | - | - | - | (199,605) |
| Allocation of shares of a consolidated company to minority interests | - | - | - | - | (2,184) | | | | | | (2,184) |
| Acquisition of non-controlling interests | - | - | - | - | (136,803) | - | - | - | - | - | (136,803) |
| Balance as of December 31, 2023 | 313,340 | 860,345 | (193,866) | 8,499,062 | (395,095) | 11,000 | 69,507 | 228,941 | 8,041 | 1,179,020 | 10,580,295 |

The attached additional information is an integral part of the Company's separate financial information.

| | Attributable to Company's shareholders | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Premium on shares and capital reserves | Treasury shares | Retained earnings | Capital reserve from transactions with non-controlling interests | Capital reserve from transaction with controlling shareholder | Capital reserve from share-based payment | Revaluation reserve | Reserve from translation differences | Capital reserve in respect of available-for-sale financial assets | Total equity |
| | NIS thousand | | | | | | | | | | |
| Balance as of January 1, 2022 | 310,323 | 849,309 | (99,769) | 7,331,992 | (45,655) | 11,000 | 51,652 | 131,354 | (41,946) | 1,155,104 | 9,653,364 |
| Net income for the year | - | - | - | 1,257,124 | - | - | - | - | - | - | 1,257,124 |
| Other comprehensive income (loss) | - | - | - | 2,097 | - | - | - | 95,610 | 27,511 | (258,435) | (133,217) |
| Total comprehensive income (loss) for the year | - | - | - | 1,259,221 | - | - | - | 95,610 | 27,511 | (258,435) | 1,123,907 |
| Share-based payment | - | (2,362) | - | - | - | - | 17,556 | - | - | - | 15,194 |
| Exercise of employee options | 1,317 | 4,971 | - | - | - | - | (6,288) | - | - | - | - |
| Acquisition of treasury shares | - | - | (55,859) | - | - | - | - | - | - | - | (55,859) |
| Dividend | - | - | - | (581,000) | - | - | - | - | - | - | (581,000) |
| Transfer from revaluation reserve in respect of revaluation of property, plant, and equipment, at the depreciation amount | - | - | - | 2,910 | - | - | - | (2,910) | - | - | - |
| Acquisition of non-controlling interests | - | - | - | - | (14,435) | - | - | - | - | - | (14,435) |
| Allocation of shares of a consolidated company | - | - | - | - | 3,587 | - | - | - | - | - | 3,587 |
| Balance as of December 31, 2022 | 311,640 | 851,918 | (155,628) | 8,013,123 | (56,503) | 11,000 | 62,920 | 224,054 | (14,435) | 896,669 | 10,144,758 |

The attached additional information is an integral part of the Company's separate financial information.

| | Appendix | For the year ended December 31 2024 | 2023 | 2022 |
|---|---|---|---|---|
| | | NIS thousand | | |
| Cash flows for operating activities | | | | |
| Net income for the year | | 1,817,826 | 777,403 | 1,257,124 |
| Adjustments required to present cash flows from operating activities | (a) | (1,816,807) | (779,214) | (1,271,235) |
| Net cash used for operating activities of the Company | | 1,019 | (1,811) | (14,111) |
| Cash flows from investing activities | | | | |
| Repayment of capital notes and loans from investees | | 183,948 | 70,420 | 5,125 |
| Dividend from investees | | 343,052 | 1,091,031 | 615,000 |
| Acquisition of an investee | | - | (10,608) | (16,675) |
| Loans and capital notes provided to investees | | (125,000) | (435,557) | (109,500) |
| Investment in Restricted Tier 1 capital - Phoenix Insurance | | 141,150 | (298,084) | - |
| Sales (acquisitions) of financial investments by the Company, net | | (91,364) | (24,026) | 22,652 |
| Net cash from investing activities | | 451,786 | 393,176 | 516,602 |
| Cash flows used for financing activities | | | | |
| Dividend paid to shareholders | | (535,000) | (297,171) | (581,000) |
| Share buyback by the Company | | (183,019) | (38,238) | (55,859) |
| Repayment of bonds | | (68,017) | (159,121) | (315,159) |
| Issuance of bonds | | - | 489,942 | 356,564 |
| Repayment of contingent liability in respect of a put option to minority interest | | (5,011) | - | - |
| Net cash used for financing activities | | (791,047) | (4,588) | (595,454) |
| Increase (decrease) in cash and cash equivalents | | (338,242) | 386,777 | (92,963) |
| Balance of cash and cash equivalents at beginning of period | | 403,736 | 16,959 | 109,922 |
| Balance of cash and cash equivalents at end of period | | 65,494 | 403,736 | 16,959 |

The attached additional information is an integral part of the Company's separate financial information.

| | | For the year ended December 31 | | |
|---|---|---|---|---|
| | | 2024 | 2023 | 2022 |
| | | NIS thousand | | |
| (a) | Adjustments required to present cash flows for operating activities | | | |
| | Items not involving cash flows: | | | |
| | Net (gains) losses on financial investments | (7,428) | 1,472 | 367 |
| | Revenue and expense items not involving cash flows: | | | |
| | Accrued interest and appreciation of bonds | 46,484 | 34,598 | 43,992 |
| | Taxes on income | 9,676 | (15,870) | (9,100) |
| | Company's share in investees' profits, net | (1,796,721) | (736,280) | (1,216,361) |
| | Changes in other balance sheet line items, net: | | | |
| | Change in receivables and debit balances | (30,325) | (3,984) | 7,948 |
| | Change in payables and credit balances | 13,922 | 2,939 | (1,086) |
| | Changes in loans to investees | (52,445) | (43,557) | (96,995) |
| | Cash paid and received during the period for: | | | |
| | Taxes paid, net | 30 | (18,532) | - |
| | Total cash flows for operating activities | (1,816,807) | (779,214) | (1,271,235) |
| (b) | **Significant non-cash activities:** | | | |
| | Dividend receivable from investees (*) | 573,751 | - | - |
| (c) | **Breakdown of amounts included in operating activities** | | | |
| | Interest paid | 39,510 | 39,441 | 16,734 |
| | Interest received | 47,821 | 25,424 | 888 |
| | Dividend received | 230 | 320 | 7 |

(*) On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of Gold Mortgages' loan portfolio as a dividend in kind to the Company.

The attached additional information is an integral part of the Company's separate financial information.

## NOTE 1 - GENERAL

Set forth below are financial data taken from the Group's consolidated financial statements as of December 31, 2024 (hereinafter - "**Consolidated Financial Statements**") attributable to the Company itself and published as part of the periodic report (hereinafter - "**Separate Financial Information**").

The separate financial information should be read in conjunction with the Consolidated Financial Statements.

**A. Definitions**

(1) **The Company** - Phoenix Financial Ltd.
(2) **Investees -** consolidated companies and companies, the Company's investment therein is included in the financial statements using the equity method, whether directly or indirectly.
(3) **Report date** - the date of the Statement of Financial Position.
(4) **Phoenix Insurance** - Phoenix Insurance Company Ltd.
(5) **Platinum -** Platinum Finance and Factoring Ltd.
(6) **Phoenix Investments** - Phoenix Investments and Finances Ltd.
(7) **Phoenix Agencies** - Phoenix Insurance Agencies (1989) Ltd.
(8) "**Phoenix Pension and Provident**" - Phoenix Pension and Provident Fund Ltd.
(9) **Phoenix Investment House** - Phoenix Investment House Ltd. A company controlled by Phoenix Investments.
(10) **Consumer Credit** - Phoenix Retail Credit Ltd. A company wholly-owned by Platinum.
(11) **Phoenix Advanced Investments** - Phoenix Advanced Investments Ltd. A company wholly-owned by Phoenix Investments.
(12) **Regulation 9(c)** - Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

## NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION

A. The separate financial information has been prepared in conformity with Regulation 9C to the Securities Regulations (Periodic and Immediate Reports), 1970 (hereinafter - "**Regulation 9C**") including all the particulars specified in the Tenth Addendum to the said regulations (hereinafter - the "**Addendum**"), and subject to the clarifications specified in "Clarification Regarding the Corporation's Separate Financial Statements", which was published on the website of the Israel Securities Authority on January 24, 2010, and which addresses the manner of application of the said Regulation and Addendum (hereinafter - the "**ISA Staff Clarification**").

The separate financial information does not constitute financial statements, including separate financial statements, which are prepared and presented in conformity with International Financial Reporting Standards (hereinafter - "**IFRS**") in general, and the provisions of IAS 27 - "Consolidated and Separate Financial Statements" in particular. Nevertheless, the accounting policy specified in Note 2 to the Consolidated Financial Statements regarding the significant accounting policies and the method by which the financial data were classified in the Consolidated Financial Statements, were applied for the purpose of presenting the separate financial information, with the necessary changes as stated below.

The additional information presented below also includes disclosures regarding additional material information, in conformity with the disclosure requirements specified in Regulation 9C and as specified in the Addendum and subject to the ISA Staff Clarification, to the extent that such information was not included in the Consolidated Financial Statements in a way expressly referring to the Company itself.

## NOTE 2 - PREPARATION OF THE FINANCIAL DATA USED IN THE SEPARATE FINANCIAL INFORMATION (cont.)

A. (cont.)

1. **Assets and liabilities included in the consolidated statements of financial position attributable to the Company:**

   The separate financial information includes the amounts of the assets and liabilities included in the consolidated financial statements which are attributable to the Company itself - classified according to types of assets and liabilities. The classification of these data is consistent with their classification in the consolidated statements of financial position. In addition, a net amount is presented, based on the Consolidated Financial Statements, which is attributable to the shareholders of the Company itself, of total assets less total liabilities, with respect to investees, including goodwill. Such presentation results with the equity attributable to shareholders of the Company on the basis of the Consolidated Financial Statements being identical to the Company's equity as derived from the separate financial information.

2. **Revenues and expenses included in the consolidated statements of other comprehensive income and loss attributable to the Company itself:**

   The financial data includes amounts of income and expenses, which are included in the Consolidated Financial Statements, categorized in the separate financial information to profit or loss or to other comprehensive income, which are attributable to the Company itself; those income and expenses are categorized according to the type of revenue or expense. The classification of these data is consistent with their classification in the consolidated statement of income and the statement of comprehensive income. The separate financial information also includes – based on the Consolidated Financial Statements - the net amount attributable to shareholders of the Company itself, of total revenue net of total expenses which reflect the operating results of investees in the Consolidated Financial Statements, including impairment of goodwill, impairment of investment in associate or reversal thereof, and impairment of investment in a jointly controlled company accounted for by the equity method, or reversal thereof.

   Such presentation results with the total income for the year attributable to Company’s owners and the total comprehensive income for the year attributable to Company's owners, on the basis of the Consolidated Financial Statements, being identical to total income for the year attributable to Company’s owners and total comprehensive income for the year attributable to the Company’s owners, respectively, as derived from the separate financial information.

3. **Cash flows included in the Consolidated Financial Statements attributable to the Company itself:**

   Separate financial information amounts which represent cash flows included in the Consolidated Financial Statements attributable to the Company itself are derived from the consolidated statements of cash flows; cash flow amounts are classified into cash flows from operating activities, investing activities and financing activities, and their composition is also disclosed. The classification of these data is consistent with their classification in the consolidated financial statements.

B. **Company's transactions with investees**

1. Intra-group balances and revenue and expenses arising from intra-group transactions, which were eliminated in the preparation of the Consolidated Financial Statements, were presented separately from the balance in respect of investees and the income in respect of investees, together with similar balances with third parties.

2. Transactions between the Company and its investees were measured in accordance with the measurement principles set in the relevant IFRSs outlining the accounting treatment applicable to such transactions with third parties.

## NOTE 3 - CASH AND CASH EQUIVALENTS

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Cash and deposits available for immediate withdrawal in banking corporations | 63,442 | 402,931 |
| Short-term deposits | 2,052 | 805 |
| Cash and cash equivalents | 65,494 | 403,736 |

As of balance sheet date, the cash with banks bear current interest of 4.14%-4.20% based on nominal interest rates applicable to daily deposits with banks (December 31, 2023 - 4.37%-4.41%).

Short-term deposits deposited with banking corporations are for periods of up to three months. The deposits bear a nominal interest rate of 4.20%-4.50% (December 31, 2023 - 4.40%-4.45%).

## NOTE 4 - OTHER FINANCIAL INVESTMENTS

1. **Set forth below is a breakdown of the investments in financial assets attributable to the parent company:**

| | As of December 31, 2024 | | |
|---|---|---|---|
| | Presented at fair value through profit and loss | Loans and receivables | Total |
| | NIS thousand | | |
| Liquid debt assets | 38,471 | - | 38,471 |
| Illiquid debt assets | - | 42,094 (*) | 42,094 |
| Shares | 15,722 | - | 15,722 |
| Other | 31,698 | - | 31,698 |
| Total | 85,891 | 42,094 | 127,985 |

(*) Including minority loans totaling approx. NIS 40 million.

| | As of December 31, 2023 | | |
|---|---|---|---|
| | Presented at fair value through profit and loss | Loans and receivables | Total |
| | NIS thousand | | |
| Liquid debt assets | 1,312 | - | 1,312 |
| Illiquid debt assets | - | 5,595 | 5,595 |
| Shares | 15,893 | - | 15,893 |
| Other | 12,759 | - | 12,759 |
| Total | 29,964 | 5,595 | 35,559 |

2. **Fair value of financial investments by level:**

| | As of December 31, 2024 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Liquid debt assets | 38,471 | - | - | 38,471 |
| Shares | 9,829 | - | 5,893 | 15,722 |
| Other | 1,632 | - | 30,066 | 31,698 |
| Total | 49,932 | - | 35,959 | 85,891 |
| Fair value of illiquid debt assets | - | 1,142 | 40,989 | 42,131 |

## NOTE 4 - OTHER FINANCIAL INVESTMENTS

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

| | As of December 31, 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total |
| Liquid debt assets | 1,312 | - | - | 1,312 |
| Shares | 6,766 | - | 9,127 | 15,893 |
| Other | 998 | - | 11,761 | 12,759 |
| Total | 9,076 | - | 20,088 | 29,964 |
| Fair value of illiquid debt assets | - | 1,597 | 37,132 | 5,310 |

## NOTE 5 - RECEIVABLES AND DEBIT BALANCES

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Investees | 31,465 | - |
| Interest receivable for loans to investees | 13,291 | 13,236 |
| Other | 346 | 1,539 |
| | 45,102 | 14,776 |

## NOTE 6 - PAYABLES AND CREDIT BALANCES

| | December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Interest payable - in respect of bonds | 4,556 | 4,730 |
| Liabilities to employees and other liabilities in respect of wages and salaries (*) | 3,945 | - |
| Accounts payable | 3,895 | 3,730 |
| Investees | 13 | 3,678 |
| Other payables and credit balances | 7,204 | 1,024 |
| Government authorities | 136 | 49 |
| | 19,749 | 13,212 |

(*) In January 2024, and as part of the implementation of the Company's strategy, Phoenix Insurance transferred several employees and officers to the Company; for further details, see Note 9B.

# NOTE 7 - FINANCIAL LIABILITIES

## 1. Breakdown of financial liabilities

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Bonds | 1,701,633 | 1,828,678 |
| Other financial liabilities (*) | 17,500 | - |
| Total financial liabilities | 1,719,133 | 1,828,678 |

(*) Undertaking of a conditional bonus to minority shareholders. For details, see Note 8E(a2) to the Consolidated Financial Statements.

## 2. Repayment of bonds in years subsequent to the reporting date:

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| First year | 173,160 | 67,648 |
| Second year | 173,160 | 173,160 |
| Third year | 173,160 | 173,160 |
| Fourth year | 473,006 | 173,160 |
| Fifth year onwards | 975,532 | 1,416,051 |
| | 1,968,018 | 2,003,179 |
| Less current maturities | (173,160) | (67,648) |
| Less - discount and deferred acquisition costs | (93,225) | (106,853) |
| | 1,701,633 | 1,828,678 |

For further details, see Note 27 to the Consolidated Financial Statements.

## 3. Changes in liabilities stemming from financing activity:

| | Bonds |
|---|---|
| | NIS thousand |
| Balance as of December 31, 2022 | 1,530,908 |
| Cash flow | 314,714 |
| Effect of changes in the CPI | 27,960 |
| Other changes | 22,744 |
| Balance as of December 31, 2023 | 1,896,326 |
| Cash flow | (68,017) |
| Effect of changes in the CPI | 32,784 |
| Other changes | 13,700 |
| Balance as of December 31, 2024 | 1,874,793 |

The balance includes current maturities.

# NOTE 8 - TAXES ON INCOME

**A. Tax Assessments**

The Company has tax assessments, which are considered to by final through tax year 2019, in accordance with Section 145 of the Income Tax Ordinance.

**B. Asset and liability in respect of deferred taxes**

The balances of deferred tax assets as of December 31, 2024 are mostly from the creation of a tax asset for carryforward business losses.

**C. Carryforward losses for tax purposes and other temporary differences**

The Company has carry forward business losses totaling approx. NIS 83,069 thousand and approx. NIS 113,580 thousand as of December 31, 2024 and December 31, 2023, respectively. In respect of the balances of losses, deferred taxes totaling approx. NIS 15 million were created as of December 31, 2024 and NIS 25 million as of December 31, 2023.Furthermore, the Company has carryforward capital losses totaling approx. NIS 162 thousand and approx. NIS 168 thousand as of December 31, 2024 and December 31, 2023, respectively, for which no deferred tax was created.

The tax assets amount is equal to the balance of losses which can be offset in the foreseeable future.

**D. Taxes on income included in the income statements**

| | December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | | NIS thousand | |
| Current taxes | - | 18,519 (*) | - |
| Deferred taxes in respect of the creation and reversal of temporary differences | 9,676 | (34,389) | (9,100) |
| Total taxes on income | 9,676 | (15,870) | (9,100) |

(*) Profit tax paid for dividends from Phoenix Agencies.

# NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES

**A. Balances with investees**

| | As of December 31 | |
|---|---|---|
| | 2024 | 2023 |
| | NIS thousand | |
| Non-current assets | | |
| Loans and capital notes to investees (see Section D) | 1,125,937 | 1,185,282 |
| Less current maturities | (52,835) | (18,650) |
| | 1,073,102 | 1,166,632 |
| Current assets | | |
| Receivables and debit balances | 44,756 | 13,236 |
| Dividend receivable from Phoenix Insurance (see Note 10(2)) | 573,751 | - |
| Current maturities of loans to investees (see Section D) | 52,835 | 18,650 |
| Investment in a Restricted Tier 1 capital instrument of Phoenix Insurance (See F) | 1,248,061 | 1,336,368 |
| Loans and capital notes to investees | 1,300,896 | 1,355,018 |
| | 1,919,403 | 1,368,254 |

## NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

### B. Transactions with investees

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Revenues from management fees of investees | 23,010 | 3,000 | 3,000 |

1. In January 2024, and as part of the implementation of the Company's strategy, Phoenix Insurance transferred several employees and officers to the Company, and accordingly seeks to revise the management fee agreement with Phoenix Insurance.

2. Guarantee for Phoenix Pension and Provident - The Company provided a guarantee to Phoenix Pension and Provident Funds in respect of bank credit totaling up to approx. NIS 650 million, subject to the restrictions set out in the agreement. For further information regarding the Company's undertaking to complete the shareholders' equity of Phoenix Pension and Provident Funds, see Note 42 to the Consolidated Financial Statements.

3. Guarantee for Gama - As part of the transfer of Phoenix Construction Financing to Gama, the Company provided to Gama and/or its subsidiaries, a guarantee in respect of a credit facility totaling approx. NIS 200 million, in accordance with Gama's needs. For further details regarding restructuring and the transfer of the construction projects' financing activity, see Note 42 to the Consolidated Financial Statements.

4. During 2024, Phoenix Investment House's Board of Directors approved paying the Company directors compensation for serving on boards of Phoenix Investment House and companies under its control. The compensation for each director will be fixed, with additional compensation for each meeting in which the director participated, in accordance with Rank D of the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000. In any case, the cumulative annual management fees for all directors on behalf of the Company shall not exceed NIS 2.9 million, linked to the current CPI plus VAT. During 2024, approx. NIS 1.7 million in revenues from directors' compensation was recorded.

