



Menora Mivtachim Holdings Ltd.

Financial Statements as of March 31 ,2024

Chapter A: Report of the Board of Directors

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

Chapter C: Financial Statements

Chapter D: Data from the Financial Statements
Attributed to the Company

Chapter E: Appendices

Chapter A

Report of the Board of Directors

Table of Contents

1. Company description	3
1.1 The Company's shareholders	3
1.2 The Company's areas of activity	3
2. Events and developments since the latest annual report	4
2.1 The Iron Swords War - consequences and effects	4
2.2 The legal reform	7
2.3 Market volatility	7
2.4 Rating reiteration	7
2.5 Dividend distribution	8
2.6 Dividend distribution by subsidiaries	8
2.7 Signing an operating agreement with Maccabi	8
2.8 Collective long-term care insurance - Leumit Health Services	8
2.9 Quality investment agreement	9
2.10 Investment in Ampa Capital	9
2.11 Legal proceedings	9
2.12 Developments in the macroeconomic environment	9
3. Capital requirements according to the solvency regime (in NIS thousand)	13
3.1 Solvency ratio and minimum capital requirement	13
3.2 Economic solvency regime based on Solvency II of an insurance company	15
4. Assets under management and premiums earned	16
4.1 Assets under management (in NIS million)	16
4.2 Contributions towards benefits and insurance premiums, gross in the Reporting Period (in NIS million)	16
4.3 Key data from the consolidated balance sheets	17
4.4 Changes in the shareholders' equity	17
5. Operating results	17
5.1 Data from the Consolidated statements of income data	18
5.2 Comprehensive income (loss) from operating segments during the Reporting Period	18
5.3 Financial information by area of activity	21
5.4 The pension subsegment	26

5.5	Provident funds	27
5.6	Operating results of property and casualty insurance	28
5.7	Operating results of the Health Insurance Segment	32
6.	Cash flow	33
7.	Restrictions on and supervision of the corporation's business.....	34
7.1	The Commissioner's circulars, directives, position papers and fundamental decisions.....	34
7.2	Circulars and draft regulations pertaining to investments of institutional entities	34
8.	Financing resources.....	40
9.	Disclosure on Exposure to, and Management of, Market Risks.....	40
10.	Corporate Governance Aspects	40
10.1	Disclosure on the financial statements' approval procedure in the Company	40
11.	Dedicated disclosure for bondholders	42
11.1	Details regarding the corporation's bonds.....	42
12.	Disclosure Provisions Relating to the Corporation's Financial Reporting	42
12.1	Reporting critical accounting estimates	42
12.2	Internal Control over Financial Reporting and Disclosure	42
13.	Events subsequent to the balance sheet date	43
13.1	Collective agreement subsidiary - Menora Mivtachim Pension and Provident Funds	43
13.2	Extraordinary annual general meeting.....	43
13.3	Rating - subsidiary	43

Menora Mivtachim Holdings Ltd.

Report of the Board of Directors as of March 31, 2024

The following Report of the Board of Directors reviews the activity of Menora Mivtachim Holdings Ltd. (hereinafter - the "**Company**") for the three months ended March 31, 2024 (hereinafter - the "**Reporting Period**"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, assuming that the reader also has at his/her disposal the Company's full 2023 periodic report, which was published on March 31, 2024 (hereinafter - the "**Periodic Report**").

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

1. Company description

1.1 The Company's shareholders

The Company is a publicly-traded company, whose shares are traded on the Tel Aviv Stock Exchange. The Company's principal shareholders are Palamas Establishment and Najaden Establishment (foreign corporations), which hold jointly in trust approx. 63.25%¹ of the Company's shares for Mss. Niva Gurevitch and Tali Griffel, respectively. The foreign corporations awarded Ms. Tali Griffel and Ms. Niva Gurevitch powers of attorney to vote on behalf of each of them (respectively) at general meetings of the Company, and accordingly Ms. Tali Griffel and Ms. Niva Gurevitch are considered as the Company's controlling shareholders (hereinafter - the "**Controlling Shareholders**"). As of the report date, the Company's CEO, Mr. Ari Kalman, holds - through an employee trust company - approx. 2.77%² of the Company's shares. The remaining Company shares are widely held.