### C. Finance income for loans from investees and Tier 1 capital

| | For the year ended December 31 | | |
|---|---|---|---|
| | 2024 | 2023 | 2022 |
| | NIS thousand | | |
| Finance income | 116,862 | 90,315 | 99,479 |

# NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

## D. Loans and capital notes to consolidated companies controlled by consolidated companies

### 1. Phoenix Investments

| | Interest rate | As of December 31 | |
|---|---|---|---|
| | | 2024 | 2023 |
| | % | NIS thousand | |
| Capital notes (1) | - | 339,000 | 464,000 |
| Loans (2) | 2.90 | 82,688 | 132,686 |
| | | 421,688 | 596,686 |

(1) During August and September 2024, Phoenix Investments repaid capital notes issued to the Company at a total of NIS 125 million. The capital notes are not linked to the CPI and do not bear interest, with no early repayment, and in any event they will not be repaid before five years have elapsed from the issuance date.

(2) On September 3, 2024, Phoenix Investments repaid approx. NIS 50 million of a principal of a loan provided by the Company. The loan is not linked to the CPI and the interest rate is in accordance with Section 3(j) to the Income Tax Ordinance.

(3) For details regarding the restructuring of Phoenix Investments with the Company, see Note 1D to the Consolidated Financial Statements.

### 2. Phoenix Pension and Provident Fund

| | Interest rate | As of December 31 | |
|---|---|---|---|
| | | 2024 | 2023 |
| | % | NIS thousand | |
| Linked loans | 0.44-0.45 | 187,520 | 193,802 |
| Unlinked loans | 1.94 | 105,006 | 105,006 |
| | | 292,526 | 298,808 |

(1) In February 2021, Phoenix Pension and Provident Funds took a NIS 100 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.44%; all other terms of the loan are identical to the terms of the Bonds (Series 5).

(2) In March 2021, Phoenix Pension and Provident Funds took a loan of approx. NIS 89 million from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.45%; all other terms of the loan are identical to the terms of the Bonds (Series 5).

(3) In September 2021, Phoenix Pension and Provident Funds took a NIS 105 million loan from the Company. The loan principal bears a fixed annual interest of 1.94%; all other terms of the loan are identical to the terms of the Bonds (Series 6).

For details regarding the terms of the bonds issued by the Company, see Note 27 to the Consolidated Financial Statements.

## NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

### D. Loans and capital notes to consolidated companies (cont.)

#### 3. Platinum

| | Interest rate % | As of December 31 2024 | 2023 |
|---|---|---|---|
| | | NIS thousand | |
| Non-linked capital note | | 30,100 | 5,100 |

On April 7, 2024, Platinum issued the Company a NIS 25 million capital note. The capital note is not linked to the CPI, does not bear interest, and has not repayment date; in any case, the capital note will not be repaid before five years have elapsed from its issuance date..
For details regarding the restructuring of Platinum with the Company, see Note 1D to the Consolidated Financial Statements.

#### 4. Phoenix Investment House

| | Interest rate % | As of December 31 2024 | 2023 |
|---|---|---|---|
| | | NIS thousand | |
| Non-linked loans | 1.94-5.98 | 258,576 | 262,146 |

(1) On September 13, 2022, the Company granted Phoenix Investment House a loan totaling NIS 60 million to be repaid in 4 equal payments and bearing an annual interest equal to that of the Bank of Israel interest rate, plus 1.48%.

(2) During 2023, the Company advanced to Phoenix Investment House loans totaling approx. NIS 200 million. The terms of the loan are in accordance with the issuance of Bonds (Series 6). For details regarding the terms of Bonds (Series 6), see Note 27 to the Consolidated Financial Statements.

#### 5. Agencies

In December 2023, the Company advanced a loan to Phoenix Agencies totaling approx. NIS 23 million. The loan bears annual interest at a rate of Prime + 3%, which is payable at the beginning of each quarter. The loan principal will be repaid in one lump sum on December 31, 2029. In November 2024, as part of an ongoing process to increase the efficiency of Phoenix Agencies' capital structure, Phoenix Agencies altered its internal debt structure. As part of the change, the company reassigned the loan to two agencies owned by it in equal parts of approx. NIS 11 million per agency.

#### 6. Phoenix Advanced Investments

During the reporting period, Phoenix Advanced Investments issued the Company a NIS 50 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date..
In addition, the Company advanced a loan to Phoenix Advanced Investments totaling NIS 40 million. The loan bears an interest of approx. 5% in accordance with Section 3(j). In February 2025, the Company advanced another loan to Phoenix Advanced Investments totaling NIS 25 million. The loan bears an interest of approx. 5% in accordance with Section 3(j) to the Income Tax Ordinance [New Version], paid at the end of each quarter; the loan is for a period of 5 years and will be repaid in one lump sum. For further details, see Note 8E1(c) to the Consolidated Financial Statements.

## NOTE 9 - BALANCES AND MATERIAL COMMITMENTS WITH INVESTEES (cont.)

**D. Loans and capital notes to consolidated companies (cont.)**

**7. Consumer credit**

During the reporting period, Consumer Credit issued the Company a NIS 10 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date..

**E. Liquid Restricted Tier 1 capital in Phoenix Insurance**

In April 2024, the Company sold a total of approx. NIS 140 million of the Tier 1 capital issued by Phoenix Insurance. The sale was accounted for as debt issuance in the Company's financial statements. For details about the terms of the PHONIX B12 Bonds, see Note 27E to the Consolidated Annual Financial Statements.

## NOTE 10 - SUBSEQUENT EVENTS

1. In March 2023, the Company filed a financial claim totaling NIS 120 million against Isracard Ltd. and several Isracard officers (hereinafter - the "**Defendants**"). The Company alleges loss of income and damages it sustained as a result of failure to launch a joint venture in the credit field in January 2023. In February 2025, the court approved a settlement agreement between the parties; under the agreement, the Company will withdraw from the claim in return for receiving NIS 9 million plus VAT in payment from the Defendants.

2. On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of approx. NIS 1.4 billion in dividend in kind; for further details, see Note 8F2(c) to the Consolidated Financial Statements.

3. For details regarding the Group's restructuring, see Note D1 to the Consolidated Financial Statements.

4. In January 2025, the Company issued - by way of expanding Bonds (Series 5 and 6) - a total of approx. NIS 647 million p.v. each of the Bonds at NIS 1 p.v. each. For further details, see Note 27E4 to the Consolidated Financial Statements.

5. For further details regarding subsequent events, see Note 44 to the consolidated financial statements.

Building a better
working world

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***Tel Aviv 6492102***

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ey.com

To

The Board of The Phoenix Holdings Ltd .

Dear Madam/Sir ,

**Re: Shelf Prospectus of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings 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 .The independent auditor's report dated March 12, 2025 in respect of the Consolidated Financial Statements of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.) as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024.

2. Special Report dated March 12, 2025 on Separate Financial Information of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.) pursuant to Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970 as of December 31, 2024 and 2023 and for each of the three years in the period ended December 31, 2024 .

3. Report of the Independent Auditor dated March 12, 2025 on the Audit of the Components of the Internal Control over Financial Reporting of The Phoenix Financial Ltd. (Formerly: Phoenix Holdings Ltd.) as of December 31, 2024.

Tel Aviv,

March 12, 2025

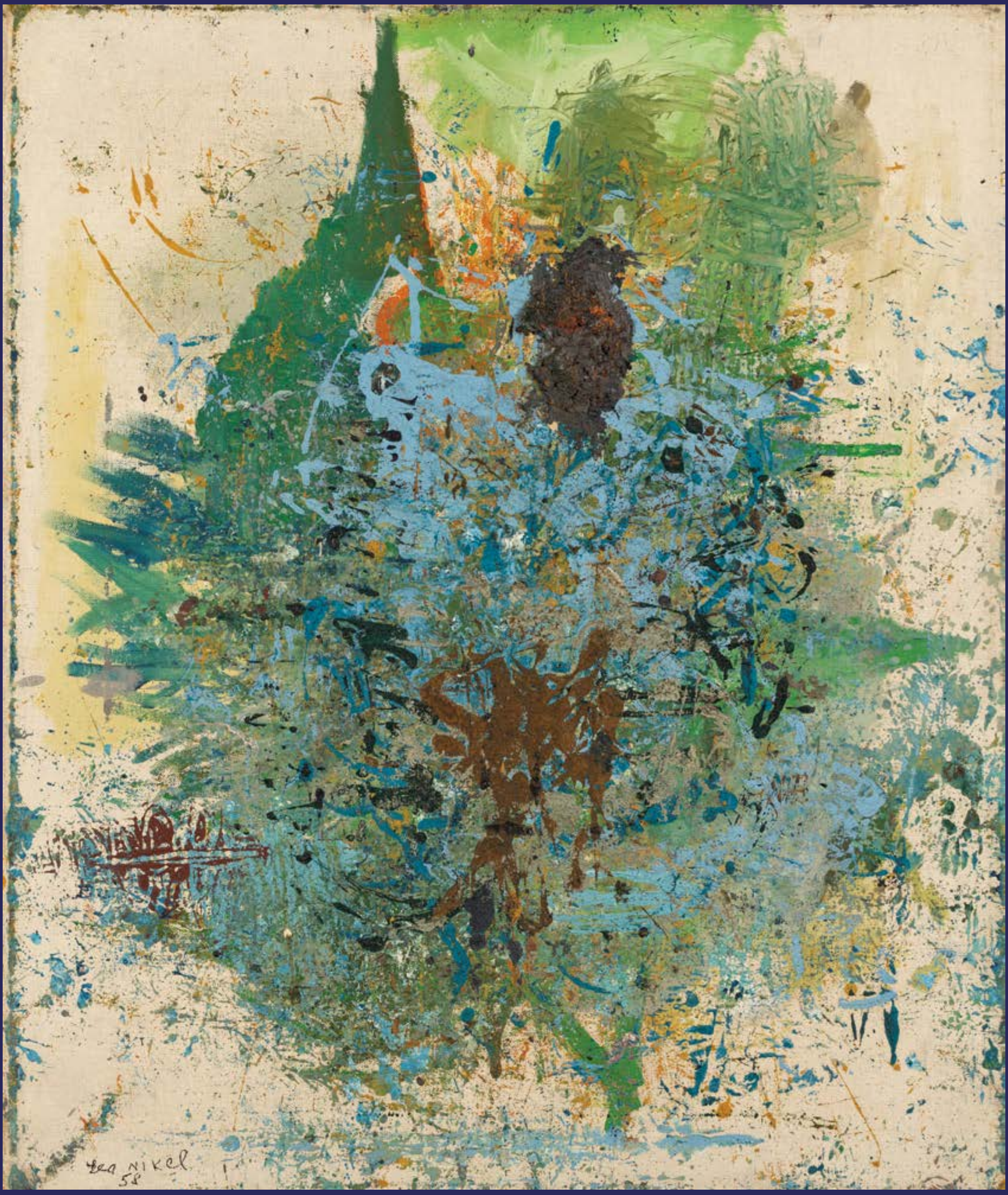
**Kost Forer Gabbay & Kasierer**

**Certified Public Accountants**

Phoenix | 75 Phoenix

# Part 5

## Additional Details about the Corporation. Corporate Governance Questionnaire



Lea Nikel, Composition, 1958, Oil on canvas, Phoenix Collection

### Regulation 9D - Report of the Status of Liabilities according to Repayment Dates, as of December 31, 2024

For details regarding the status of the Company's liabilities according to repayment dates, see the Company's immediate report dated March 12, 2025.

### Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2024

| | Quarter 1-3.24 | Quarter 4-6.24 | Quarter 7-9.24 | Quarter 10-12.24 | Total 2024 |
|---|---|---|---|---|---|
| Premiums earned, gross | 2,661,491 | 2,656,580 | 2,737,220 | 2,813,423 | 10,868,714 |
| Premiums earned by reinsurers | 401,086 | 405,777 | 430,415 | 423,881 | 1,661,159 |
| Premiums earned - retention | 2,260,405 | 2,250,803 | 2,306,805 | 2,389,542 | 9,207,555 |
| Net investment income and finance income | 5,769,194 | 1,822,795 | 4,401,111 | 4,576,591 | 16,569,691 |
| Revenue from management fees | 456,884 | 496,399 | 516,973 | 656,092 | 2,126,348 |
| Revenue from fees and commissions | 230,889 | 250,991 | 278,712 | 247,366 | 1,007,958 |
| Revenue from financial and other services | 96,000 | 90,000 | 89,000 | 118,000 | 393,000 |
| Revenue from factoring and clearing | 48,076 | 45,377 | 75,321 | 19,834 | 188,608 |
| Other revenue | 7,325 | 7,952 | 5,518 | 6,941 | 27,736 |
| **Total revenue** | 8,868,773 | 4,964,317 | 7,673,440 | 8,014,366 | 29,520,896 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts, gross | 7,627,433 | 3,243,397 | 5,905,694 | 5,653,691 | 22,430,215 |
| Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts | 252,983 | 184,859 | 280,757 | 193,914 | 912,513 |
| Payments and change in liabilities in respect of insurance contracts and investment contracts - retention | 7,374,450 | 3,058,538 | 5,624,937 | 5,459,777 | 21,517,702 |
| Fees and commissions, marketing expenses and other purchase expenses | 525,823 | 583,785 | 601,924 | 614,140 | 2,325,672 |
| General and administrative expenses | 519,893 | 538,029 | 579,104 | 676,270 | 2,313,296 |
| Other expenses | 25,363 | 21,103 | 23,274 | 73,895 | 143,635 |
| Finance expenses | 111,400 | 147,681 | 171,464 | 116,894 | 547,439 |
| **Total expenses** | 8,556,929 | 4,349,136 | 7,000,703 | 6,940,976 | 26,847,744 |
| Share in profits of equity-accounted investees | 25,168 | 14,796 | 43,628 | 19,662 | 103,254 |
| Income before income tax | 337,012 | 629,977 | 716,365 | 1,093,052 | 2,776,406 |
| Taxes on income | 88,745 | 187,058 | 213,310 | 357,077 | 846,190 |
| **Income for the period** | 248,267 | 442,919 | 503,055 | 735,975 | 1,930,216 |
| Profit for the period attributable to: | | | | | |
| Company's shareholders | 218,354 | 417,722 | 475,570 | 706,180 | 1,817,826 |
| Non-controlling interests | 29,913 | 25,197 | 27,485 | 29,795 | 112,390 |
| | 248,267 | 442,919 | 503,055 | 735,975 | 1,930,216 |

## Regulation 10A - Condensed (Consolidated) Quarterly Income Statements for 2024 (cont.)

| | Quarter 1-3.24 | Quarter 4-6.24 | Quarter 7-9.24 | Quarter 10-12.24 | Total 2024 |
|---|---|---|---|---|---|
| **Income for the period** | 248,267 | 442,919 | 503,055 | 735,975 | 1,930,216 |
| **Other comprehensive income:** | | | | | |
| **Amounts classified or reclassified to profit or loss under specific conditions** | | | | | |
| Net change in fair value of financial assets classified as available for sale, carried to capital reserves | 202,059 | (615) | 210,864 | 351,240 | 763,548 |
| Net change from disposal of financial assets classified as available for sale, carried to the income statement | (155,383) | (134,258) | (46,934) | (168,803) | (505,378) |
| Gain on impairment of financial assets classified as available for sale, carried to the income statement | 70,033 | 69,956 | 37,584 | 26,124 | 203,697 |
| Company's share in other comprehensive income (loss), net of equity-accounted companies | (439) | 7,998 | 4,520 | (22,108) | (10,029) |
| Tax effect | (50,591) | 22,194 | (68,898) | (73,237) | (170,532) |
| Total components of other comprehensive income (loss), net, subsequently reclassified to profit or loss | 65,679 | (34,725) | 137,136 | 113,216 | 281,306 |
| **Amount that will not be subsequently reclassified to profit or loss** | | | | | |
| Revaluation of property, plant, and equipment | - | - | 6,001 | (22,280) | (16,279) |
| Actuarial gain (loss) in respect of defined benefit plans | - | - | - | 239 | 239 |
| Tax effect | - | - | (1,380) | 5,082 | 3,702 |
| Total components of other comprehensive income, net that will not be subsequently reclassified to profit or loss | - | - | 4,621 | (16,959) | (12,338) |
| **Total other comprehensive income (loss), net** | 65,679 | (34,725) | 141,757 | 96,257 | 268,968 |
| **Total comprehensive income for the period** | 313,946 | 408,194 | 644,812 | 832,232 | 2,199,184 |
| **Attributable to:** | | | | | |
| Company's shareholders | 284,033 | 382,997 | 617,327 | 802,465 | 2,086,822 |
| Non-controlling interests | 29,913 | 25,197 | 27,485 | 29,767 | 112,362 |
| Comprehensive income for the period | 313,946 | 408,194 | 644,812 | 832,232 | 2,199,184 |

## Regulation 10C - Use of Proceeds for Securities

Issuance of further series of Bonds (Series 5 and Series 6) by the Company.

Subsequent to the reporting period, 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 approx. NIS 600,000 thousand. The Company shall use the proceeds of the issuance for the purpose of the Company’s ongoing activity and in accordance with the Board of Directors’ decisions, as applicable from time to time, in accordance with the Company’s objectives and strategy.

## Regulation 11 - List of Investments in Main Subsidiaries and Affiliated Companies as of the Balance Sheet Date

| | Share class in p.v. | Total p.v. in NIS | Value in the Separate Financial Statements (1) | Holdings rate out of the issued capital, by percentage | |
|---|---|---|---|---|---|
| | | | | In voting and in right to appoint directors | In equity |
| **The Company's Subsidiaries and Affiliates** | | | | | |
| Phoenix Insurance Company Ltd. (2) | NIS 1 | 157,773,52 | 7,269,769 | 100 | 100 |
| Phoenix Insurance Company Ltd. | NIS 5 | 1,699,452 | - | 100 | 100 |
| Phoenix Investments and Finances Ltd. (3) | NIS 0.001 | 12,833 | 2,030,363 | 100 | 100 |
| Phoenix Insurance Agencies 1989 Ltd. | NIS 1 | 12,839,081 | 284,319 | 78 | 78 |
| Phoenix Pension and Provident Fund Ltd. | NIS 1 | 7,746,961 | 1,020,115 | 100 | 100 |
| Phoenix Capital Partners Ltd. | NIS 1 | 100,000,00 | - | 100 | 100 |
| **Subsidiaries and affiliates of Phoenix Insurance Company Ltd.** | | | | | |
| Ad 120 Residence Centers for Senior Citizens Ltd. | NIS 1 | 600 | 789,334 | 47 | 47 |
| Hadar Green Company Properties and Investments Ltd. | NIS 1 | 8,580,490 | 179,952 | 100 | 100 |
| El-Al Fly Card (2) | NIS 0.01 | 19,900 | 179,519 | 19.9 | 19.9 |
| Phoenix Mortgages (Gold) Ltd. (2) | NIS 0.01 | 1,000 | (1,718) | 51 | 51 |
| Phoenix Capital Raising (2009) Ltd. | NIS 1 | 1,000 | 1 | 100 | 100 |
| **Subsidiaries and affiliates of Phoenix Investments and Finances Ltd.** | | | | | |
| Phoenix Investment House Ltd. | NIS 1 | 18,932,694 | 905,812 | 88.44 | 88.44 |
| Gama Management and Clearing Ltd. | NIS 0.01 | 935,225 | 1,181,870 | 100 | 100 |
| Phoenix Advanced Investments Ltd. | NIS 0.05 | 13,407,128 | 134,114 | 100 | 100 |
| **Subsidiaries and affiliates of Phoenix Insurance Agencies 1989 Ltd.** | | | | | |
| Agam Leaderim (Israel) Insurance Agency (2003) Ltd. | NIS 1 | 60,000 | 193,334 | 100 | 100 |
| Shekel Insurance Agency (2008) Ltd. | NIS 1 | 100 | 95,173 | 100 | 100 |
| Oren Mizrach Insurance Agency Ltd. | NIS 1 | 19,530 | 219,925 | 84.2 | 84.2 |
| Insurance Agency (2017) Ltd. | NIS 1 | 10,000,000 | 27,397 | 73.3 | 73.3 |
| **Subsidiaries and affiliates of Phoenix Investment House Ltd.** | | | | | |
| ESOP Management and Trust Services Ltd. (4) | NIS 1 | 6,995 | 59,050 | 94.4 | 94.4 |
| Excellence Investment Management and Securities Ltd. | NIS 1 | 15,062,608 | 339,370 | 100 | 100 |
| KSM Mutual Funds Ltd. | NIS 0.001 | 15,223 | 296,185 | 100 | 100 |
| Excellence Nessuah Services Ltd. | NIS 1 | 1 | 71,529 | 100 | 100 |
| Excellence Growth Securities and Investments Ltd. | NIS 0.001 | 67 | 53,689 | 100 | 100 |

All shares are not listed for trading on the TASE.