1.2 The Company's areas of activity

As of the report date, the Company is engaged, through subsidiaries under its control, in all of the key insurance segments, including life insurance and long-term savings, which includes pension and provident funds, property and casualty insurance, which includes motor insurance (compulsory and property), other property and casualty insurance and health insurance. The Company is also engaged, through subsidiaries under its control, in other activities (which do not

¹Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 63.17%.

²Fully diluted, after deduction of the dormant shares acquired within the share buyback plan, as of the report publication date - 2.77%.

constitute an “operating segment” as this term is defined in the Securities Regulations (Details of a Prospectus and Draft Prospectus - Structure and Format), 1969), such as the provision of securities distribution services and underwriting obligations, investments in real estate, financing and credit to SMEs, and provision of an undertaking for repayment of means of payments, through associates.

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

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

2. Events and developments since the latest annual report

2.1 The Iron Swords War - consequences and effects

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the “**Iron Swords War**” or the “**War**”). In view of the above and further to the letters issued on October 17 and November 8, 2023 by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the “**Commissioner**”) to the Group’s institutional entities regarding “Guidelines to Institutional Entities in View of the Iron Swords War” and “The Effects of the Iron Swords War on the Financial Statements, respectively, and further to points of emphasis published by the Israel Securities Authority to reporting corporations regarding a disclosure in connection with the Iron Swords War, the boards of directors of the companies and the Group’s institutional entities held meetings in which, among other things, they analyzed the potential exposure to the effects of the War, and discussed the business continuity plan, the Company’s preparedness to emergency scenarios, and the tools through which the Group can mitigate the risk, including from a financial perspective.

Set forth below are the details of the main effects:

- **On the operational level:**

Upon the outbreak of the War, Group companies took action to facilitate remote work for most of their employees, with an emphasis on continuous provision of services to customers and employers in connection with essential process, specifically those listed in the Commissioner’s letter, while monitoring different business parameters through relevant reporting mechanisms; enhancing the capability to provide services through digital channels - all, to the extent possible, while ensuring work safety, and mitigating the risks of remote working, including cyber and information security risks, and refreshing the business continuity procedures. Towards the end of 2023, and during the first quarter of 2024, a gradual process of returning to work full time at the Group’s offices has started,

aiming to return to the work format which was in place prior to the outbreak of the War.

■ **At the business level:**

Life insurance and long-term savings - most of the exposure in this segment stems from life insurance, permanent health insurance, and disability insurance. The Group has in place reinsurance coverage for catastrophe events, which is supposed to absorb some of the exposure; in the opinion of the Group, based on the information available to date, the effect of the War on retention in the fourth quarter of 2023 amounts to approx. NIS 42 million before tax, and in the first quarter of 2024 - approx. NIS 8 million. It is noted that following the war in Ukraine and the Iron Swords War, the reinsurers excluded war risks from catastrophe coverage in life and health insurance. Furthermore, due to potential adverse effects of the War on the labor market, and specifically an increase in unemployment rate, there may be a decline in contributions and an increase in withdrawals from pension savings in the future.

Health insurance (including long-term care insurance) - the exposure as a result of the War on the health and long-term health insurance operating segment is not expected to be material.

Property and casualty insurance - Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is immaterial. Furthermore, in this subsegment, there is an immaterial positive effect.

Non-banking credit - the credit granting activity in the Group is carried out mostly by the subsidiary ERN (hereinafter - "ERN") and the second-tier subsidiary (Mimun Click). Most of the effects of the War were felt in October and November 2023, and were reflected in a decline in transaction turnover and in income, and in an increase in default rates. As from December 2023, the effects of the War moderated. The exposure arising the credit provision activity stems from a potential increase in loan losses. In addition, the direct effect of the War on the expected loan losses is immaterial.

■ **On the financial level:**

Assets under management - the Iron Swords War triggered slumps in capital markets in Israel (both in share prices and in bond prices), which moderated in November 2023 and even changed course to hikes starting in December 2023 and during the first quarter of the year, moderating subsequent to the report date. As a result of the above, the value of the Group's nostro assets and assets under management increased.

Changes in the risk-free interest and the illiquidity premium - as a result of the War there was an increase in the risk-free interest and the illiquidity premium, and as from November 2023, the trend changed and the risk-free interest decreased, and in the short term the decrease was even higher than the said

increase. It is noted that subsequent to the report date, there was a moderate increase in the interest rate.

■ **In the regulatory environment:**

On October 23, 2023, the Commissioner published a number of directives regarding regulatory changes and expedients which will apply during the period declared as a special situation on the home front due to the War (as of the date of this report - until May 30, 2024) whose objective is, among other things, to facilitate the activity of the institutional entities, and in particular the investment activity of institutional entities (in order, among other things, to facilitate the activity of the capital market), and in order to support those entities' customers.

Thus, among other things, with respect to investments, expedients were provided regarding analyses in connection with the acquisition of corporate bonds, while giving the option to acquire bonds even without an up-to-date economic analysis as is currently required, provided that there is an independent and comprehensive economic analysis that will be approved by the Investment Committee. In addition, directives were prescribed that are designed to facilitate the activity of the institutional entities by postponing the dates on which various regulatory directives will come into force, including the amendment of the Uniform Format for Transferring Information and Data in the Pension Savings Market, the manner of making contributions, Own Risk and Solvency Assessment of an insurance company (ORSA), amendment of the Supervising Actuary and Chief Actuary circular.

In addition, directives were prescribed that are designed to give expedients to policyholders and planholders, including amendment of the renewal circular while giving policyholders the flexibility to stop insurance coverages, and giving insurers the option to extend the term of the policy beyond the date set in the renewal notice if it did not manage to contact the policyholder. In addition, the Knesset legislated the Deadline Postponement Law, which stipulates that an entity/person entitled to postpone a deadline as defined in the law will be allowed to notify the Company about the postponement of the set deadline for executing an action by virtue of a contract or a ruling by the earlier of 60 days or through February 29, 2024.

The term of the abovementioned directives was limited in time through the date set in each directive, on a case by case basis.

The War's effects on the Group's results constitute forward-looking information, as defined in the Securities Law, 1968, which is based, among other things, on the Company's assessments and estimates as of this reporting date, and are based on the publications and on the guidance of the competent parties in Israel and abroad, which might change from time to time, and whose materialization is uncertain and is outside the Group's control. The Company's assessments may not materialize, or materialize in a manner that is materially different, due to, among other things, in view of the development of the War, and specifically as a result of the government's actions in response to those developments.

2.2 The legal reform

During January 2023, the government began promoting a plan to make fundamental changes in the legal system in Israel, which led to controversy and widespread public protests. The legal reform and the uncertainty it gives rise to might impact the economic environment in which the Group operates, including the cost of capital raising, the returns in the capital market, the credit rating of Israel, and more. At this stage the Company is unable to assess future developments, or the effect of those events on the Israeli economy in general and the Group's activity in particular.

2.3 Market volatility

In 2022, there were slumps in the financial markets due to the increase in the interest rate curve and due to the conflict between Russia and Ukraine. In view of the above, the slumps in financial markets increased, specifically due to the hikes in interest rates across the world and in the USA, and the concern that a global recession will occur. Further to the above, the participating life insurance policies marketed through 2004 achieved negative real returns. Therefore, Menora Mivtachim Insurance did not record variable management fees since the beginning of 2022; rather, it only recorded fixed management fees. In 2023 and in the first quarter of 2024, there was a positive return, which partially offset the negative real return as stated above. Accordingly, the estimated management fees that will not be collected due to the negative real return until a cumulative positive return is achieved amounted, as of the report date, to approx. NIS 116 million before tax. Immediately prior to the financial statements publication date the management fees that will not be collected due to the negative real return were estimated at approx. NIS 139 million.