(1) The balances for the main subsidiaries do not include loans and capital notes, attributable to the part of the nostro only and attributable to the part of the Company only.

(2) Regarding the dividend in kind distribution from Phoenix Insurance to the Company, see Note 8f(2) to the Consolidated Financial Statements.

(3) For the purpose of the merger, subsequent to the balance sheet date, between the Company and Phoenix Investments and Finances Ltd., see Note 1d to the Consolidated Financial Statements.

(4) Subsequent to the balance sheet date, in January 2025, Phoenix Investment House acquired the remaining minority interests from the minority shareholders, such that, as of the report publication date, Phoenix Investment House holds 100% of the ESOP Management and Trust Services Ltd. share capital.

## Regulation 11 - Breakdown of Loans and Capital Notes to Subsidiaries and Main Affiliates

| The Company's Main Subsidiaries and Affiliates | Balance of loans, bonds and capital notes in NIS thousand | Repayment date |
|---|---|---|
| Phoenix Investments and Finances Ltd. (*) | 82,688 | Interest-bearing loan 3(j), repayment date - September 30, 2026 |
| Phoenix Investments and Finances Ltd. (*) | 339,000 | Non-linked interest-free capital notes, with no repayment date, but will not be repaid before five years will have elapsed from the signing date of the capital notes. |
| Platinum Finance & Factoring Ltd. (*) | 30,100 | Non-linked interest-free capital notes, with no repayment date; in no case will they be repaid before five years will have elapsed from the signing date of the capital notes. |
| Phoenix Retail Credit Ltd. | 10,000 | Non-linked interest-free capital notes, with no repayment date; in no case will they be repaid before five years will have elapsed from the signing date of the capital notes. |
| Phoenix Advanced Investments Ltd. | 50,000 | The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date. |
| Phoenix Advanced Investments Ltd. | 40,000 | The loan bears an interest of approx. 5% in accordance with Section 3(j) to the Income Tax Ordinance; the loan is for a period of 5 years and will be repaid in one lump sum. |
| Phoenix Investment House Ltd. | 60,599 | Loan under the same terms as Bonds (Series 4) |
| KSM Mutual Funds Ltd. | 49,723 | Loan under the same terms as the second expansion of Bonds (Series 6) |
| KSM Mutual Funds Ltd. | 148,254 | Loan under the same terms as the first expansion of Bonds (Series 6) |
| Phoenix Insurance Company Ltd. | 1,249,215 | Tier 1 capital instrument Series L - Security No. 1179225 |
| Agam Leaderim (Israel) Insurance Agency (2003) Ltd. | 11,523 | Non-linked loans, with Prime+ 3%, repayable by installments until July 2034 |
| Shekel Insurance Agency (2008) Ltd. | 11,523 | Non-linked loans, with Prime+ 3%, repayable by installments until July 2034 |
| Phoenix Pension and Provident Fund Ltd. | 292,526 | An NIS 105 million loan, at the same terms as the Company's Bonds (Series 5), and approx. NIS 208 million in other loans, at the same terms as the Company's Bonds (Series 6). |

(*) Regarding the merger, subsequent to the balance sheet date, between the Company and Phoenix Investments and Finances Ltd., and between the Company and Platinum Finance & Factoring Ltd., see Note 1d to the Consolidated Financial Statements.

## Regulation 12 - Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period

El Al Frequent Flyer Ltd.

On June 23, 2022, Phoenix Insurance granted a USD 130 million loan using its Nostro funds, to El Al Frequent Flyer Ltd. (hereinafter - the "Borrower"). The loan was advanced for a period ending June 30, 2028 (hereinafter - the "Loan Term") and is repaid in two equal quarterly principal payments.

Under the loan agreement, Phoenix Insurance has the option to purchase up to 25% of the Borrower's shares; the option may be exercised at any time until the end of the term of the Loan, subject to additional terms and conditions for an additional year. On September 13, 2022, Phoenix Insurance exercised the option and purchased shares at a rate of 19.9% in consideration for an exercise premium of approx. USD 14 million.

On December 31, 2024, a partial early repayment of approx. NIS 110 million was received, such that the end of the loan's term was brought forward to June 30, 2027 (instead of June 30, 2028).

The loan's outstanding balance of approx. NIS 175 million, including the option which has not yet been exercised, as described above, are presented under the financial investments line item.

On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of El Al Frequent Flyer Ltd. (hereinafter - "El Al Club") as a dividend in kind to the Company. As of December 31, 2024, the investment balance in Phoenix Insurance's books of accounts is approx. NIS 180 million. The distribution is subject to approval by the Israel Tax Authority. For further details, see Note 8E(2) to the Consolidated Financial Statements.

Restructuring in Asset Management and Credit

As part of the implementation of the strategic plan regarding the Asset Management and Credit Activity, and the Company's wish to concentrate each of activities under separate arms, in July 2024, the Company's Board of Directors passed an in-principle resolution regarding a restructuring, which will include statutory mergers in accordance with the Eighth Part of the Companies Law, and the transfer of activities and assets of various group companies, as follows:

1. First stage - merger of Phoenix Investments and Phoenix Platinum into the Company

   The Company's Board of Directors approved that statutory mergers will be carried out between the Company and Phoenix Investments and between the Company and Platinum. As a result of the mergers all of the assets and liabilities of Phoenix Investments and Platinum into the Company, and they will cease to exist as separate companies.

   The completion of the mergers will be conditional, among other things, on the fulfillment of all of the following conditions: (a) Receipt of the Israel Tax Authority's approval for a restructuring and merger, which is exempted from corporate income tax in respect of each of the mergers, in accordance with Section 103I to the Income Tax Ordinance; and (b) the execution of the actions required to complete each of the mergers in accordance with the Companies Law and Companies Regulations (Merger), 2000.

   As of the report publication date, the Israel Tax Authority and Registrar of Companies approved the merger. In addition, the Company completed the actions required to finalize each of the mergers.

2. Second stage - in March 2025, after completing the first stage, the Company transferred to Phoenix Capital Partners Ltd. (hereinafter - "**Phoenix Capital Partners**") - a new privately-held subsidiary established by it, which is wholly-owned by the Company - Phoenix Investments' entire investment management activity prior to the merger date its holdings in all of Phoenix Advanced Investment's shares and its 19.9% stake in Phoenix Underwriting Ltd. The investment in the shares of Tehuda Management Service 1999 Ltd. and Safra Ltd. were transferred to Phoenix Advanced Investments.

3. Third stage - after the completion of the second stage, the Company will transfer to Phoenix Gama all shares of Phoenix Retail Credit Ltd.

## Regulation 12 - Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period (cont.)

Phoenix Investments

A. In August 2024 Phoenix Advanced Investments increased its share in the Wealth Subsegment by acquiring ownership interests from several partners in various companies operating in the area of Wealth and IRA totaling approx. NIS 90 million. As a result of the transaction, the equity attributable to the Company's shareholders decreased by a total of approx. NIS 29 million.

B. Loans and capital notes - Phoenix Investments
During the reporting period, Phoenix Investments repaid capital notes issued to the Company totaling approx. NIS 125 million and also repaid a loan of approx. NIS 50 million advanced by the Company.

C. Loans and capital notes - Phoenix Advanced Investments
During the reporting period, Phoenix Advanced Investments issued to the Company a NIS 50 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date. Furthermore, the Company advanced to Phoenix Advanced Investments a NIS 40 million loan; the loan bears an interest of approx. 5% in accordance with Section 3(j) to the Income Tax Ordinance [New Version], which is paid at the end of each quarter; the loan is for a period of 5 years and will be repaid in one lump sum.
Subsequent to the balance sheet date, 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.

Loans - Phoenix Pension and Provident Funds

A. In February 2021, Phoenix Pension and Provident Funds took a NIS 100 million loan from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.44%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

B. In March 2021, Phoenix Pension and Provident Funds took a loan of approx. NIS 89 million from the Company. The loan principal is linked to the CPI and carries an annual interest rate of 0.45%; all other terms of the loan are identical to the terms of the Bonds (Series 5). For details, see Note 27.

C. In September 2021, Phoenix Pension and Provident Funds took a NIS 105 million loan from the Company. The loan principal bears a fixed annual interest of 1.94%; all other terms of the loan are identical to the terms of the Bonds (Series 6). For details regarding the terms of the bonds - see Note 27.

Phoenix Agencies

A. Hagoz (2015) Ltd., which is owned by Mr. Yitzhak Oz, the Chairman of Phoenix Agencies, has a stake of approx. 17% in Phoenix Agencies' shares; Y.H.G. Sasson Ltd., which is owned by Mr. Moshe Sasson, has a stake of approx. 3% in Phoenix Agencies' shares (hereinafter - "Hagoz and Y.H.G. Sasson"). The abovementioned allocation of shares to companies owned by Mr. Yitzhak Oz and Mr. Moshe Sasson was carried out under a merger of 2023 between Phoenix Agencies and Agam Leaderim, in which Agam Leaderim was wound up and merged into Phoenix Agencies. Furthermore, with respect to the abovementioned restructuring, an agreement was signed between the Company, Phoenix Agencies and the other shareholders in Phoenix Agencies listed above, in which the following matters were regulated, among other things:
   1. Mr. Yitzhak Oz serves as the Executive Chairman of Phoenix Agencies (hereinafter - "**Agam Leaderim**") and Shekel Insurance Agency.

## Regulation 12 - Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period (cont.)

2. Option agreement: Termination of the option agreement of March 2019, replaced by a new Option Agreement, whereunder the parties will have put and call options with respect to Phoenix Agencies' shares held by Hagoz and Y.H.G Sasson following the merger (instead of in relation to their shares in Agam Holdings). The consideration in respect of the exercise of any of the options will be calculated based on an appraisal of Phoenix Agencies, in accordance with the provisions of the agreement. The put option may be exercised from January 1, 2027 to January 3, 2028. The call option may be exercised from January 4, 2028 to January 4, 2029. The Company may pay for the exercise of the options in cash or by allocating Company shares, subject to its discretion. If any of the options is exercised by way of allotment of Company shares (instead of cash), the number of shares will change as set in the agreement. In addition, the agreement sets a minimum price for exercising the options.
   It is noted that, in the event of a public offering of Phoenix Agencies, the call and put options will expire (Hagoz will be allowed to exercise the put option for all or some of its holdings, prior to the offering.

3. Award - it was determined that Hagoz will be eligible to a bonus of approx. NIS 20 million, which is conditional upon the sale of at least 50% of the outstanding balance of Phoenix Agencies shares owned by Hagoz.

B. In August 2024 Phoenix Agencies signed an agreement for the purchase from companies owned by Mr. Oren Cohen - both directly and indirectly - of approx. 16% further ownership interest in Oren Mizrach, such that subsequent to this acquisition, Phoenix Agencies holds - directly and indirectly - approx. 84% of the ownership interest in Oren Mizrach instead of approx. 68% before of the abovementioned transaction.
As a result of the acquisition, the Company reduced the equity attributable to the shareholders by approx. NIS 38 million.
Furthermore, in accordance with the agreement, Phoenix Agencies issued to a company owned by Oren Cohen shares constituting approx. 1.75% of Phoenix Agencies' equity capital, As a result of the abovementioned issuance, the Company increased the equity attributable to the shareholders by approx. NIS 33 million.

C. Increasing holdings in Quality shares
In December 2024, Phoenix Agencies acquired additional shares. As a result of the said acquisition, the equity attributable to the Company's shareholders decreased by a total of approx. NIS 12 million.

D. Gvanim Insurance Agency
T.A.I.S. Shades Life Insurance Agency (1987) Ltd. (hereinafter - "Gvanim") is an investee in which Phoenix Agencies has a 50% stake. In December 2024, a transaction was signed under which Oren Mizrach will acquire from other Gvanim shareholders a total of 40% of Gvanim's shares, and 11% of Gvanim's shares will be issued to Oren Mizrach, such that subsequent to the abovementioned measures, Phoenix Agencies will have a 91.8% (direct and indirect) stake in Gvanim. The above transaction is subject to receiving a permit from the Capital Market Insurance and Savings Authority; as of the report publication date, the approval has not yet been received.

Platinum Finance & Factoring

During the reporting period, Platinum issued to the Company a NIS 25 million capital note. The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date.
In addition, during the reporting period, Phoenix Retail Credit - a wholly-owned subsidiary of Platinum - issued a NIS 10 million capital note to the Company.The capital note is not linked to the CPI and does not bear interest and with no repayment; in any event, the capital note will not be repaid before five years have elapsed from its issuance date.

## Regulation 12 - Changes in Investments in Main Subsidiaries and Affiliated Companies in the Reporting Period (cont.)

Phoenix Investment House

A. Merger between KSM and Phoenix Investment House

In January 2023, all of the required approvals were received and the merger of KSM ETN Holdings Ltd. (hereinafter - "KSM Holdings") with Phoenix Investment House was completed. Subsequent to the merger the Company holds, through Phoenix Investments, approx. 88% of the shares of Phoenix Investment House. Furthermore, under the merger, arrangements for the exercise of option from 2026 to 2029 we put in place between the Company and Phoenix Investments and Boaz Nagar (Chairman of the Board of Phoenix Investment House and KSM Mutual Funds Ltd.) and Avner Hadad (CEO of Phoenix Investment House and KSM Mutual Funds Ltd.) (hereinafter - the "**Executives**"). The consideration for exercising the options is determined in accordance with an agreed mechanism, based on valuations. The said arrangements enable the Company to pay the Managers the consideration by allotting them shares of the Company by way of a private placement, provided the options are exercised and at the Company's discretion.

In November 2024 and February 2025, an addendum was signed to the shareholders agreement of Phoenix Investment House, which, among other things, extends - by three additional years - the term of the put and call options arrangements for the execution of transactions in connection with the Managers' holdings in the Investment House, as set forth in the shareholder agreement of May 2022. That is to say, the transactions may be executed from 2026 to 2031 (instead of through 2029). As a result of this addendum, Phoenix Investments recorded a financial liability to the minority shareholders totaling approx. NIS 15 million.

B. Acquisition of the mutual funds activity from Psagot by Phoenix Investment House (including through subsidiaries)

On December 19, 2023, Phoenix Investment House and companies of the Psagot Investment House group engaged in an agreement for the acquisition of mutual funds under the management of Psagot Mutual Funds Ltd., with assets under management totaling approx. NIS 22.2 billion, and in consideration for NIS 151 million. On March 21, 2024, the abovementioned transaction was completed;, for further details, see Note 4A to the Consolidated Financial Statements.

Phoenix Mortgages (Gold)

Gold Mortgages focuses on advancing loans to people aged 60 and over against a first-degree pledge on their apartment. Furthermore, Gold Mortgages was granted a permit from the Capital Market, Insurance and Savings Authority to provide any type of mortgage.

On December 30, 2024, Phoenix Insurance's Board of Directors approved the distribution of Gold Mortgages' shares to the Company as a dividend in kind, subject to receiving from the Commissioner an extended credit provision license (as defined in the Financial Services Supervision Law (Regulated Financial Services), 2016. As of the report publication date, the required approvals have not been obtained.

In addition, at that date, Phoenix Insurance's board of directors approved to advance a loan to Gold Mortgages for the purpose of providing loans to customers. As of December 31, 2024, the loan balance in Phoenix Insurance's books of accounts is approx. NIS 574 million. As of December 31, 2024, the distribution was carried out against a dividend payable in Phoenix Insurance's books of accounts. The transfer of a loan to the company was carried out in practice on January 1, 2025.

For further details, see Note 8F(2) to the Consolidated Financial Statements.

## Regulation 13 - Revenue of Main Subsidiaries and Affiliates and Revenue of the Corporation Therefrom as of the Balance Sheet Date (in NIS thousand)

| | Profit (loss) for the period (*) | Other comprehensive income (loss) for the period (*) | Comprehensive income (loss) for the period (*) | Dividend (**) | Management fees | Interest |
|---|---|---|---|---|---|---|
| **The Company's Subsidiaries and Affiliates** | | | | | | |
| Phoenix Insurance Company Ltd. | 1,305,450 | 268,185 | 1,573,635 | 823,751 | 22,510 | 84,176 |
| Phoenix Investments and Finances Ltd. | 311,866 | 716 | 311,874 | - | 500 | 4,283 |
| Phoenix Pension and Provident Fund Ltd. | 62,783 | - | 62,783 | - | - | 9,311 |
| Phoenix Insurance Agencies 1989 Ltd. | 135,191 | 95 | 135,286 | 93,052 | | 2,029 |
| **Subsidiaries and affiliates of Phoenix Insurance Company Ltd.** | | | | | | |
| Ad 120 Residence Centers for Senior Citizens Ltd. | 30,034 | - | 30,034 | - | - | - |
| Hadar Green Company Properties and Investments Ltd. | 8,444 | (4,475) | 3,969 | - | - | - |
| Phoenix Mortgages (Gold) Ltd. | 871 | - | 871 | - | - | - |
| El-Al Fly Card | 6,602 | 1,465 | 8,067 | - | - | - |
| **Subsidiaries and affiliates of Phoenix Investments and Finances Ltd.** | | | | | | |
| Phoenix Investment House Ltd. | 194,568 | - | 194,568 | - | - | 3,597 |
| Gama Management and Clearing Ltd. | 106,919 | 205 | 107,124 | - | - | - |
| Phoenix Advanced Investments Ltd. | 14,133 | - | 14,133 | - | - | - |
| Phoeniclass Ltd. | | | | | | |
| **Subsidiaries and affiliates of Phoenix Insurance Agencies 1989 Ltd.** | | | | | | |
| Agam Leaderim Ltd. | 94,045 | - | 94,045 | - | - | - |
| Shekel Insurance Agency (2008) Ltd. | 43,237 | - | 43,237 | - | - | - |
| Oren Mizrach Insurance Agency Ltd. | 29,289 | - | 29,289 | - | - | - |
| Insurance Agency (2017) Ltd. | 9,291 | - | 9,291 | - | - | - |
| **Subsidiaries and affiliates of Phoenix Investment House Ltd.** | | | | | | |
| ESOP Management and Trust Services Ltd. | 13,094 | - | 13,094 | - | - | - |
| Excellence Investment Management and Securities Ltd. | 104,135 | - | 104,135 | - | - | - |
| KSM Mutual Funds Ltd. | 97,493 | - | 97,493 | - | - | 10,358 |
| Excellence Nessuah Services Ltd. | - | - | - | - | - | - |
| Excellence Growth Securities and Investments Ltd. | (15) | - | (15) | - | - | - |

(*) Reflects the Company's share in the profits (losses) of the investee.

(**) Including distribution of a dividend in kind and excluding a dividend announced subsequent to the reporting date. Regarding the dividend in kind distribution from Phoenix Insurance to the Company, see Note 8f(2) to the Consolidated Financial Statements.

## Regulation 14 - List of Groups of Balances of Loan Granted as of December 31, 2024

| Amount | Balance in NIS thousand | No. of borrowers |
|---|---|---|
| NIS 1-100 thousand | 427,219 | 180,001 |
| NIS 100-500 thousand | 380,839 | 1,714 |
| NIS 500-1,000 thousand | 189,289 | 287 |
| NIS 1,000-5,000 thousand | 214,084 | 123 |
| NIS 5,000-12,000 thousand | 134,996 | 17 |
| Over NIS 12,000 thousand | 11,663,658 | 149 |

## Regulation 20 - Trading on the TASE - Securities Listed for Trading - Dates and Reason for Delisting

**Following are the Company's securities as recorded during the reporting period until the report's publication date:**

Issuance of further series of Bonds (Series 5 and Series 6) by the Company.

Subsequent to the reporting period, 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 approx. NIS 600,000 thousand.

## Regulation 21 - Compensation of Interested Parties and Senior Officers

Following is a breakdown of the compensation granted to interested parties and officers (in NIS thousand), as detailed in the Sixth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, and as recognized in the financial statements for the reporting year:

1. For each of the five highest paid senior executives of the Company or companies under its control (the compensation amounts are in NIS thousand and in terms of cost to the corporation, excluding payroll tax and VAT):
2. Each of the three highest paid senior executives in the Company not included in Paragraph 1 above.
3. Any interested party in the Company not listed in Paragraphs 1 and 2 above.

| Details of compensation recipients | | | | Compensation for services (1) | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Name | Title | Appointment percentage | Percentage of holding in corporation's share capital | Salary (*) | Bonus | Share-based compensation (**) | Management fees | Rent | Other (***) | Total | Of which: Total in respect of the Compensation for Officers in Financial Corporations Law (****) |
| **Benjamin Gabbay (3)** | Chairman of the Board of the Company and of subsidiary Phoenix Insurance Company Ltd. | 70% | 0.05% | 2,320 | - | 769 | - | - | - | 3,089 | 2,845 |
| **Eyal Ben Simon (4)** | Chief Executive Officer of the Company of subsidiary Phoenix Insurance Company Ltd. | Full-time | 0.02% | 2,585 | 230 | 1,384 | - | - | - | 4,199 | 3,926 |
| **Haggai Schreiber (5)** | Executive VP, Chief Investment Officer of the Company and of Phoenix group | Full-time | 0% | 1,938 | 336 | 860 | - | - | - | 3,134 | 2,925 |
| **Eli Schwartz (6)** | Executive Vice President, Chief Financial Officer of the Company and of Phoenix group | Full-time | 0.01% | 1,808 | 510 | 774 | - | - | - | 3,093 | 2,897 |
| **Yitzhak Oz (7)** | Chairperson and CEO of Phoenix Insurance Agencies (1989) Ltd. | Full-time | 0.09% | 130 | 5,948 | 6,660 | 3,256 | 97 | - | 16,091 | - |
| **Ran Givon (8)** | Chief Executive Officer of Cohen Givon Insurance Agency (1994) Ltd. | Full-time | 0.07% | - | 11,993 | - | 2,128 | - | - | 14,121 | - |
| **Erez Yosef (9)** | Chairman of the Board, Gama Management and Clearing Ltd. | 90% | 0% | 3,132 | 1,750 | 3,772 | - | - | 810 | 9,644 | - |
| **Ariel Genut (10)** | CEO and former director - Gama Management and Clearing Ltd. | Full-time | 0% | - | - | - | 975 | - | 5,308 | 6,283 | - |
| **Gil Duek (11)** | Co-CEO of Tagmul Life Insurance Agency (2002) Ltd. | Full-time | 0% | - | 4,849 | - | 634 | - | - | 5,483 | - |
| **Asaf Prinz (11)** | Co-CEO of Tagmul Life Insurance Agency (2002) Ltd. | Full-time | 0% | - | 4,849 | - | 634 | - | - | 5,483 | - |

(*) The salary includes a payment charged in accordance with the employment agreement that does not depend on targets and/or subject to discretion.The salary shown in the above table constitutes 100% of the salary paid to the officer in respect of his functions in Phoenix group and does not constitute the salary paid by the Company alone.

(**) This amount reflects the economic value of the options and RSUs allocated to Company officers and the options allocated to Phoenix Investment House officers in Phoenix Gamma and Phoenix Agencies in the reporting year. It is clarified that the economic value of options in Phoenix Capital Partners, as approved by the Company's Compensation Committee and Board of Directors subsequent to the reporting period (subject to the approval of the Company's general meeting), is not reflected in the regulation, and shall be reflected in the Company's financial statements for 2025, if it is approved by the General Meeting.

(***) With respect to Mr. Erez Yosef, the "other" component refers to an accounting provision for his entitlement to a retirement bonus at the end of his term; with respect to Mr. Ariel Genut, the "other" component refers to the consideration for the remaining specified notice period to which Mr. Genut was entitled under the Service Agreement (12 months), the consideration for exercising the Company's right under the Service Agreement to purchase Mr. Genut's commitment to a 12-month non-compete period after the end of the specified notice period, as well as reimbursement of vehicle expenses in the specified notice period.

(****) Compensation as defined by the Officer Compensation in Financial Corporations Law (Special Approval and Non-Authorization of a Deductible Expense Due to Exceptional Compensation), 2016 (hereinafter - the "Law"), i.e., total compensation excluding contributions for severance pay and benefits (including disability insurance) pursuant to the law (or contributions to funds as a substitute for these components for those not employed as "employees") and excluding the employer's supplementary contributions for benefits accrued until the law's effective date. It is noted that, as of the report date, the "engagement amount" ceiling (which equals NIS 2.5 million), as defined in Section 2(a) of the Officer Compensation in Financial Corporations Law (Special Approval and Non-Authorization of a Deductible Expense Due to Exceptional Compensation), 2016 (hereinafter – the "Law"), linked to the Consumer Price Index published by the Central Bureau of Statistics since the Law has been published, is NIS 2,925 thousand.

## Regulation 21 - <u>Compensation of Interested Parties and Senior Officers</u> (cont.)

Comments regarding the data in the table:

1. The salary component includes all of the following components: monthly salary, social benefits, social security contributions and related benefits as is customary, and any income credited to the salary due to a component granted to the employee. The expense in respect of share-based payment is based on the valuation of the options as of the grant date, recorded as an expense in the Company's books of accounts in the reporting year.

2. All officers are entitled to be included in the executive insurance policy purchased by the Company, as well as letters of indemnification and exemption from liability under standard terms for senior officers in the Company.

3. Mr. Benjamin Gabbay has been serving as Chairman of the Board of the Company and Phoenix Insurance since November 2019. For details regarding Mr. Benjamin Gabbay's terms of employment, see Note 42 to the Financial Statements. It is noted that for the service of Benjamin Gabbay as chairperson of the Company's Board of Directors, he is entitled to annual compensation in accordance with the Companies Regulations (Rules for Compensation and Expenses for an External Director), 2000, and compensation for board of directors' meetings only, in accordance with these regulations.

4. Mr. Eyal Ben Simon has been serving as the Company's CEO since June 2019, and as the CEO of Phoenix Insurance Company Ltd. since May 2019. For details regarding Mr. Eyal Ben Simon's terms of employment, see Note 42 to the Financial Statements.

5. Mr. Haggai Schreiber as been serving as Executive VP in Phoenix Insurance and Chief Investment Officer in the Company and the Phoenix group since December 2019 and as of January 2025 - as CEO of Phoenix Capital Partners Ltd. (hereinafter - "**Mr. Schreiber**"). Mr. Schreiber is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schreiber's employment with the Company, he will be entitled to a specified notice period of 4 months. During the specified notice period, Mr. Schreiber will be entitled to a salary, including all the benefits and related benefits included in the agreement. Mr. Schreiber is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.

6. Mr. Eli Schwartz has been serving as Executive Vice President of the Company and Parent Company and Chief Financial Officer of the Company and Phoenix Insurance and CFO of the Company and Phoenix Insurance since April 2017 (hereinafter - "**Mr. Schwartz**"). Mr. Schwartz is entitled to an annual bonus in accordance with the CEO's recommendation and the Company's compensation policy. Upon the end of Mr. Schwartz's employment with the Company, he will be entitled to a specified notice period of 3 months. During the specified notice period, Mr. Schwartz will be entitled to a salary, including all the benefits and related benefits included in the agreement. Mr. Schwartz is also entitled to social benefits, related benefits and reimbursement of expenses as is customary for senior executives in his position.

7. Mr. Yitzhak Oz serves as Chairman of Phoenix Insurance Agencies 1989 Ltd. (hereinafter "**Phoenix Agencies**"), Chairman of Shekel Insurance Agency (2008) Ltd. and Chairman of Agam Leaderim (Israel) Insurance Agency (2003) Ltd. Mr. Yitzhak Oz holds, through a privately-held company he owns, approx. 17.19% of Phoenix Agencies' share capital. The specified management fees and the bonus in connection with Mr. Oz's role as chairman of the above companies are paid to the private company he owns. The management fees include fixed annual management fees, CPI-linked. The annual bonus payable to Mr. Oz is CPI-linked. In addition, in the reporting year, an expense for share-based compensation was recorded in respect of options granted to Mr. Oz in Phoenix Agencies under a Phoenix Agencies officer and employee option plan.

## Regulation 21 - <u>Compensation of Interested Parties and Senior Officers</u> (cont.)

8. Adv. Ran Givon (hereinafter - "**Mr. Givon**") serves as CEO of Cohen Givon Insurance Agency (1994) Ltd. (hereinafter - the "**Agency**"). Givon holds 48% of the Agency's share capital. According to the management agreement between the agency and Givon (through a privately-held company he owns), Mr. Givon is entitled to the fixed management fees payable to Givon. Moreover, Mr. Givon is entitled to annual vehicle maintenance pay and to an annual bonus, as stipulated in the management agreement. The amounts specified above are CPI-linked, as stipulated in the management agreement. It was agreed that, with respect to the reporting year alone, the bonus would amount to approx. NIS 12 million plus VAT as per the law.

9. The Chairman of the Phoenix Gama Board of Directors, Mr. Erez Yosef (hereinafter – "**Mr. Yosef**"), provides services to Phoenix Gama at a 90% appointment percentage. His salary is NIS 200,000 per month, subject to annual linkage to index increases. In addition, Mr. Yosef is entitled to related benefits, such as annual leave, sick leave, convalescence pay, pension insurance, and an advanced education fund.
   Mr. Yosef is entitled to an NIS 1,250,000 signing bonus, payable in four installments, of which the first installment was paid on the date the amendment to the agreement with him was approved, September 1, 2023, and the remainder – in three annual installments subsequent to the said date.
   Mr. Yosef is entitled to an up to NIS 1.5 million annual bonus, subject to meeting the objectives set by Phoenix Gama.
   Moreover, Mr. Yosef is entitled to an option allocation equal to 3% of Phoenix Gama's issued capital, depending on Phoenix Gama's value, as determined by a consensual appraiser.

   Special advance notice arrangements have been made between Phoenix Gama and Mr. Yosef as well. In addition, Mr. Yosef is entitled to reimbursement of hospitality and living expenses abroad, according to the custom in Phoenix Gama.

10. Mr. Ariel Genut has served as CEO of Gama Management and Clearing Ltd. since it was founded. On January 31, 2024, Mr. Genut announced his wish to terminate his tenure. Mr. Genut ceased to serve as CEO and director of the company, effective April 16, 2024.

11. Mr. Gil Duek and Mr. Asaf Prinz (hereinafter - the "**Managers**") serve as Co-CEOs of Tagmul Life Insurance Agency (2002) Ltd. (hereinafter - "**Tagmul**") in which Phoenix Agencies holds 95%. The Managers hold 2.5% each of Tagmul insurance agency's share capital. According to the management agreement between Tagmul and the Managers, the total monthly cost of each Manager's salary is NIS 48 thousand, unlinked. In addition to their salary, the CEOs are entitled to an annual, results-based bonus, in accordance with the management agreement**.**

<u>Following is a breakdown of the directors' compensation:</u>
In 2024, the Company paid its directors for their service on the Company's Board of Directors a total of approx. NIS 3,478 thousand (the amounts do not include payroll tax or VAT). The compensation given to the directors of the Company, classified as expert directors, is the maximum compensation allowed in accordance with Regulations 1A-1B to the Companies Regulations (Exemptions for Interested Party Transactions), 2000 (hereinafter - the "**Exemption Regulations**") and Regulations 5A and 7 of the Companies Regulations (Rules Concerning Compensation and Expenses for an External Director), 2000.

No compensation was granted to the officers subsequent to the reporting year and prior to the reporting date in connection with their service or employment in the reporting year.

## Regulation 22 - <u>Transactions with Controlling Shareholders or in which a Controlling Shareholder has a Vested Interest</u>

**Transactions listed in Section 270(4) of the Companies Law**

<u>Insurance policy, exemption and indemnification letters for board members and officers</u>

<u>Insurance, exemption and indemnification for officers</u>

A. In March 2020, the general meeting of the Company's shareholders (hereinafter in this section - the "**General Meeting**"), approved, among other things:

1. Award of exemption letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the exemption letters.

2. Award of indemnification letters, in the version attached to the meeting summons report, to Company officers and directors who serve or will serve in the Company from time to time, including the CEO or the CEO who will serve from time to time, and including Company officers and directors who serve or will serve in the Company from time to time, which the Company's controlling shareholder may be considered as having a vested interest in the award of the indemnification letters.

3. The Meeting also approved the payment of expenses arising from participation in meetings of the Board of Directors and its committees by directors residing outside Israel, including directors on behalf of the controlling shareholder, who serve or will serve from time to time in the Company's Board of Directors. The directors will be entitled to full reimbursement of expenses. The total amount of expense per day to be paid by the Company shall not exceed NIS 2,000 plus VAT per director. The directors shall also be entitled to reimbursement of travel expenses in Israel which are directly related to their participation in such meetings.

B. In October 2020, the Company's general meeting approved the Company's revised compensation policy, and the limit for insurance coverage of directors, officers, and other key executives was increased to USD 220 million and the Company was granted the option to purchase, at its discretion and in accordance with the approvals required by law, a runoff insurance policy for officers for up to seven years, in the scope of the coverage. For further details, see the Company's immediate report of September 18, 2020 (Ref. No. 2020-01-025789).

C. In October 2024, in accordance with Regulation 1B1 of the Companies Regulations (Exemptions for Interested Party Transactions), 2000, the Company's Compensation Committee approved the Company's agreement for the liability insurance policy for officers in the Company and subsidiaries for an annual insurance period beginning on November 3, 2024 and increased the insurance coverage from USD 150 million to USD 165 million.
It is noted that, as of the report date, the Company does not have a core control core.

## Regulation 24 - Shares and Other Securities Held by Interested Parties and Senior Officers in the Corporation, Subsidiary or Related Company, as Close as Possible to the Report Date, to the Best of the Corporation's Knowledge

For details regarding holdings of interested parties and senior officers in the Company's shares and other securities as close as possible to the report date, see the Company's immediate report dated January 7, 2025 (Ref. No.: 2025-01-002741).

Dormant shares of the corporation held by the corporation or a subsidiary of the corporation:

| | Phoenix Shares NIS 1 p.v. | Total no. of shares | Holding rate - voting rights and authority to appoint directors | Holding rate - equity | Holding rate - equity (fully diluted) | Holding rate - voting rights and authority to appoint directors (fully diluted) |
|---|---|---|---|---|---|---|
| Phoenix Financial Ltd. (dormant shares) | 11,309,735.5 | 11,309,735.5 | 0% | 4.32% | 4.27% | 0% |
| Phoenix Investments and Finances Ltd. (dormant shares in vote) | 31 | 31 | 0% | 0% | 0% | 0% |

## Regulation 24A - Registered Capital, Issued Capital and Convertible Securities of the Corporation

As of the report publication date, the Company's authorized share capital is NIS 300,000,000, composed of 300,000,000 shares of NIS 1 p.v. each. The issued capital of the Company is NIS 262,314,673, composed of 262,314,673 ordinary shares of NIS 1 p.v. each.
The number of the Company's dormant shares which do not confer any rights is 11,529,708.5 ordinary shares of NIS 1 p.v. each.
The Company's issued capital less the dormant shares that do not confer any rights is 250,784,965 ordinary shares of NIS 1 p.v. each.
In addition, pursuant to the Company's and Phoenix group's officer and employee option plan, immediately prior to the report publication date, the convertible securities issued by the corporation include 5,695,263 Phoenix Up Employee warrants (Security No. 7670235), 706,721 RSUs assigned to employees (Security No. 1211309), and 7,746 RSUs assigned to advisors (Security No. 1211317). For further details regarding the Company's securities which were listed for trading during the reporting period, see Regulation 20 above.

## Regulation 24B - The Corporation's Shareholder Register

For the most recent register of the Company's shareholders, see the immediate report dated February 4, 2025 (Ref. No. 2025-01-008552), which is included herein by way of reference.

## Regulation 25A - Registered Address of the Corporation

The registered address of the Corporation is 53 Derech Hashalom Street, Givatayim. Tel.: +972-3-7332997. Fax.: +972-3-5734516
E-mail: menin@fnx.co.il

## Regulation 26 - The Directors of the Corporation

| | Benjamin Gabbay (Chairman of the Board) | Stella (Amar) Cohen | Dr. Ehud Shapira | Rachel (Rucha) Levine |
|---|---|---|---|---|
| **ID number** | 022973606 | 341286003 | 008370991 | 022216329 |
| **Date of birth** | March 16, 1967 | September 12, 1980 | October 5, 1944 | December 9, 1965 |
| **Address for serving court documents** | Omri 24A, Tel Aviv | Shalva 105, Herzliya | Belkind 1, Tel Aviv | Yeffe Nof 3, Givatayim |
| **Citizenship** | Israeli | Israeli, American and French | Israeli | Israeli |
| **Membership in Board committees** | Chairman of the Strategy Committee,[1] Member of the Risk Management Committee, Nostro Investments Committee, IT Committee | Risk Management Committee, IT Committee, Strategy Committee, Committee for Review of the Financial Statements, Strategy Committee. | Chairperson of the Audit Committee, Chairperson of the Compensation Committee, member of the Strategy Committee and the Financial Statements Review Committee. | Chair of the Financial Statements Review Committee, and member of the Nostro Investments Committee, Audit Committee, and Compensation Committee. |
| **External Director or Independent Director** | No | No | Independent Director | Yes |
| **Is he/she an employee of the Company, a subsidiary, an affiliate or an interested party** | No. Chairman of the Board of the Company and Chairman of the Board of Phoenix Insurance Ltd. | No | No. | No |
| **The date on which he/she began his/her term as a director** | November 3, 2019 | September 22, 2022 | November 7, 2019 | February 24, 2020 |
| **Education and occupation in the past five years and a list of the corporations in which he/she serves as a director** | Education - BA in Accounting and Economics and L.L.M from Tel Aviv University. Current occupation - Co-CEO of Universal Motors Israel Ltd. Previously: Partner in Kost Forer Gabbay & Kasierer, provided consulting services in B.G.N.Y. Management Services Ltd. and CEO of Eliahu Issues Ltd. The corporations in which he serves as a director: Member of the IT Committee and member of the ESG Committee; B.G.N.Y. Management Services Ltd.; Advancement of Education in Israel Fund (Public Benefit Company); UTS Universal Transportation Solutions Ltd. (Chairman); Office 3000 Ltd.; G1 Security Solutions Ltd.; Gama Management and Clearing Ltd; Phoenix Investment House Ltd.; Chairman of the Association of Life Insurance Companies of Israel Ltd.; Chairman of the Association of Insurance Companies of Israel (Registered NGO). Director at Phoenix Capital Partners Ltd. (as of January 2025). | Education: Master of Law (LL.M.) Columbia University (New York, USA) & Juris Doctor (J.D.), University Pantheon Assas (Paris, France) & Master of Arts (M.A.), Institute of Political Sciences (Paris, France) & Master of Sciences, University Paris Dauphine (Paris, France). Corporations in which she served as a director: Co-Head of Private Equity for Europe, Middle East and Asia, J. Safra GROUP (J. Safra Sarasin Asset Management); Finans2 Kapital, Chairman of the Board; Food Delivery Brand, Director, Zolva Group (member of the investment committee), USI Insurance - director and chair of the audit committee, Sedgwick INC, Director-Observer. | Education - B.Sc in Economics and Statistics from Tel Aviv University, M.Sc in Economics and Performance Research from the Technion, M.Sc. in Economics and Ph.D in Economics and Finance - from New York University. Occupation - director of various companies, as detailed below. Corporations in which he serves as a director - Samelet Motors Ltd., Samelet Financing Ltd., Birad - Research and Development Company Ltd., and Dr. Ehud Shapira Management Ltd. Previously - Psagot Investment House Ltd. (Chairman and board member), GoDm | Education - BA in Business with specialization in Accounting - College of Management, Tel Aviv. MBA from Kellogg School of Management, Northwestern University, Chicago. CPA license. Occupation: Serves as a director of the companies detailed below, and as a professional advisor to companies engaging in fields such as real estate and renewable energy. The corporations in which she serves as a director: AFI Properties Ltd.; Veridis Environment Ltd.; Deputy Chairwoman of the Tidhar Group Ltd. Board of Directors; Phoenix Construction Financing and Guarantees Ltd. of the Gama Group. Formerly: External Director of Infinya Ltd., Gazit Globe, Chairperson of the Gazit Globe Israel Ltd. Board of Directors; Director of the Finnish Gazit Globe Company Citycon; Deputy Chairwoman of Atrium European Real Estate Ltd.; CEO and Director of Gazit Globe Ltd. |
| **Is he a relative of another interested party in the Company** | No | No | No | No |
| **Does he have accounting and financial skills or professional qualifications** | Yes | Yes | Yes | Yes |