Furthermore, and in view of the War in Ukraine which is still raging, some western countries decided to collaborate and impose some significant financial and economic sanctions on Russia, as well as various trade restrictions on Russian entities (including financial institutions and various corporations, politicians, Russian businessmen, etc.); these sanctions and restrictions include a prohibition on trade, investment, and on maintaining economic relations, as well as the disconnection of some Russian banks from international financial systems. At the same time, the Russian government-imposed restrictions on the transfer of capital to destinations outside Russia. Menora Mivtachim group invested - together with partners - in assets located in Russia; the amount of the investment is immaterial compared to the Group's total assets; in view of the above, the Group's ability to dispose of the assets is limited, and so is its ability to transfer funds to destinations outside the Russian Federation. Furthermore, and as a result of a sharp depreciation in the exchange rate of the Ruble, the value of the investment has eroded significantly in USD and NIS terms.

2.4 Rating reiteration

In January 2024, Midroog announced that it reiterates the rating of the Company's Bonds (Series C) at Aa2 with a stable outlook. For further details, see the Company's immediate report dated January 10, 2024 (Ref. No. 2024-01-004998).

2.5 Dividend distribution

In March 2024, and in accordance with the dividend distribution policy, the Company declared the distribution of approx. NIS 175 million in dividend, which was distributed in April 2024. For further details, see the Company's immediate report dated March 31, 2024 (Ref. No. 2024-01-035040).

2.6 Dividend distribution by subsidiaries

In March 2024, Menora Insurance distributed a NIS 200 million dividend to the Company. Furthermore, Shomera distributed a NIS 50 million dividend to the Company.

Subsequent to the balance sheet date, in May 2024, the board of directors of subsidiary Menora Mivtachim Pension and Provident Funds distributed a NIS 50 million dividend (the Company's share is NIS 45 million).

2.7 Signing an operating agreement with Maccabi

In December 2023, an agreement in principle was signed with Maccabi Healthcare Services (hereinafter - "**Maccabi**") for the operation of long-term care insurance for Maccabi members, as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions detailed in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement that will be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees and reimbursement of expenses; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement that was published in December 2023 by the Capital Market Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

2.8 Collective long-term care insurance - Leumit Health Services

Menora Insurance is the insurer in a collective long-term care insurance policy for members of the Leumit Health Services HMO. On March 26, 2024, the parties signed an addendum to the agreement such that from April 2024, the agreement with Leumit will be converted to an agreement for the operation of long-term care insurance claims for Leumit members in return for management fees as detailed in the addendum to the agreement.

2.9 Quality investment agreement

In September 2022, a collaboration agreement was signed for the provision of reverse mortgage loans by Menora Insurance to borrowers located by Quality Credit Holdings Ltd. (hereinafter - “Quality” and the “Original Agreement”). On March 7, 2024, an agreement was signed between Menora Finance and Quality regarding an addendum to the original agreement in which it was agreed that Menora will exercise the call option granted to it to purchase shares in Quality at a rate not exceeding 27.5% of the issued and paid up share capital of Quality against payment to Quality of an amount based on a value of approx. NIS 70 million for the Company with respect to Quality Holdings. The transaction was completed subject to approval by the Israel Competition Authority and the Capital Market, Insurance and Savings Authority.

2.10 Investment in Ampa Capital

In March 2024, the Company’s Board of Directors approved an investment in Ampa Capital in the amount of approx. NIS 50 million. The investment was made in two stages, half in April 2024 and the other half on December 31, 2024. The purpose of the investment is to increase the shareholders’ equity to support the growth of Ampa Capital’s activities. It should be noted that the above investment will not change the Company’s holding rate in Ampa.

2.11 Legal proceedings

For a description of legal and administrative proceedings, as well as regarding developments in the exposure to class actions and the approval of lawsuits which were filed against the Company and/or its consolidated companies, as class actions and other contingent claims, see Note 6 to the financial statements.

2.12 Developments in the macroeconomic environment

2.12.1 General environment and effect of external factors on the corporation’s activity

2023 saw rallies in international financial markets, despite further interest rate hikes by central banks. The interest rate in the USA reached 5.25%-5.5%, in Canada - 5%, in the Eurozone - 4%, in the UK - 5.25%, and in Australia - 4.35%. Interest rates hikes had a particularly significant adverse effect on those sectors that are more sensitive to interest rates, such as the real estate sector.

The Israeli economy grew by 2% in 2023, much less than previously estimated. Economic growth in Israel slowed down even before the outbreak of the War with Hamas in October 2023. The decline in growth before the War stemmed from decline in growth across the word, mainly due the weaker growth in the technology sector, the effect of interest rate hikes in Israel, and the political uncertainty due to the Government’s promotion of the legal reform and the public protest against it since the beginning of the year.

On October 7, 2023, Hamas attacked localities in the Gaza Envelope, causing numerous casualties and taking hostages. In response, the IDF attacked the Gaza Strip from the air, and at a later stage launched a ground assault. A conflict also developed in the north of Israel against Hizballah, which is currently a low scale conflict. The War is expected to have a significant adverse effect on economic growth and lead to an increase in budget deficit. Financial markets in Israel responded to the events with sharp slumps and the shekel suffered devaluation at the beginning of the War. Subsequently, performances improved in local markets. The government was forced to significantly increase its expenses for military and civilian needs. The Bank of Israel took various steps in order to ease conditions in the markets and the economy.

The US economy achieved a fairly moderate growth rate in the first quarter of 2024 (GDP - a broad measure of goods and services manufactured from January to March - increased by an annual rate of 1.6%, net of seasonality and assuming fixed prices, compared to its level in the last quarter of 2023. Market expectations indicated a 2.4% expansion following on a 3.4% jump in the fourth quarter of 2023 and 4.9% in the 3rd quarter); however, some of the factors, such as inventories, had a temporary effect. Private consumption was strong. However, inflation rate in the USA declines at a slow rate, and the expected interest rate cuts for the remaining months of 2024 (as was expected at the beginning of 2024), has softened significantly.

The European economy achieved annual growth of 1.2% in the first quarter of 2024, after two quarters of negative growth. The European labor market continues to be strong, and the unemployment rate is close to its lowest level since the creation of the Eurozone. The German economy is particularly weak, and it is countries in the south of Europe that display better economic performance. Markets factor-in an expectation that interest rates in Europe will be cut before interest rates in the USA, in view of the decrease in inflation to 2.4% in April 2024.

Japan's GDP decreased in the first quarter by an annual rate of 2%. The Bank of Japan increased its interest rate by 0.1% to zero, for the first time in the past 17 years. The Yen's devaluation continued to levels not seen since the 1990s. Inflation in Japan decreased to 2.4%, but core inflation is still relatively high - 2.9%

In Israel, cumulative inflation at the end of the first quarter of 2024 stands at 2.7%. The unemployment rate in March 2024 stood at 3.1%. The Bank of Israel published revised forecasts in April, as follows: The inflation rate in 2024 is expected to be 2.7% (compared to 2.4% in the January forecast), whereas in 2025 it is expected to stand at 2.3% (compared to 2.0% in the January forecast).

GDP is expected to grow by 2.0% in 2024 and by 5.0% in 2025 (with no change compared to the January forecast). In the first quarter of 2025, the interest rate is expected to stand at 3.75%. The broad unemployment rate,

which stood in 2023 at 4.4% (annual average) is expected to fall to 3.7% in 2024 and 3.3% in 2025.