[1] Until 2024, he was a member of the Sustainability Committee, Chairman of the Strategy Committee since 2025, after the Sustainability Committee was consolidated with it.

| | Zubin Taraporevala | Inbal Kreis | Zohar Goshen | Hanadi Said |
|---|---|---|---|---|
| **ID number** | Passport No.: 565682652 | 022392948 | 057366767 | 321451171 |
| **Date of birth** | July 3, 1964 | June 2, 1966 | November 20, 1961 | August 24, 1976 |
| **Address for serving court documents** | Cumberland Place, London, NW1 4 NA, UK 2 | 182 Kedem St., Shoham | 456 Riverside Drive, NY, NY 10027 | 3 Bishop Hajar St., Haifa |
| **Citizenship** | American | Israeli | Israeli and American | Israeli and Canadian |
| **Membership in Board committees** | Risk Management Department, Strategy Committee, IT Committee. | Audit Committee, Balance Sheet Committee and IT Committee. | Strategy Committee and Compensation Committee | Audit Committee, Compensation Committee, Balance Sheet Committee, Risk Management Committee, and IT Committee. |
| **External Director or Independent Director** | No | Independent Director | No | ED |
| **Is he/she an employee of the Company, a subsidiary, an affiliate or an interested party** | No | No | No | No |
| **The date on which he/she began his/her term as a director** | January 14, 2025 | January 14, 2025 | January 14, 2025 | January 14, 2025 |
| **Education and occupation in the past five years and a list of the corporations in which he/she serves as a director** | Education: BA in Economics, Bombay University<br>MBA - Cornell University.<br>Occupation: Senior Partner at international consulting firm McKinsey's<br>Corporations in which he serves as a director: (Fintech) Auxmoney Chairman of the Compensation Committee – | Education: BSc – Chemical Engineering – Technion<br>Executive MBA - Tel Aviv University<br>Occupation: CIO (Chief Innovation Officer) – Israel Aerospace Industries<br>Deputy Manager, Space Division – Israel Aerospace Industries<br>Odysight.ai Ltd.<br>ELTA Systems Ltd.<br>The corporations in which she serves as a director: Institute for National Security Studies – INSS | Education: Professor of Corporate Law, Corporate Governance, Securities Law, Corporate Finance, and Antitrust, at Columbia Law School<br>LLM and SJD in Corporate Law and Corporate Governance – Yale Law School<br>LLB - Hebrew University<br>Occupation: Professor of Law – Columbia Law School<br>Legal and business consulting, self-employed<br>Managed a financial start-up company (until 2022)<br>The corporations in which he serves as a director: No | Education: CPA; Bachelor of Accountancy – McGill University<br>MBA - Bentley University<br>Occupation: Founder and CEO – Sensai Networks<br>Managed a financial start-up company (until 2022)<br>The corporations in which she serves as a director:<br>Independent Director - Beyond Oil (a Canadian publicly-traded company)<br>Independent Director - Cross-Israel Highway Ltd. |
| **Is he a relative of another interested party in the Company** | No | No | No | No |
| **Does he have accounting and financial skills or professional qualifications** | Yes | Yes | Yes | Yes |

## Directors who ceased to serve in the Company during the reporting period

1. On October 14, 2024, Mr. Itzhak Shukrie Cohen ceased to serve as a director of the Company. For further details regarding the end of his term, see the immediate report dated August 22, 2024 (Ref. No.: 2024-01-086748).
2. On October 14, 2024, Mr. Eliezer Yones ceased to serve as a director of the Company. For further details regarding the end of his term, see the immediate report dated August 22, 2024 (Ref. No.: 2024-01-086757).
3. On October 14, 2024, Mr. Ben Carlton Langworthy ceased to serve as a director of the Company. For further details regarding the end of his term, see the immediate report dated August 22, 2024 (Ref. No.: 2024-01-086778).
4. On December 31, 2024, Mr. Roger Abravanel ceased to serve as a director of the Company. For further details regarding the end of her term, see the immediate report dated December 9, 2024 (Ref. No.: 2024-01-622940).
5. On January 3, 2025, Mr. Richard Kaplan ceased to serve as an external director of the Company. For further details regarding the end of her term, see the immediate report dated November 24, 2024 (Ref. No.: 2024-01-618264).
6. On January 14, 2025, subsequent to the reporting period, Mr. Zubin Russi Taraporevala started serving as a Company director.
7. On January 14, 2025, subsequent to the reporting period, Ms. Hanadi Said began to serve as an external director of the Company.
8. On January 14, 2025, subsequent to the reporting period, Ms. Inbal Kreiss began to serve as an independent director of the Company.
9. On January 14, 2025, subsequent to the reporting period, Mr. Zohar Goshen began to serve as a director of the Company.

## Regulation 26A - The Corporation's Senior Officers as of the Report Date

| Name | ID No. | Date of birth | Position in the insurer | Position in a subsidiary of the insurer or an interested party therein | Is he a relative of another senior officer or of an interested party | The officer's education and business experience in the past five years | The date on which he began his term |
|---|---|---|---|---|---|---|---|
| Eyal Ben Simon | 025173782 | March 12, 1973 | The Company's CEO. | CEO of subsidiary Phoenix Insurance Company Ltd.; Director of companies of the Phoenix group, of which, the main ones are: Phoenix Investments and Finances Ltd., Phoenix Capital Partners Ltd.; Phoenix Investment House Ltd.; Phoenix Capital Raising (2009) Ltd.; Gama Management and Clearing Ltd.; Phoenix Insurance Agencies 1989 Ltd., and subsidiaries. In addition, he serves as a member of Phoenix Insurance Company Ltd. Nostro Investments Committee and as a director of the Association of Life Insurance Companies of Israel Ltd. | No | Education - BA in Economics and Accounting and MBA (Finance) from the Hebrew University of Jerusalem, CPA. Business experience - CEO of the Company and CEO of Phoenix Insurance Company Ltd. Formerly - Executive Vice President of Phoenix - Head of Property and Casualty Insurance and Claims. | November 7, 2019 |
| Haggai Schreiber | 037626546 | August 15, 1975 | Executive Vice President, the Company's Chief | Executive Vice President, Chief Investment Officer of the following the Phoenix Group companies: The Company, Phoenix Insurance Company Ltd., Phoenix Pension and Provident Fund | No | Education - BA in Economics and Management and MA in Finance and Accounting, Tel Aviv University. Business experience: CEO of Phoenix Capital Partners Ltd. and Chief Investment Officer of Phoenix group. | December 5, 2019 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | Investment Officer. | Ltd. CEO of Phoenix Capital Partners Ltd. and Phoenix Capital Raising (2009) Ltd. Director of companies in Phoenix group, the main one being Phoenix Investment House Ltd. | | Previously - manager of planholders' funds, manager of the nostro portfolio and international markets strategist at Phoenix Investments and Finances Ltd. (currently Phoenix Capital Partners Ltd.). | |
| Eli Schwartz | 032315517 | June 10, 1975 | EVP, Chief Financial Officer. | Deputy CEO, CFO of the Company and the subsidiary Phoenix Insurance Company Ltd., Director of Phoenix group companies, including, primarily: Phoenix Investments and Finances Ltd., Phoenix Capital Partners Ltd., Phoenix Pension and Provident Fund Ltd., Phoenix Investment House Ltd., Gama Management and Clearing Ltd., Phoenix Capital Raising (2009) Ltd., Phoenix Advanced Investments Ltd., Gama Management and Clearing Ltd., Phoenix Insurance Agencies 1989 Ltd., and several other agencies and companies held by Phoenix. In addition, he serves as a member of the Nostro Investments Committee at Phoenix Insurance Company Ltd. | No | Education - CPA, BA in Accounting and Economics from Ben Gurion University of the Negev and MBA (major in Finance) from Bar Ilan University, member of the steering committee of the Insurance and Capital Markets Sector Committee of the Institute of Certified Public Accountants in Israel.<br>Business experience - CFO at the Company and at Phoenix Insurance Company Ltd. Previously: Investment controller and CFO of subsidiaries of Phoenix group, Head of Enterprise Applications in the IT Division of Phoenix Insurance. | August 15, 2016 |
| Amit Netanel | 028722213 | June 2, 1971 | EVP, Chief Risk Officer. | Chief Risk Officer at the Company and subsidiaries of Phoenix group. | No | Education - Economics and Management, Open University; MA in Finance - Accounting, Tel Aviv University. | September 24, 2012 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Business experience - Chief Risk Officer at the Company and at Phoenix Insurance Company Ltd. | |
| Menachem (Meni) Neeman | 028017523 | August 25, 1970 | Executive Vice President, Chief Legal Counsel | Deputy CEO, Chief Legal Counsel of Phoenix Insurance Company Ltd., in addition, serves as a director of Phoenix group companies, including, primarily: Phoenix Investments and Finances Ltd., Phoenix Capital Partners Ltd., Phoenix Advanced Investments Ltd., Phoenix Pension and Provident Fund Ltd., Gama Management and Clearing Ltd., Phoenix Investment House Ltd., Phoenix IEC Central Severance Fund Ltd., ESOP Management and Trust Services Ltd., Ad 120 Residence for Senior Citizens Ltd. and other companies in the Ad 120 Group. He also serves in the Association of Life Insurance Companies of Israel Ltd. and is a member of Bar Ilan University's Executive Committee of a member of the Aluma NGO's Executive Committee. | No | Education - Adv. LL.B with honors and LL.M from Bar Ilan University.<br>Work experience: Chief Legal Counsel of Phoenix group. | August 1, 2015 |
| Michal Leshem | 027862721 | July 30, 1970 | Chief Internal Auditor | Chief Internal Auditor at Phoenix Insurance Company Ltd. and several other companies in the Phoenix group. | No | Education - CPA, B.A in Business Administration and Accounting, College of Management;<br>Business experience - Chief Internal Auditor at Phoenix Financial Company Ltd. and other companies in Phoenix group and ED in Assuta. | September 1, 2020 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | | | Previously: Chief Financial Officer in the Paz Group, Chief Internal Auditor in the Migdal Group, ED at Matrix ET Ltd., and ED at weSure Ltd. | |
| David Alexander | 014690952 | June 24, 1972 | Deputy CEO, Business Development Manager. | Deputy CEO, Head of Business Development at Phoenix Insurance Company Ltd. | No | Education: B.S. in Mathematics from MIT; MA. in Political Science from Columbia University; J.D. in Law from Columbia University. Professional Experience: Manager, VNS Capital Ltd. | September 1, 2021 |
| Orly Pascal | 025001116 | November 30, 1972 | Deputy CEO, Head of Human Resources | Deputy CEO, Head of Human Resources, Phoenix Insurance Company Ltd. and several other Phoenix group companies. | No | Education: Graduate degree in political science, Tel Aviv University; MBA, College of Management Professional experience: VP of Human Resources, Cellcom Israel. | August 21, 2024 |

**Officers who ceased to serve during the reporting period**

On December 31, 2024, Mr. Eilon Dachbash ceased to serve as the Head of the Company’s Retail Credit Department under the restructuring in the Credit Segment and the transfer of Phoenix Retail Credit Ltd., in which Mr. Dachbash serves as CEO of a subsidiary under Phoenix Gama. For further details regarding the end of her term, see the immediate report dated January 1, 2025 (Ref. No.: 2025-01-000109).

## Regulation 26 - Authorized Signatory of the Corporation

The Corporation does not have independent signatories.

## Regulation 27 - The Company's Independent Auditor

Kost Forer Gabbay & Kasierer, 144 Menachem Begin Road, Tel Aviv.

## Regulation 28 - Change in the Memorandum or Articles of Association of the Corporation

On August 14, 2024, an annual meeting of the Company was held, whose agenda included, among other things, the Company's name change. Further to the Company's name change, on August 14, the most recent Articles of Association were published. For further details, see the Company's immediate report dated August 14, 2024. For the Company's current articles of association, see the August 20, 2024 immediate report (Ref. No. 2024-01-090652).

## Regulation 29 - Recommendations and Resolutions of the Board of Directors

The Board of Directors' recommendations to the General Meeting and their resolutions that do not require the approval of the General Meeting regarding:

1. **Dividend payment (final and interim) and distribution of bonus shares:**
   In August 2024, the Company distributed a NIS 270 million interim dividend on account of the Company's 2024 profits (hereinafter - the "**Interim Dividend**"). The actual distribution was on September 11, 2024.
   Subsequent to the report date, on March 12, 2025, concurrently with the approval of the Company's Financial Statements as of December 31, 2024, which are included in this Periodic Report, the Company's Board of Directors decided to distribute a dividend in accordance with the Company's dividend distribution policy, totaling NIS 565 million. The record date for the distribution is March 20, 2025; the dividend will be paid on March 27, 2025.

2. **Changes in the registered or issued share capital of the corporation:**
   For details regarding changes in the registered or issued share capital of the corporation, see Regulation 20 to this report.

3. **Change in the memorandum or articles of association of the corporation:**
   There was no change in the reporting year.

4. **Redemption of shares:**
   None

5. **Early redemption of bonds:**
   None

6. (a) **A transaction that is not in accordance with market conditions between the corporation and an interested party therein:** None
   (b) **Resolutions of the General Meeting in the matters listed which were made other than in accordance with the recommendations of the Board of Directors:** None.
   (c) **Resolutions by Extraordinary General Meeting:**

   **General meeting dated January 8, 2024**

   In January 2024, an extraordinary general meeting of the Company was held, the agenda of which included the approval of a revised Compensation Policy to officers for 2024-2026. For further details, see the Company's immediate reports dated November 29, 2023 and January 9, 2024 (Ref. Nos.: 2023-01-108148 and 2024-01-003979, respectively).

## Regulation 29 - Recommendations and Resolutions of the Board of Directors (cont.)

**General meeting of March 7, 2024**

In March 2024, an extraordinary general meeting of the Company was held, the agenda of which included the award of options to the CEO and Chairman of the Board of Phoenix Gama. For further details, see the Company's immediate reports dated February 1, 2024 and March 7, 2024 (Ref. Nos.: 2024-01-010207 and 2024-01-020488, respectively).

**General meeting dated September 29, 2024**

In September, a second session of the Company's annual general meeting was held, and on the agenda the following items were brought for approval: (1) Reappointment of Mr. Benjamin Gabbay as a director of the Company; (2) Reappointment of Mr. Roger Abravanel as a director of the Company; (3) Reappointment of Dr. Ehud Shapira as an independent director of the Company; (4) Allocation of restricted share units (RSUs) of the Company and options (non-marketable) of Phoenix Agencies to the Company's CEO, Mr. Eyal Ben Simon; (5) Allocation of (non-marketable) options of Phoenix Agencies to the Company's Chairman of the Board, Mr. Benjamin Gabbay. For further details, see the Company's immediate reports dated August 22, 2024 and September 30, 2024 (Ref. Nos.: 2024-01-086865 and 2024-01-607009).

Subsequent to reporting period

**General meeting of January 14, 2025**

In January 2025, an extraordinary general meeting of the Company was held, the agenda of which included the appointment of four new directors to the Company's 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, including the directors' statements issued as part of the meeting summons report, see immediate reports dated: December 10, 2024 and January 14, 2025 (Ref. Nos.: 2024-01-623250 and 2025-01-004151, respectively).

**Corporate Resolutions**

1. Approval of transactions under Section 255 to the Companies Law: None.
2. Transaction under Section 254(a) to the Companies Law which has not been approved: None.
3. Exemption from insurance or indemnity undertaking, for an officer effective as of the reporting date:

   Under the Company's compensation policy, directors, senior officers and other key officers shall be entitled to exemption and indemnification insurance, subject to the approvals required by law. For further details, see Regulation 22 above.

Date: March 12, 2025.
Names of the signatories

| | | |
|---|---|---|
| **Eyal Ben Simon** | - **Chief Executive Officer** | ______________ |
| **Eli Schwartz** | - **EVP, Chief Financial Officer** | ______________ |

# Corporate Governance Questionnaire

Sionah Tagger, Calman, 1927, Oil on canvas, Phoenix Collection

# Corporate Governance Questionnaire of Phoenix Financial Ltd.[1]

## The Board of Directors' Independence

| | | | Yes | No |
|---|---|---|---|---|
| 1. | | Each reporting year, there were at least two external directors in the corporation.<br><br>The question may be answered "yes" if the period during which the corporation had less than two external directors did not exceed 90 days, pursuant to Section 363A.(b)(10) to the Companies Law. However, any answer (yes or no) must include the length of the period (number of days) in which there were less than two external directors serving during the reporting period (including if the tenure was approved retroactively, for each of the different external directors):<br><br>Director A: **Rachel Levin**.<br><br>Director B: **Richard Kaplan.**<br><br>Director C:<br><br>Number of External Directors serving at the corporation as of the date of the publication of this questionnaire: **2.**[2] | ✓ | |

[1] Published on March 16, 2014, as part of legislative proposals for improvement of reporting.
[2] Ms. Rachel Levine and Ms. Hanadi Said.

| | | | Yes | No |
|---|---|---|---|---|
| 2. | | Proportion[3] of independent directors[4] serving in the corporation as of the questionnaire's publication date: **4/8**. The proportion of Independent Directors in the corporation's[5] Articles of Association:[6] ______.<br><br>**X** N/A (no provision has been made in the Articles of Association). | _____ | _____ |
| 3. | | In the reporting year, the Bank held checks and found that during the reporting period its external directors (and independent directors) fulfilled the provisions of Section 240(b) and (f) to the Companies Law requiring external directors (and independent directors) not to have an interest in the corporation or its controlling shareholder, and the conditions for service as external directors (or independent directors). | ✓ | |
| 4. | | None of the directors who served in the corporation during the reporting year are not subordinate to the President and CEO[7], either directly or indirectly (inapplicable to a director who serves as a representative of the employees, if such representation exists in the corporation).<br><br>If your answer is "No" (i.e., the director reports to the CEO as aforesaid) - please indicate the proportion of directors who did not meet the said restriction: _____. | ✓ | |

[3] In this questionnaire, "proportion" is a certain number out of the total. For example - 3/8.
[4] Including "External Directors" within the meaning thereof in the Companies Law.Ms. Rachel Levine, Ms. Hanadi Said, Ms. Inbal Kreiss (Independent Director) and Mr. Ehud Shapira, PhD (Independent Director)
[5] Regarding this question - "Articles of Association" include a specific legal provision applicable to the corporation (for example, in a banking corporation - directives issued by the Banking Supervision Department).
[6] Bonds companies are exempt from answering this section.
[7] For the purpose of this question - serving as a director in an investee corporation under the Corporation's control shall not be deemed "subordination"; on the other hand, if a director in the Corporation also serves as an officer (excluding as director) and/or is an employee of an investee corporation under the Corporation's control, they shall be deemed "subordinate" for the purpose of this question.

| | | | Yes | No |
|---|---|---|---|---|
| 5. | | None of the directors who have reported having a vested interest in the approval of a transaction on a meeting's agenda were not present at the discussion or participated in the vote as aforesaid (except for a discussion and/or vote under the circumstances outlined in Section 278(b) to the Companies Law:<br><br>If your answer is "No" -<br><br>Was this for the purpose of presenting a specific issue by that director in accordance with the provision of Section 278(A):<br><br>▪ Yes ▪ No (please check the appropriate box).<br><br>It should be noted that the proportion of meetings in which such directors were present in a discussion and/or participated in a vote, except for circumstances outlined as aforesaid in Subsection A, was: ___. | ✓ | |
| 6. | | The controlling shareholder (including a relative and/or representative thereof) who is not a director or other senior officer in the Corporation was not present in the meetings of the Board of Directors held during the reporting year.<br><br>If your answer is "No" (i.e., the controlling shareholder and/or relative and/or representative who is not a member of the Board of Directors and/or a senior officer of the Corporation was present in the Board of Directors' meetings as aforesaid:<br><br>Name: Lewis (Lee) Sachs.<br><br>Position in the corporation (if any): one of the controlling shareholders of the Gallatin Fund (50%), which jointly held, until July of the reporting year, with the Centerbridge Fund (Gallatin - 30%, Centerbridge - 70%), indirectly, 31.22% of the Company.<br><br>Information on the relation to the controlling shareholder (if the person present was not the controlling shareholder himself): _____. | | ✓ |

| | | | Yes | No |
|---|---|---|---|---|
| | | Was this for the purpose of presenting a specific issue: X Yes No (please check the appropriate box).<br><br>The proportion of Board meetings[8] in which he/she participated during the reporting year for the purpose of presenting a specific issue: ____; otherwise present: 15%.[9]<br><br>**X** N/A (the Corporation has no controlling shareholder). (as of July 2024) | | |

[8] Specify separately for each of the controlling shareholders, relative and/or representative.
[9] Attendance in two out of 13 meetings (until the change of control)

## The Directors' Competency and Qualifications

| | | | | Yes | No |
|---|---|---|---|---|---|
| 7. | | The Corporation's Articles of Association do not contain a provision restricting the possibility of immediately terminating the tenure of all directors of the Corporation who are not External Directors (for this purpose - a simple majority does not constitute a restriction).[10]<br><br>If your answer is "No" (i.e., if there is a restriction as aforesaid), please indicate - | | | ✓ |
| | | a. | The period prescribed for a director's tenure by the Articles of Association: **two years**. | | |
| | | b. | The majority required to terminate the tenure of directors by the Articles of Association: **A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.** | | |
| | | c. | The legal quorum required by the General Meeting to terminate the directors' appointments according to the Articles of Association: **3 shareholders holding at least 1/3 (one third) of the total voting rights in the Company.** | | |

[10] Bonds companies are exempt from answering this section.

| | | | | Yes | No |
|---|---|---|---|---|---|
| | | d. | The majority needed to amend these provisions in the Articles of Association: **A majority of at least 75% (seventy-five percent) of the total number of shareholders present at the meeting.** | | |
| 8. | | | The Corporation has established a program for training new directors on the Corporation's business and the rules that apply to the corporation and directors and also established a follow-up program for training serving directors that is tailored, inter alia, to each director's function in the corporation.<br><br>If your answer is "Yes" - please indicate if the program was active during the reporting year: **X** Yes ▪ No (please check the appropriate box). | ✓ | |
| 9. | A. | a. | The Corporation has a minimum number of directors in the Board of Directors who have accounting and financial expertise.<br><br>If your answer is "Yes" - please indicate the minimum number set: **3**. | ✓ | |
| | | b. | No. of directors who served in the corporation during the reporting year -<br><br>Who have accounting and financial expertise: **8**[11] (as of October 14, 2024) As of October 14, 2024 until the end of the reporting year - **5**. | | |

[11] Following the Board of Directors' assessment, in accordance with the Companies Regulations (Conditions and Tests for a Director with Accounting and Financial Expertise and Director with Professional Qualifications), 2005.

| | | | | Yes | No |
|---|---|---|---|---|---|
| | | | Who have professional qualifications: **1.**<br><br>In case of changes in the number of said directors during the reporting year, please provide the lowest number (except within a period of 60 days from the change date) of directors of any type who served during the reporting year. | | |
| 10. | | a. | In each reporting year, the Board of Directors included members of both genders.<br><br>If your answer is "No" - please indicate the period (number of days) in which the aforesaid was not met: _____.<br><br>The question may be answered "Yes" if the period during which the corporation did not have members of both genders serving as directors did not exceed 60 days. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have members of both genders serving as directors: ____. | ✓ | |
| | | b. | Number of directors of each gender serving on the Board of Directors as of the questionnaire publication date:<br><br>Male**: 4**, female: **4**. | _____ | _____ |

Board of Directors Meetings (and Convening of the General Meeting)

| | | | | Yes | No |
|---|---|---|---|---|---|
| 11. | | a. | Number of board meetings held during each quarter in the reporting year:<br><br>First quarter (**2024**): **6**.<br><br>Second quarter: **5.**<br><br>Third quarter: **6.**<br><br>Fourth quarter: **3.** | _____ | _____ |
| | | b. | Next to each of the names of the directors who served in the Corporation during the reporting year, please indicate the proportion[12] of board meetings in which he/she participated (in this Subsection - including meetings of Board of Directors' committees in which he/she is a member, and as indicated below), which took place during the reporting year (during his/her tenure period):<br><br>(Please add lines according to the number of directors). | _____ | _____ |

[12] See Footnote 2.

| Director's name | Proportion of the director's participation in **board** meetings[13] | Proportion of the director's participation in meetings of the **Audit Committee.**[14] | Rate of participation in meetings of the Financial Statements Review Committee[15] | Rate of participation in meetings of the **Compensation Committee.**[16] | Proportion of the director's participation in meetings of **additional board committees in which he/she is not a member** (please indicate which committee) |
|---|---|---|---|---|---|
| **Benjamin Gabbay** | 20/20 (100%) | - | - | - | ESG Committee 4/4 (100%) |
| **Richard Kaplan** | 20/20 (100%) | 12/12 (100%) | 19/20 (95%) | 7/8 (88%) | IT Committee - 3/4 (75%) |
| **Ben Langworthy** | 15/17 (88%) | - | - | - | - |
| **Dr. Ehud Shapira** | 20/20 (100%) | 12/12 (100%) | 20/20 (100%) | 8/8 (100%) | Strategy Committee - 3/3 (100%)<br>Appointment Committee - 6/6 (100%) |
| **Zhak Cohen** | 15/17 (88%) | - | - | - | - |
| **Roger Abravanel** | 20/20 (100%) | - | - | | Strategy Committee - 2/3 (67%)<br>ESG Committee 6/6 (100%) |
| **Rachel Levine** | 20/20 (100%) | 12/12 (100%) | 20/20 (100%) | 7/8 (88%) | Appointment Committee - 6/6 (100%) |
| **Eliezer Yones** | 16/17 (94%) | - | - | - | Strategy Committee - 3/3 (100%) |
| **Stella Cohen** | 20/20 (100%) | | 19/20 (95%) | | Strategy Committee - 3/3 (100%)<br>ESG Committee - 4/4 (100%) |

| | | | | |
|---|---|---|---|---|
| 12. | | During the reporting year, the Board of Directors held at least one discussion about the management of the corporation's business by the chief executive officer and the officers reporting thereto without their presence and allowed them to express their positions.[17] | ✓ | |

[13] The directors are obliged to participate in at least 66% of the board meetings throughout the year.
[14] For a director who is a member of this committee.
[15] For a director who is a member of this committee.
[16] For a director who is a member of this committee.
[17] The discussion was held in March 2024.

## Separation between the positions of chief executive officer and chairman of the board

| | | | | Yes | No |
|---|---|---|---|---|---|
| 13. | | | In each reporting year, there was a chairman of the board in place.<br>The question may be answered "Yes" if the period during which the corporation had no chairman of the board in place did not exceed 60 days, as prescribed by Section 363A.(2) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chairman of the board in place as aforesaid: | ✓ | |
| 14. | | | In each reporting year, there was a chief executive officer in place.<br>The question may be answered "Yes" if the period during which the corporation had no chief executive officer in place did not exceed 90 days, as prescribed by Section 363A.(6) to the Companies Law. However, any answer (Yes or No) must include the length of the period (number of days) in which the corporation did not have a chief executive officer in place as aforesaid: | ✓ | |
| 15. | | | In a corporation in which the chairman of the board also serves as the corporation's chief executive officer and/or has assumed his/her powers, the dual position has been approved in accordance with the provisions of Section 121(c) to the Companies Law.[18]<br>**X** N/A (insofar as there is no dual position as aforesaid in the corporation). | | |
| 16. | | | The chief executive officer is not a relative of the chairman of the board.<br>If your answer is "No" (i.e., the chief executive officer is a relative of the Chairman of the Board) - | ✓ | |
| | | a. | Please indicate the nature of the family relationship between the parties: _____. | _____ | _____ |
| | | b. | The position was approved in accordance with Section 121(c) of the Companies Law:[19]<br>▪ Yes<br>▪ No<br>*(Please check the appropriate box)* | _____ | _____ |
| 17. | | | A controlling shareholder or his/her relative does not serve as the chief executive officer or senior officer in the corporation, excluding as a director.<br>▪ N/A (the Corporation has no controlling shareholder). | ✓ | |

[18] In a bonds company - approval in accordance with Section 121(d) to the Companies Law.
[19] In a bonds company - approval in accordance with Section 121(d) to the Companies Law.

## Audit Committee

| | | | | Yes | No |
|---|---|---|---|---|---|
| 18. | | During the reporting year, the following did not serve - | | _____ | _____ |
| | | a. | The controlling shareholder or his/her relative.<br>▪ N/A (the Corporation has no controlling shareholder). | ✓ | |
| | | b. | The Chairman of the Board. | ✓ | |
| | | c. | A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control. | ✓ | |
| | | d. | A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis. | ✓ | |
| | | e. | A director whose main source of income is the controlling shareholder.<br>▪ N/A (the Corporation has no controlling shareholder). | ✓ | |
| 19. | | A person who may not serve as a member of the Audit Committee, including the controlling shareholder or his/her relative, did not participate, during the reporting year, in meetings of the Audit Committee, other than in accordance with the provisions of Section 115(e) to the Companies Law. | | ✓ | |
| 20. | | A legal quorum for discussing and reaching decisions in all meetings of the Audit Committee which took place during the reporting year was a majority of the committee members, with most of the participants being independent directors and at least one - an external director.<br>If your answer is "No" - please indicate the proportion of meetings in which the above requirement was not met: _____. | | ✓ | |
| 21. | During the reporting year, the Audit Committee held at least one meeting in which the Chief Internal Auditor and independent auditor were present but in which officers of the corporation who are not members of the Committee did not participate, on the subject of deficiencies in the corporation's business management. | | | ✓ | |
| 22. | In all meetings of the Audit Committee in which there was a participant who may not serve as a member of the Committee, his/her participation was approved by the chairman of the Committee and/or he/she was invited by the Committee (as for the Chief Legal Adviser and the corporation's secretary other than a controlling shareholder or his/her relative). | | | ✓ | |
| 23. | During the reporting year, there were arrangements in place, approved by the Audit Committee, regarding the manner of handling complaints filed by employees in relation to deficiencies in the managing the corporation's business and the protection provided to employees filing complaints as aforesaid. | | | ✓ | |
| 24. | The Audit Committee (and/or the Financial Statement Review Committee) was convinced that the scope of the independent auditor's work and his/her fees in respect of the financial statements during the reporting year were adequate for the purpose of carrying out the audit and review work in an appropriate manner. | | | ✓ | |

The purview of the Financial Statement Review Committee (hereinafter - the "**Committee**") in its work prior to approving the financial statements

| | | | Yes | No |
|---|---|---|---|---|
| 25. | a. | Please note the length of the period (in days) which the Board of Directors prescribed as a reasonable time for submitting the Committee's recommendations towards discussion by the Board of Directors for approval of the financial statements: **Quarterly Report: 2 days. Annual report: 3 days.** | ____ | ____ |
| | b. | The number of days which elapsed, in effect, from the date of submitting the recommendations to the Board of Directors to the date of discussion of the financial statements towards their approval by the Board:<br><br>First quarter report: **1.**<br><br>Second quarter report: **2.**<br><br>Third quarter report: **1.**<br><br>Annual Report (2024): [20]: **2**. | ____ | ____ |
| | c. | The number of days which elapsed from the date of submitting the financial statements' draft to the directors to the date of the financial statements' discussion towards their approval by the Board:<br><br>First quarter report: **4.**<br><br>Second quarter report: **6.**<br><br>Third quarter report: **6.**<br><br>Annual Report (2024): **6**. | | |

[20] Ahead of the approval of the annual financial statements, the Committee for the Approval of Financial Statements held 3 meetings: on March 6, 2025, March 9, 2025 and March 10, 2025. Due to the Company's assessments regarding the implementation of IFRS 17, schedules have been brought forward; therefore, the Balance Sheet Committee meeting and the Board meeting are two days apart instead of three.

| | | | Yes | No |
|---|---|---|---|---|
| 26. | The corporation's independent auditor participated in all of the meetings of the Committee and Board of Directors in which the corporation' financial statements relating to the periods included in the reporting year were discussed.<br>If your answer is "No", specify the rate of participation: ______ | | ✓ | |
| 27. | During the entire reporting year and until the publication of the annual report, the Committee met all of the terms and conditions outlined below: | | ____ | ____ |
| | a. | It had no less than three members (on the date of discussion by the Committee and approval of the financial statements as aforesaid). | ✓ | |
| | b. | All of the terms and conditions outlined in Section 115(b) and (c) to the Companies Law (regarding tenure of the Audit Committee members). | ✓ | |
| | c. | The chairman of the Committee is an external director. | ✓ | |
| | d. | All of its members are directors and most of them are independent directors. | ✓ | |
| | e. | All of its members have the capacity to read and understand financial statements and at least one of the independent directors has accounting and financial expertise. | ✓ | |
| | f. | The members of the Committee gave a statement prior to their appointment. | ✓ | |
| | g. | The legal quorum for discussing and reaching decisions by the Committee was a majority of its members, provided that most of the participants were independent directors, including at least one external director. | ✓ | |
| | If your answer is "No" on one or more of this question's subsections, please indicate what type of report (annual or quarterly) did not meet the said condition and which condition was not met: | | ____ | ____ |

## Compensation Committee

| | | | Yes | No |
|---|---|---|---|---|
| 28. | | During the reporting year, the Committee included at least three members, of which the external directors constituted a majority (on the date of discussion by the Committee).<br>▪ N/A (no discussion was held). | ✓ | |
| 29. | | During the reporting year, the terms of tenure and employment of all members of the Compensation Committee met the Companies Regulations (Rules on Compensation and Expenses for an External Director), 2000. | ✓ | |
| 30. | | During the reporting year, the following did not serve as a member of the Compensation Committee - | ____ | ____ |
| | a. | The controlling shareholder or his/her relative.<br>▪ N/A (the Corporation has no controlling shareholder). | ✓ | |
| | b. | The Chairman of the Board. | ✓ | |
| | c. | A director employed by the corporation or by the controlling shareholder in the corporation or by a corporation under its control. | ✓ | |
| | d. | A director who provides services to the controlling shareholder in the corporation or a corporation under its control, on a regular basis. | ✓ | |
| | e. | A director whose main source of income is the controlling shareholder.<br>▪ N/A (the Corporation has no controlling shareholder). | ✓ | |
| 31. | | During the reporting year, the controlling shareholder or his/her relative did not participate in meetings of the Compensation Committee, unless the chairman of the board determined that one of them was required to participate in order to present a specific topic. | ✓ | |
| 32. | | The Compensation Committee and Board of Directors did not exercise their power under Sections 267A(C), 272(c)(3) and 272(c1)(1)(c) to approve a transaction or compensation policy, despite objection by the General Meeting.<br>If your answer is "No", please specify - the type of transaction approved: ____<br>The number of times in which their power was used during the reporting year: ____ | ✓ | |

## Internal Auditor

| | | Yes | No |
|---|---|---|---|
| 33. | The corporation's Chief Internal Auditor reports to the corporation's chairman of the board or chief executive officer. | ✓ | |
| 34. | The chairman of the board or audit committee have approved the work plan during the reporting year.<br>In addition, specify the audit topics that the Chief Internal Auditor dealt with in the reporting year: _____ (check the appropriate box). | ✓ | |
| 35. | The scope of the Chief Internal Auditor's position in the corporation during the reporting year (in hours[21]): 31,970 | ____ | ____ |
| | During the reporting year, a discussion was held (by the Audit Committee or Board of Directors) about the Chief Internal Auditor's findings. | ✓ | |
| 36. | The Chief Internal Auditor is not an interested party in the corporation[22], a relative thereof, an independent auditor or anyone on his/her behalf and therefore has no material business relations with the corporation, its controlling shareholder, his/her relative or corporations under their control. | | ✓ |

[21] Including the no. of working hours dedicated to investees and audits held outside Israel, if any.
[22] The Chief Internal Auditor is an officer of the Company and was awarded options and RSUs as part of the equity compensation awarded to officers and employees of the Company.

## Interested party transactions

| | | Yes | No |
|---|---|---|---|
| 37. | The controlling shareholder or his/her relative (including a company under his/her control) is not employed by the corporation or provides it with management services.<br>If your answer is "No" (i.e., the controlling shareholder or his/her relative is employed by the corporation or provides it with management services, please specify - - The number of relatives (including the controlling shareholder) employed by the corporation (including companies under their control and/or through management companies): ____.<br>- Were the employment agreements and/or management services as aforesaid approved by the organs prescribed by law:<br>▪ Yes<br>▪ No<br>(Please check the appropriate box)<br>▪ N/A (the Corporation has no controlling shareholder) _____. | ✓ | |
| 38. | To the best of the corporation's knowledge, the controlling shareholder has no additional businesses in the corporation's line of business (one or more lines).<br>If your answer is "No - please indicate whether there is an arrangement in place to separate between the activities of the corporation and its controlling shareholder:<br>▪ Yes<br>▪ No<br>(Check X the appropriate box) N/A (the corporation has no controlling shareholder), as of July 14, 2024. | ✓[23] | |

**Chairperson of the Board of Directors: Benjamin Gabbay**

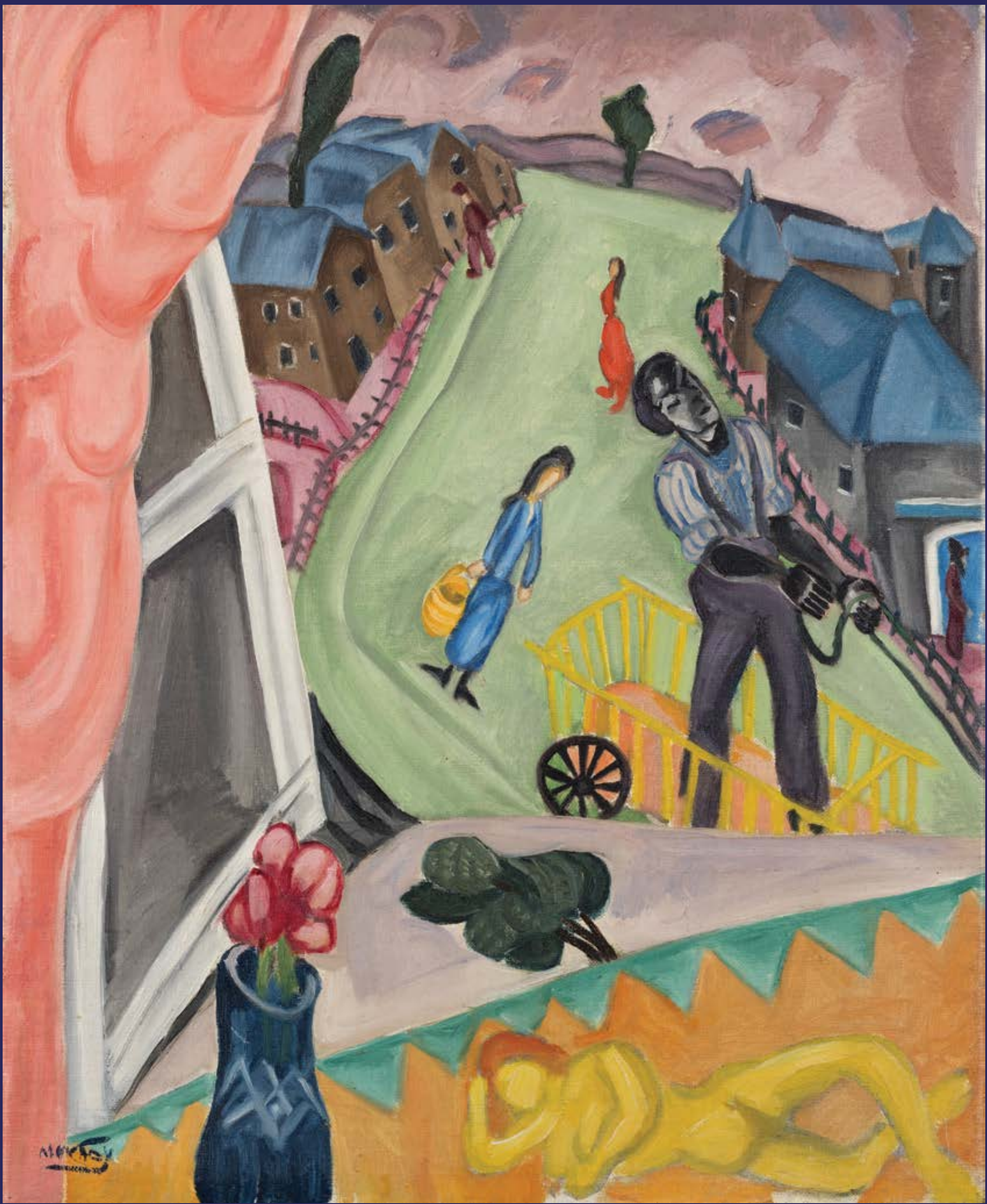
**Chairperson of the Audit Committee: Dr. Ehud Shapira**

**Chairperson of the Committee for Review of the Financial Statements: Rachel Levin**

[23]The answer is for the State of Israel.

# Part 6

# Report and Statements regarding Internal Control over Financial Reporting and Disclosure



Moshe Mokady, View from the Window, ca. 1923, Oil on canvas, Phoenix Collection

# Annual Report on Effectiveness of Control over Financial Reporting and Disclosure in accordance with Regulation 9B(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 Investments Ltd.
4. Meni Neeman, EVP, Chief Legal Counsel and Corporate Secretary of the Company and Phoenix Insurance.
5. Michal Leshem, EVP, Chief Internal Auditor of the Company and Phoenix Insurance.
6. David Alexander, EVP, Head of Business Development of the Company and Phoenix Insurance.
7. Orly Pascal, EVP, Head of Human Resources.
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, summated 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.

Management, under the supervision of the Corporation's Board of Directors, performed an examination and assessment of the Corporation's internal control over financial reporting and disclosure and their effectiveness; the assessment of the effectiveness of internal control over financial reporting and disclosure as performed by management under the supervision of the Board of Directors included the following:

Entity-level controls, controls on the process for compiling and closing the financial statements, general information technology controls (ITGC), and controls over processes which are highly material to financial reporting and disclosure (these processes are carried out within Phoenix Insurance Company Ltd. and its subsidiaries, Phoenix Pension and Provident Fund Ltd. - which are institutional entities to which the following provisions relating to institutional entities apply).

Phoenix Insurance 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.

Regarding the said subsidiary, management - under the supervision of the Board of Directors - examined and assessed the internal control over financial reporting and the effectiveness thereof, based on Institutional Entities Circular 2009-9-10, "Management's Responsibility for Internal Control over Financial Reporting"; Circular 2010-9-7, "Internal Control over Financial Reporting - Statements, Reports and Disclosures" and amendments to said circulars.

Based on this assessment, the corporations' boards of directors and managements have concluded that the institutional entity's internal control over financial reporting as of December 31, 2024 is effective.

Based on the assessment of effectiveness that was performed by management under the supervision of the Board of Directors as detailed above, the Corporation's Board of Directors and management have concluded that the Corporation's internal control over financial reporting and disclosure as of December 31, 2024 is effective.

# Certification

# Certification by the CEO

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

I, Eyal Ben Simon, hereby certify that:

(1) I have reviewed the periodic report of Phoenix Financial Ltd. (hereinafter - the "**Corporation**") for 2024 (hereinafter – the "**Reports**");

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

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

(4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the 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.

March 12, 2025

**Eyal Ben Simon, Chief Executive Officer**

# Certification

## Certification by the Most Senior Financial Officer

I, Eli Schwartz, hereby certify that:

(1) I have reviewed the financial statements and other financial information included in the reports of Phoenix Financial Ltd. (hereinafter - the "**Corporation**") for 2024 (hereinafter - the "**Reports**" or "**Interim Reports**");

(2) To my knowledge, the 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, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -

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

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

(a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (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) My assessment of the effectiveness of internal control over financial reporting and disclosure, insofar as it relates to the financial statements and other financial information included in the Reports as of the Reports' date. My conclusions regarding my aforesaid assessment have been presented to the Board of Directors and management and are included in this report.

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

March 12, 2025

_______________________________

**Eli Schwartz, Executive VP, Chief Financial Officer**

Phoenix | 75 Phoenix

# Part 7
## Appendices relating to the Phoenix Insurance Company Ltd.

Sionah Tagger, Ein Karem, 1927, Oil on canvas, Phoenix Collection

# Phoenix Insurance Company Ltd.
# Certification

I, Eyal Ben Simon, hereby certify that:

1. I have reviewed the annual report of Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for 2024 (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, that 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.

March 12, 2025

**Eyal Ben Simon, Chief Executive Officer**

# Phoenix Insurance Company Ltd.
# Certification

I, Eli Schwartz, hereby certify that:

1. I have reviewed the annual report of Phoenix Insurance Company Ltd. (hereinafter - the "**Company**") for 2024 (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, that 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.

March 12, 2025

**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".

# Report of the Board of Directors and Management on Internal Controls over Financial Reporting

Management, under the supervision of the Board of Directors of Phoenix Insurance Company Ltd. (hereinafter - the "**Company**"), is responsible for establishing and maintaining adequate internal controls over financial reporting. The internal control system of the Company was designed to provide reasonable assurance to its Board of Directors and management with regard to the preparation and fair presentation of financial statements published in accordance with International Financial Reporting Standards (IFRSs) and the directives of the Commissioner of the Capital Market, Insurance and Savings. Regardless of the quality of their planning, any internal control systems have inherent limitations. Therefore, even if these systems are found to be effective, they can only provide reasonable assurance as to the preparation and presentation of financial statements.

Management, under the supervision of the Board of Directors, maintains a comprehensive system of controls aimed at ensuring that transactions are executed in accordance with management's authorizations, that assets are protected, and that accounting records are reliable. Furthermore, management, under the supervision of the Board of Directors, takes measures to ensure that information and communication channels are effective and monitor performance, including the performance of internal control procedures.

The Company's management, under the supervision of the Board of Directors, assessed the effectiveness of the Company's internal controls over financial reporting as of December 31, 2024, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management believes that as of December 31, 2024, the Company's internal controls over financial reporting is effective.

| | | |
|---|---|---|
| **Chairman of the Board of Directors:** | **Benjamin Gabbay** | ______________________________ |
| **Chief Executive Officer:** | **Eyal Ben Simon** | ______________________________ |
| **Deputy CEO, CFO:** | **Eli Schwartz** | ______________________________ |

Date of report's approval: March 12, 2025

# Actuary's Statement - Life Insurance

## Chapter A - Actuary's Identity

I have been asked by Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for life insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2024, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or an affiliate thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or an affiliate of the Insurer.

I have been a salaried employee of the Insurer since February 2019. I was appointed Supervising Actuary of the life insurance subsegment in December 2019.

## Chapter B - Scope of the Actuarial Opinion

### 1. Scope of the Actuarial Opinion

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The provision calculated in respect of the ceded businesses is based on a calculation carried out by the actuary.

2) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.

## 2. <u>Data included in the section on the scope of the actuarial opinion</u>

A. The amounts of the provisions (gross and retention) are listed in the appendixes below:

1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve) -

   Reserve for Unpaid Losses (Incurred but Unpaid Claims) and Unpaid Allocated and Unallocated Loss Adjustment Expenses (including IBNR)

2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -

   a) Reserve for plan with accrual;

   b) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;

3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: permanent health insurance and income protection).

4) Supplement stemming from liability adequacy testing (LAT) - after examining the data, I concluded that a supplement is not required.

5) Other - additional provisions in accordance with the Commissioner's directives, such as: supplementing the reserve for policies with a guaranteed annuity conversion factor in accordance with Commissioner Circular 2013-1-2 (supplemental annuity reserve).

B. The effect of the below listed changes on the amounts of the provisions (gross and retention):

1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.

2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a decrease of approx. NIS 80 million in reserves (retention) in the life insurance subsegment.

## Chapter C - The Opinion

I hereby state and confirm that in the life insurance subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Commissioner’s directives and guidance;
   C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

## Chapter D - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
2. Exposure to future developments and changes.

   Changes and developments may occur in the environment in which the Israeli life insurance industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
3. Statistical and actuarial uncertainty

   The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality and morbidity rates, which reflect the Company or reinsurers’ past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company’s current business environment, and in accordance with my assessment of the development of the Company's bushiness environment and policyholders' future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4. Consistency between data in the appendices and financial statements data:
   The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.
5. Material changes in actuarial assumptions and methods:
   The following changes took place in the reporting period:
   A. As a result of updating the risk-free interest rate curve, there was a decrease in reserves in the Life Insurance Segment totaling approx. NIS 177 million in retention. Of these, a decrease of approx. NIS 210 million as a result of the increase of the K-value to 0.97%, and the rest - as a result of changes in the discount interest rate used to calculate the reserves.
   B. As a result of the application of the Capital Market Authority Circular dated July 24, 2024 (Insurance Circular 2024-9-5) entitled "Amendment to the Consolidated Circular Provisions regarding Measuring Liabilities - Revising the Demographic Assumptions in Life Insurance and Pension Funds", there was an increase in reserves of approx. NIS 168 million in retention.
   C. During the reporting year, the Company revised the retirement and pension takeup rates; as a result, there was a decrease in reserves of approx. NIS 254 million in retention.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

| **March 12, 2025** | **Supervising Actuary - Life Insurance** | **Mark Rabaev** | |
|---|---|---|---|
| **Date** | **Title** | **Actuary's name** | **Signature** |

*Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross*
Company: Phoenix Insurance Company Ltd. *As of: December 31, 2024*
*(In NIS thousand)*

| | | | Total | Savings and mortality risk (classic, traditional) | | Pure savings or the savings component in policies (Preferred, Track) | | Pure mortality risk or mortality risk component in policy | | Permanent health insurance | Long-term care | | Other covers 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Guaranteed-return | Participating | Guaranteed-return | Participating | Individual | Collective | | Individual | Collective | |
| | | | | 1A | 1B | 2A | 2B | 3A | 3B | 4 | 5A | 5B | 6 |
| 1 | Contingent claims | | 728,364 | 12,372 | 2,356 | 14,397 | 85,101 | 338,837 | 128,820 | 19,257 | | | 127,224 |
| 2 | Reserve (total of lines 2a 1 to 6) | | 121,576,813 | 3,010,116 | 921,659 | 8,634,910 | 107,311,370 | 30,030 | 12,109 | 1,655,602 | | | 1,016 |
| 2A1 | Policies which include a savings component (including appendices) by policy issuance date: | Policies issued until 1990 | 8,399,040 | 1,869,008 | | 6,417,107 | 109,983 | 84 | | 2,824 | | | 34 |
| 2A2 | | Policies issued between 1991 and 2003 | 34,565,163 | | 758,222 | | 33,725,114 | 3,926 | | 77,834 | | | 67 |
| 2A3 | | Policies issued after 2004 | 66,368,845 | | 1,151 | | 66,309,734 | 186 | | 57,765 | | | 8 |
| 2A4 | | Total (2A1 to 2A3) | 109,333,047 | 1,869,008 | 759,373 | 6,417,107 | 100,144,832 | 4,195 | 0 | 138,423 | | | 109 |
| 2B | Policies without a savings component | | 272,604 | | | | | 7,448 | 12,109 | 252,140 | | | 907 |
| 3 | Percentage of reserve for paid claims | | 10,101,233 | 977,211 | 146,590 | 1,856,273 | 5,837,733 | 18,387 | | 1,265,040 | | | |
| 4 | Participating | | | | | | | | | | | | |
| 5 | Supplement resulting from liability adequacy test | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| 6 | Other | | 1,869,928 | 163,898 | 15,696 | 361,529 | 1,328,805 | | | | | | |
| 7 | Extraordinary risk reserve | | | | | | | | | | | | |

(1 Other coverages, including: disabilities, double indemnity, etc.

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 8A | Effect of adjusting provisions for new businesses | | | | | | | | | | | | |
| 8B1 | Effect of adjusting provisions for existing businesses | Changes in assumptions | -80,464 | -18,079 | 317 | -44,141 | -19,371 | | | 810 | | | |
| 8B2 | | Changes in methods | | | | | | | | | | | |
| 8B3 | | Differences in premium rates | | | | | | | | | | | |
| 8B4 | | Other changes | | | | | | | | | | | |

Date: March 12, 2025 Title: Supervising Actuary - Life Insurance Actuary's name: Mark Rabaev

*Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention*
Company: Phoenix Insurance Company Ltd. *As of: December 31, 2024*
*(In NIS thousand)*

| | | | Total | Savings and mortality risk (classic, traditional) | | Pure savings or the savings component in policies (Preferred, Track) | | Pure mortality risk or mortality risk component in policy | | Permanent health insurance | Long-term care | | Other covers 1) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Guaranteed-return | Participating | Guaranteed-return | Participating | Individual | Collective | | Individual | Collective | |
| | | | | 1A | 1B | 2A | 2B | 3A | 3B | 4 | 5A | 5B | 6 |
| 1 | Contingent claims | | 690,257 | 12,360 | 2,264 | 14,371 | 84,291 | 309,394 | 126,016 | 19,257 | | | 122,305 |
| 2 | Reserve (total of lines 2a 1 to 6) | | 120,978,843 | 3,008,809 | 921,551 | 8,634,775 | 107,311,024 | 17,912 | 12,109 | 1,071,647 | | | 1,016 |
| 2A1 | Policies which include a savings component (including appendices) by policy issuance date: | Policies issued until 1990 | 8,398,232 | 1,869,008 | | 6,417,107 | 109,983 | 84 | | 2,016 | | | 34 |
| 2A2 | | Policies issued between 1991 and 2003 | 34,538,395 | | 758,114 | | 33,725,114 | 3,924 | | 51,176 | | | 67 |
| 2A3 | | Policies issued after 2004 | 66,331,012 | | 1,151 | | 66,309,734 | 186 | | 19,933 | | | 8 |
| 2A4 | | Total (2A1 to 2A3) | 109,267,639 | 1,869,008 | 759,265 | 6,417,107 | 100,144,832 | 4,194 | 0 | 73,125 | | | 109 |
| 2B | Policies without a savings component | | 191,974 | | | | | 7,446 | 12,109 | 171,511 | | | 907 |
| 3 | Percentage of reserve for paid claims | | 9,649,301 | 975,903 | 146,590 | 1,856,138 | 5,837,387 | 6,272 | 0 | 827,011 | | | 0 |
| 4 | Participating | | | | | | | | | | | | |
| 5 | Supplement resulting from liability adequacy test | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| 6 | Other | | 1,869,928 | 163,898 | 15,696 | 361,529 | 1,328,805 | | | | | | |
| 7 | Extraordinary risk reserve | | | | | | | | | | | | |
| (1 | Other coverages, including: disabilities, double indemnity, etc. | | | | | | | | | | | | |
| 8A | Effect of adjusting provisions for new businesses | | | | | | | | | | | | |
| 8B1 | Effect of adjusting provisions for existing businesses | Changes in assumptions | -80,464 | -18,079 | 317 | -44,141 | -19,371 | | | 810 | | | |
| 8B2 | | Changes in methods | | | | | | | | | | | |
| 8B3 | | Differences in premium rates | | | | | | | | | | | |
| 8B4 | | Other changes | | | | | | | | | | | |

Date: March 12, 2025 Title: Supervising Actuary - Life Insurance Actuary’s name: Mark Rabaev

# Appendix A - Actuary's Statement - Health Insurance

## Chapter A - Actuary's Identity

I have been asked by Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for health insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2024, as described below.
To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.
I have been a salaried employee of the Phoenix group since May 2014 and was appointed Supervising Actuary - Health Insurance on April 6 2020.

## Chapter B - Scope of the Actuarial Opinion

### 1. Scope of the Actuarial Opinion

A. To calculate the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for financial statements purposes. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the year to which the report relates and to previous years' data.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidance and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

1) The Insurer has no ceded businesses in the segments which are the subject matter of this statement.

2) The Insurer does not have joint insurance in which the Insurer is not the lead insurer in the segments which are the subject matter of this statement.

## 2. Data included in the paragraph on the scope of the actuarial opinion

A. The provision amount is detailed in the table below; all data are in thousands of shekels.

| Type of provision | Businesses reporting in the Health Insurance Segment | | | |
|---|---|---|---|---|
| | Individual policies | | Group policies | |
| | Gross | Retention | Gross | Retention |
| Contingent claims | 432,282 | 374,444 | 300,946 | 292,118 |
| Indirect expenses | 14,649 | 14,649 | 5,280 | 5,280 |
| Insurance contracts T&C | 518,202 | 360,970 | 9,977 | 9,977 |
| Total | **965,133** | **750,063** | **316,203** | **307,375** |

* The data do not include an unearned premium of NIS 77,629 thousand - gross and NIS 77,601 thousand - retention.

** The data do not include a provision for participating policies in the health insurance business in the amount of NIS 1,044 thousand.

*** The data include short-term provisions for the personal accident subsegment calculated by the Supervising Actuary of Property and Casualty Insurance, Ms. Anna Nahum.

B. The effect of the below listed changes on the provisions -

1) For individual policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – was NIS 2,861 thousand - at the gross and retention levels.

2) For individual policies which entered into force prior to the most recent annual financial statements - the provision was decreased following revision of the demographic and economic assumptions. The amount of the reduction is NIS 172,283 thousand - gross and NIS 113,351 thousand - retention.

3) For individual policies which entered into force prior to the most recent annual financial statements - the provision was decreased following changes in the risk mix and improvement of the actuarial models. The amount of the reduction is NIS 96,374 thousand - gross and NIS 88,251 thousand - retention.

## Chapter C - The Opinion

I hereby state and confirm that for the following health insurance subsegments: medical expenses, foreign workers, critical illness, personal accidents, sick leave, travel and dental:

1. I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidance and principles detailed below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981;
   B. Directives and guidance by the Commissioner of the Capital Market, Insurance and Savings;
   C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of health insurance contracts in the abovementioned health insurance subsegments, in effect as of the financial statements date.

## Chapter D - Comments and Clarifications

1. Regarding the provisions for the short-term personal accident subsegments included in this statement, I relied on the work of the Property and Casualty Insurance Actuary - Ms. Anna Nahum - who reported the results, which I have checked solely for reasonableness.
2. In any future calculation process related to both premiums and claims, there are statistical and other uncertainties. These uncertainties arise from possible changes in constitutional, legal, demographic or economic matters. I have relied on past experience and accepted actuarial methods and estimates; however, there is no guarantee that the real results will be similar to the forecast.
3. During the reporting period, the following changes took place in the provisions listed in Chapter B above:
   - Revision of the cancellation rates in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve decreased by approx. NIS 121,711 thousand - gross and by approx. NIS 79,399 thousand - retention.

- Revision of morbidity assumption in the medical expenses and personal accidents subsegments after implementation of a study conducted during the reporting year. As a result, the reserve decreased by approx. NIS 60,326 thousand - gross and by approx. NIS 41,326 thousand - retention.
- Revision of the VAT rate in the forecast of recurring commission flows and future expenses in the medical expenses, critical illness and personal accidents subsegments. As a result, the reserve increased by approx. NIS 9,754 thousand - gross and by approx. NIS 7,284 thousand - retention.
- During the reporting year, there were changes which affected the Company's expected revenue and expense levels in the medical expenses subsegment due to, among other things, regulatory changes and application of the Economic Arrangements Law to individual health policies, as well as due to improvement of the actuarial model. As a result, the reserve decreased by approx. NIS 96,374 thousand - gross and by approx. NIS 88,251 thousand - retention.

| March 12, 2025 | Health Insurance Actuary | Luba Sharapov | |
|---|---|---|---|
| **Date** | **Title** | **Actuary's name** | **Signature** |

# Actuary's Statement - Long-Term Care Insurance

## Chapter A - Actuary's Identity

I have been asked by Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**") to examine the provisions for long-term care insurance listed in Chapter B below in respect of the Insurer's financial statements (hereinafter - the "**Provisions**") as of December 31, 2024, as described below.

To the best of my knowledge, I am not an interested party of the Insurer or a subsidiary or a related company thereof; I do not have business relations with an interested party of the Insurer nor with a family member thereof, nor with a subsidiary or a related company of the Insurer.

I have been a salaried employee of Phoenix Group since May 2014 and was appointed Supervising Actuary on April 6, 2020.

## Chapter B - Scope of the Actuarial Opinion

### 1. Scope of the Actuarial Opinion

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

   1) The provision for incoming business - the Company does not have ceded business in long-term care insurance.

2) The provision in respect of joint insurance in which the Company does not serve as the lead insurer - the Company does not have joint long-term care insurance.

**2. Data included in the section on the scope of the actuarial opinion**

A. The amounts of the provisions (gross and retention) are listed in the appendixes below:

1) Provision for contingent claims (claims that were incurred but not yet fully paid regardless of whether they were approved or not, excluding claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection) and the direct expenses stemming therefrom, and excluding indirect expenses in respect of these claims (including IBNR reserve).

2) Provision (reserve) stemming from the terms of the life insurance contract, separately, including -

a) Reserve for plan with accrual;

b) Provision required where some of the premium collected in the early years of the contract is designated to provide coverage at a later date, such as: provision in respect of fixed premium, insurability and continuity;

3) Reserve's portion in respect of claims being paid, including claims paid in the form of allowances, such as: long-term care, permanent health insurance and income protection).

4) Supplement resulting from the Liability Adequacy Test (long-term care LAT) - after the LAT, I came to the conclusion that a provision is needed to supplement the reserve. The provision was recorded in the Company's financial statements.

5) Other - additional provisions according to the Commissioner's directives.

B. The effect of the below listed changes on the amounts of the provisions (gross and retention):

1) For policies that came into force after the end of the reporting period of the latest annual financial statements - the adjustment amount of the provisions – arising from the difference between the underlying assumptions for the premium and the underlying assumptions for the provision – no such adjustment was required.

2) For policies that came into force before the end of the reporting period of the latest annual financial statements – the adjustment amount of the provisions – arising from changes in assumptions, methods or premiums expected to be collected: a decrease of approx. NIS 26 million in reserves at the gross and retention levels in the life insurance subsegment.

## Chapter C - The Opinion

I hereby state and confirm that in the long-term care subsegment:

1. I examined the insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Commissioner’s directives and guidance;
   C. Generally accepted actuarial principles.
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my examination.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidance and principles specified above.
4. To the best of my knowledge, the provisions specified in Chapter B form an adequate reserve to cover the Insurer's liabilities in respect of life insurance contracts, in effect as of the financial statements date.

## Chapter D - Comments and Clarifications

1. Details about reserve types, interest rates, etc. are included in the notes to the financial statements.
2. Exposure to future developments and changes:
   Changes and developments may occur in the environment in which the Israeli long-term care industry operates due to regulatory changes, judicial decisions, technological developments and changes in social and environmental conditions. These factors cannot be predicted and may impact the final cost of the claims and consequently the actuarial assessment of the provisions.
3. Statistical and actuarial uncertainty:
   The reserves calculated in respect of the insurance coverages are partly based on assumptions as to mortality rates, morbidity rates, and cancellation rates, which reflect the Company or reinsurers’ past experience. The calculations and models, including the work assumptions, were developed based on my understanding of the Company’s current business environment, and in accordance with my assessment of the development of the Company’s bushiness environment and policyholders’ future behavior. Therefore, it should be acknowledged that it is highly probable that the future business results will vary from those projected by the actuarial models for calculation of reserves.

4. Consistency between data in the appendices and financial statements data:

   The tables in the following appendixes were prepared in accordance with the Commissioner's directives, and the composition of the data presented therein is not necessarily consistent with the composition of the data presented in the Company's financial statements and the notes thereto.

5. Material changes in actuarial assumptions and methods:

   The following changes took place in the reporting period:

   - An update of the VAT rate in the forecast of recurring commissions caused an increase of approx. NIS 5 million in long-term care insurance reserves - retention.
   - A revision of the cancellations assumption caused a decrease of approx. NIS 31 million in the long-term care insurance reserves at the gross and retention levels.
   - Change in the discount rates used to calculate the reserves caused an increase of approx. NIS 126 million in the long-term care insurance - retention.

Attached

Form 12A: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Form 12B: Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

| **March 12, 2025** | **Supervising actuary** | **Luba Sharapov** | |
|---|---|---|---|
| **Date** | **Title** | **Actuary's name** | **Signature** |

**Form 12A** - Contingent Claims, Reserve and Reserve for Extraordinary Risks - Gross

Company: Phoenix Insurance Company Ltd. as of December 31, 2024
(In NIS thousand)

| | | | Total | Long-term care | | Other covers 1) |
|---|---|---|---|---|---|---|
| | | | | Individual | Collective | |
| | | | | 5A | 5B | 6 |
| 1 | Contingent claims | | 0 | 0 | 0 | |
| 2 | Reserve (total of lines 2a 1 to 6) | | 5,272,978 | 2,680,430 | 2,592,549 | |
| 2A1 | Policies which include a savings component (including appendices) by policy issuance date: | Policies issued until 1990 | | | | |
| 2A2 | | Policies issued between 1991 and 2003 | | | | |
| 2A3 | | Policies issued after 2004 | | | | |
| 2A4 | | Total (2A1 to 2A3) | 0 | 0 | 0 | |
| 2B | Policies without a savings component | | 3,134,319 | 2,051,764 | 1,082,555 | |
| 3 | Percentage of reserve for paid claims | | 1,931,821 | 421,828 | 1,509,993 | |
| 4 | Participating | | 0 | 0 | 0 | |
| 5 | Supplement resulting from liability adequacy test | | 206,839 | 206,839 | 0 | |
| | | | | | | |
| 6 | Other | | 0 | 0 | 0 | |
| 7 | Extraordinary risk reserve | | | | | |

(1 Other coverages, including: disabilities, double indemnity, etc.

| | | | | | | |
|---|---|---|---|---|---|---|
| 8A | Effect of adjusting provisions for new businesses | | | | | |
| 8B1 | Effect of adjusting provisions for existing businesses | Changes in assumptions | -26,425 | -26,425 | 0 | |
| 8B2 | | Changes in methods | 0 | 0 | 0 | |
| 8B3 | | Differences in premium rates | 0 | 0 | 0 | |
| 8B4 | | Other changes | -251 | -251 | 0 | |

| | | | | | |
|---|---|---|---|---|---|
| Date: | March 12, 2025 | Title: | Supervising actuary | Actuary's name: | Luba Sharapov |

**Form 12B -** Contingent Claims, Reserve and Reserve for Extraordinary Risks - Retention

Company: Phoenix Insurance Company Ltd. as of December 31, 2024

(In NIS thousand)

| | | | Total | Long-term care | | Other covers 1) |
|---|---|---|---|---|---|---|
| | | | | Individual | Collective | |
| | | | | 5A | 5B | 6 |
| 1 | Contingent claims | | 0 | 0 | 0 | |
| 2 | Reserve (total of lines 2a 1 to 6) | | 4,911,600 | 2,577,796 | 2,333,804 | |
| 2A1 | Policies which include a savings component (including appendices) by policy issuance date: | Policies issued until 1990 | | | | |
| 2A2 | | Policies issued between 1991 and 2003 | | | | |
| 2A3 | | Policies issued after 2004 | | | | |
| 2A4 | | Total (2A1 to 2A3) | 0 | 0 | 0 | |
| 2B | Policies without a savings component | | 3,060,532 | 2,033,107 | 1,027,425 | |
| 3 | Percentage of reserve for paid claims | | 1,644,229 | 337,850 | 1,306,379 | |
| 4 | Participating | | 0 | 0 | 0 | |
| 5 | Supplement resulting from liability adequacy test | | 206,839 | 206,839 | 0 | |
| | | | | | | |
| 6 | Other | | 0 | 0 | 0 | |
| 7 | Extraordinary risk reserve | | | | | |

(1 Other coverages, including: disabilities, double indemnity, etc.

| | | | | | | |
|---|---|---|---|---|---|---|
| 8A | Effect of adjusting provisions for new businesses | | | | | |
| 8B1 | Effect of adjusting provisions for existing businesses | Changes in assumptions | -26,425 | -26,425 | 0 | |
| 8B2 | | Changes in methods | 0 | 0 | 0 | |
| 8B3 | | Differences in premium rates | 0 | 0 | 0 | |
| 8B4 | | Other changes | -251 | -251 | 0 | |

**Date:** March 12, 2025 **Title:** Supervising actuary **Actuary's name:** Luba Sharapov

**Chapter A - Actuary's Statement - Property and Casualty Insurance**

## Chapter A - Actuary's Identity

I have been asked by Phoenix Insurance Company Ltd. (hereinafter - the "**Insurer**" or "**Phoenix**") to examine the provisions listed in Chapter B below in the property and casualty insurance subsegments for the financial statements of the insurer (hereinafter - the "**Provisions**") Phoenix Insurance Company Ltd. as of December 31, 2024, as described below.

I have been working as a salaried employee of Phoenix - in the position of property and casualty insurance actuary - since July 10, 2013.

To the best of my knowledge, I do not have business relations with an interested party of the Insurer or a family member thereof, nor with a related company of the Insurer.

## Chapter B - Scope of the Actuarial Opinion

**1. Wording of the scope of the actuarial opinion paragraph**

A. For the purpose of calculating the Insurer's provisions, I relied on data provided to me by the Insurer. My requests for information and data were adequately satisfied to enable me to examine the provisions for the purpose of the financial statements. I examined the data's reasonableness and adequacy; this included comparing the said data to the data of the reporting year and the data for previous years.

B. Where necessary, my assessment also relied on data received from other reliable sources. I examined the consistency and adequacy of the data and their relevance.

C. The actuarial assumptions I used in my work, as well as the methods for assessing the provisions listed in Section 2 below were determined by me, to the best of my professional judgment, and subject to the directives, guidelines and principles listed in Section 1 to Chapter C below.

D. To calculate the retention, I asked the Insurer's functions charged with reinsurance for information concerning the Insurer's reinsurance arrangements, the ability to collect claims and issues concerning the reinsurers' payment policies. Based on the information provided to me, I reviewed the reinsurance arrangements' implications and effects on the provisions.

E. The following matters were also taken into account in my opinion:

   1) The provision calculated in respect of the residual insurance arrangement (the "Pool") is based on a calculation carried out by the Pool.

2) No actuarial reserve was calculated in respect of ceded businesses as defined in the Supervision of Insurance Business Regulations (Method of Calculation of Reserves for Future Claims in Property and Casualty Insurance), 1984.
3) I calculated the provision in respect of joint insurance in which the Company does not serve as the lead insurer in accordance with information received from the lead insurer.
4) I did not take into account the lack of correlation between the various subsegments for the purpose of writing down the total provision in respect of contingent claims for all subsegments included in my assessment. It should be noted that, in our assessment of the best practices, we have taken into account the lack of correlation between the various subsegments. This was done in accordance with Section 3(c) of the Commissioner's Position - Best Practice for Calculation of Reserves in Property and Casualty Insurance.

## 2. Data included in the paragraph on the scope of the actuarial opinion

Set forth below is a breakdown of the required provisions (in NIS thousand):

| | | The data are linked to the known index as of December 31, 2024 | |
|---|---|---|---|
| | **Contingent claims** | Gross | Retention |
| 2.A.1) | Compulsory motor insurance | 2,231,462 | 1,642,350 |
| | Third-party | 1,079,551 | 591,523 |
| | Employers | 458,576 | 321,540 |
| | Professional liability | 493,225 | 230,517 |
| | Product liability | 82,640 | 41,097 |
| | Motor property | 403,086 | 403,079 |
| | Comprehensive business | 76,670 | 29,018 |
| | Comprehensive home | 82,203 | 15,557 |
| | **Total non-aggregated subsegments** | **4,907,413** | **3,274,682** |
| | Aggregated subsegments[2] | 540,342 | 26,468 |
| | **Total non-aggregated and aggregated subsegments[1]** | **5,447,755** | **3,301,150** |
| 2.A.2) | Indirect expenses in respect of all of the Company's property and casualty subsegments | 204,510 | 204,510 |
| 2.A.3) | **Provision for the difference between the reserve for unexpired risks and the unearned premium at the retention level** | | |
| | Compulsory motor insurance | 0 | 0 |
| | Motor property | 0 | 0 |
| | Home | 0 | 0 |
| | **Total insurance liabilities in respect of insurance contracts included in the property and casualty segment calculated in accordance with actuarial assessment** | **5,652,265** | **3,505,660** |

1 In view of the calculation method employed for the liability subsegments, the reserve to contingent claims also includes a provision for premium deficiency, if any.

2 Aggregated subsegments - loss of property, mortgage banks, engineering and goods in consignment insurance.

## Chapter C - The Opinion

I hereby declare and confirm that in the following subsegments, as defined in the Notice of the Commissioner of Insurance Business (Insurance Subsegments), 1985:

A. Insurance pursuant to the Motor Insurance Ordinance [New Version], 1970 (Section 1(a)(9))

B. Third-party liability insurance (Section 1(a)(14))

C. Employers' liability insurance (Section 1(a)(7))

D. Professional liability insurance (Section 1(a)(14))

E. Product liability insurance (Section1(a)(22))

F. Motor insurance - property (Section 1(a)(9))

G. Comprehensive business insurance (Section 1(a)(12)),

H. Agricultural insurance, excluding natural hazards insurance in agriculture (Section 1(a)(17))

I. Comprehensive home insurance, including mortgage banks (Section 1(a)(12))

J. Loss of property insurance (Section 1(a)(15))

K. Engineering insurance (Section 1(a)(18))

1. I examined the Insurer's provisions listed in Chapter B in accordance with the directives, guidelines and principles set forth below, all in effect as of the financial statements date:
   A. The Financial Services Supervision Law (Insurance), 1981 and the regulations promulgated thereunder;
   B. The Insurance Commissioner's directives and guidelines;
   C. The Commissioner's position on calculation of reserves in property and casualty insurance
   D. Generally accepted actuarial principles
2. After reviewing the data mentioned in Chapter B, I concluded that the data are reasonable and adequate, and that they can be relied on for the purpose of my assessment.
3. I determined the assumptions and methods used to calculate the provisions, to the best of my professional judgment, and in accordance with the directives and guidelines and principles specified above.
4. To the best of my knowledge, the provisions listed in Chapter B, Section 2.a.1)(a) in respect of the non-aggregated subsegments (compulsory motor, third party, employers' liability, professional liability, product liability, motor property, comprehensive businesses and home) form an adequate reserve for covering the Insurer's liabilities in respect of the

contingent claims defined above, for each separately-listed subsegment, in effect as of the financial statements date.

5. To the best of my knowledge, the total amount of the provisions specified in Chapter B, Section 2.a.1) form an adequate reserve for covering the Insurer's liabilities in respect of the contingent claims, in all aggregated and non-aggregated subsegments, in effect as of the financial statements date.
6. To the best of my knowledge, the provision specified in Chapter B, Section 2.A.2) forms an adequate reserve for covering the Insurer's liabilities in respect of indirect expenses to settle the claims, in effect as of the financial statements date.
7. To the best of my knowledge, the provisions specified in Chapter B, Section 2.A.3) form an adequate reserve for covering the Insurer's liabilities in respect of any difference between the unexpired risk reserve and the unearned premium (retention), in effect as of the financial statements date.

## Chapter D - Comments and Clarifications

1. The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. Therefore, even if the claims' distribution remains unchanged, the ultimate cost of the claims may differ from the actuarial assessment. Furthermore, unpredictable changes may occur in connection with risks, environmental factors, case law and precedents. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.

2. When calculating the reserves, we have taken into account the variance of claim payments' development (which is inevitable) as well as the projected payment period (for discounting purposes). The calculation methods and material assumptions are identical to those used in calculations in the previous year.

3. In October 2017, an amendment to the National Insurance (Capitalization) Regulations, 1978, came into force, which provides for the calculation of allowances paid by the National Insurance Institute for those injured in work accidents, and the manner in which those allowances are discounted. Under the regulations, the life expectancy component shall be based on schedules published by the Central Bureau of Statistics; the discount rate will be updated every four years, and the manner of its calculation is determined provided that the rate of change is not higher than 1% (and the interest rate shall not be less than 0%). The interest rate according to the regulations is 2% (instead of the previous rate 3%). The

regulations gave rise to a discrepancy in court rulings in connection with the discount rate of claims for compensation for bodily injury paid by insurance companies to injured Policyholders, and an appeal was filed to the Supreme Court on that matter (Civil Appeal 3571/17 Israel Motor Insurance Database (the Pool) vs. John Doe), in order to decide on this issue. On August 8, 2019, the Supreme Court issued a judgment in the said appeal to the effect that the discount rate shall be 3% (hereinafter - the "**Judgment**"). In addition, the Judgment states that until a legislative amendments are made, the discount interest rate may be changed in accordance with a two-year test mechanism as set out in the Judgment.

On September 17 2020, the Supreme Court issued a judgment on an appeal filed by National Insurance Institute against Megilot Dead Sea Regional Council; the said judgment stipulates that the court's Judgment whereby the subrogation claims will be discounted at a rate of 3% rather than 2% supersedes the Discounting Regulations and bind National Insurance Institute.

4. In March 2018, the 2019 Economic Plan adopted the government's decision to change the accounting mechanism pursuant to Section 328 of the National Insurance Law [Combined Version], 1995 between the National Insurance Institute and the insurance companies regarding road accidents. According to this decision, the individual right of subrogation available to the National Insurance Institution by virtue of Section 328 of the National Insurance Law for road accidents will be revoked and, as a result, the agreements signed to regulate this right will be terminated. In lieu of this right of subrogation, an overall settlement arrangement will be established, under which a fixed amount will be transferred from the insurance companies each year to cover their liability according to parameters determined by law and/or regulations. The amendment's effective date, if any, is January 1, 2019.

   In addition, the liability of insurance companies will also be regulated in respect of road accidents that occurred between January 1 2014 and December 31 2018 and in respect of which no claims or demands have been filed yet. After negotiations between the insurance companies and the National Insurance Institute, in July 2021 an agreement was signed with the National Insurance Institute, which replaces the overall netting mechanism set in the Economic Efficiency Law, 2019. In accordance with this agreement, the insurers will transfer to the National Insurance Institute an advance in respect of road accidents that took place in 2014 to 2022. The netting with the National Insurance Institute in respect of road accidents that took place in those years shall be carried out in accordance in agreements in place with each company, and the amounts payable shall be offset against the advance.

It was further agreed that in respect of road accidents that will occur in 2023-2024, insurers will transfer to the National Insurance Institute 10% of the insurance premiums that will be collected in each of the years; in respect of road accidents that will occur in 2025 and thereafter, the percentage will increase to 10.95% in lieu of the National Insurance Institute’s right to bring a restitutionary claim against an insurer that is liable to payment in respect of damage.

5. As from its 2015 financial statements, and in line with the Commissioner's directives, Phoenix adopted the Commissioner's Position - Best Practice for Calculating Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes. Under the position, an “adequate reserve to cover the insurer's liabilities” was calculated, which signifies that it is fairly likely that the insurance liability set will be sufficient to cover the Insurer's liabilities. In the case of contingent claims in the compulsory motor and liability subsegments, the position requires that the estimate of “fairly likely" shall mean a probability at least 75%.

   The assessment process including establishing both the random risk and the systemic risk. The assessment of the random risk was made using generally accepted stochastic methods and models. On the other hand, systemic risks do not have a clear statistical structure, and therefore, we recognize that analysis of historical data alone cannot capture future uncertainty; thus, the actuary is required to exercise professional judgment. If the reserve meets the “fairly likely” criterion, the assessments remain unchanged; if the reserve does not meet the said criterion, we would have been required to supplement the reserve.

   The discount rate appropriate for the prudence test is based on a risk-free interest rate curve tailored to the illiquid nature of the liabilities. Furthermore, in this valuation we have taken into account the effect of non-marketable assets against the liabilities.

   The calculation of the cost of contingent claims is based on actuarial assessments which are inherently uncertain. The actual cost of the claims may be higher or lower. Therefore, this assessment may increase or decrease over time.

6. A provision in respect of agricultural insurance, excluding natural hazards insurance, is included in the business subsegment. In the following subsegments: aircraft and marine vessel insurance, including third-party liability insurance, Sale Law guarantees, ceded

businesses, other risks and marine freight insurance, no actuarial valuation was carried out in respect of contingent claims due to lack of statistical significance. Total contingent claims in these subsegments constitutes approx. 1.02% of the reserve for contingent claims (retention).

| **March 12, 2025** | **Supervisory Actuary for Property and Casualty Insurance** | **Anna Nahum** | |
|---|---|---|---|
| **Date** | **Title** | **Actuary's name** | **Signature** |