The government budget deficit in 2024 and 2025 is expected to amount to 6.6% of GDP and 4.6% of GDP, respectively. Debt is expected to increase to 67% of GDP in 2024, and remain at a similar level in 2025. The second and third readings of the revised 2024 state budget were passed by the Knesset in March 2024. Compared to the original budget, it includes a NIS 70 billion increase in expenditures: NIS 55 billion for security expenses and NIS 15 billion for civil expenses related to the War.

The forecast was prepared under the assumption that the direct economic effect of the Iron Swords War peaked in the fourth quarter of 2023, and will then decline through the end of 2024. The assumption for 2025 is that the War will have no further direct effects. In addition, the Bank of Israel assumes that the War will still be focused mainly on Gaza.

2.12.2 The bonds and equities markets

Trading in markets across the world was conducted against the backdrop of a decline in inflation rates and expectations for interest rate cuts by central banks. The domestic capital market displayed strong performance in the first quarter of 2024 amid expectations that the War will end and recovery in economic activity, concurrently with an expectation for interest rate cuts, with the positive trend in the USA serving as tailwind. In the first quarter, equity markets in Israel, the USA and Europe recorded similar returns.

In first quarter 2024 terms, the TA 35 Index was up by 7.8%, the TA 90 Index - by 10.9%, and the TA 125 Index - by 8.3%. The TA Real Estate Index, which increased by 2.6%, and the banks index, which increased by 5.3%, displayed underperformance; on the other hand, the TA Retail Index, which increased by 24.3% (Shufersal transaction) and the TA-Growth Index, which increased by 16.7%, displayed particularly good performance.

In the USA, the S&P500 rose by 10.2%, the NASDAQ rose by 9.1%, and the Dow Jones rose by 5.6%. In Europe, the EURO STOXX 600 was up by 7.0%, the German DAX - by 10.3%, and the FTSE in England was up by 2.8%. In the Far East, the Japanese Nikkei Index rose by 20.6%, with the Shanghai SSE Index up by 1.2%.

Bonds trading in the first quarter of 2024 was affected by the understanding that interest rates are not expected to decline quickly. This is in contrast to the expectation in the last quarter of 2023, which led - at the time - to a sharp decline in returns. In Israel and in the USA there was a similar trend in the quarter, with yields on 10-year bonds - which were lower than 4% - recording increases. The Tel Gov General Index was down by 0.4% in the first quarter, the Tel Gov Linked Index declined by 0.3%, and the Tel Gov Shekel Index was up by 0.7%. On the other hand, the Tel Bond-20 Index increased by 1.9% and the Tel Bond 40 Index increased by 2.0%, as a result of a fall in corporate bonds spreads.

In the first quarter of 2024, the NIS devalued by 1.7% against the USD, and strengthened by 1.1% against the EUR. The foreign currency balances of the Bank of Israel increased by approx. USD 9 billion in the quarter, amounting to approx. USD 209 billion.

2.12.3 Events subsequent to the balance sheet date

In April, Israel's risk premiums increased due to an escalation in tensions between Israel and Iran, which included missile attacks between the countries. The exchange rate of the NIS devalued, and energy prices across the world increased. Israel's budget deficit increased in April to 7% due to a rapid increase in government expenditure. Following on the other rating agencies, in April the S&P rating agency downgraded Israel's credit rating from AA- to A+ with a negative outlook. In April, the US administration approved a support package to Israel amounting to approx. USD 13 billion.

Many share indices across the world reached new record levels. Israeli markets continued to underperform compared to the US market.

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

3.1 Solvency ratio and minimum capital requirement

A. Solvency ratio

Menora Insurance	As of December 31, 2023	As of December 31, 2022
	Audited*	Audited*
NIS thousand		
Without taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:		
Shareholders equity in respect of SCR	7,042,994	6,616,988
Solvency capital requirement (SCR)	4,473,864	4,578,909
Surplus	2,569,130	2,038,079
Solvency ratio (%)	157.4%	144.5%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising		-
Shareholders' equity for solvency purposes	7,042,994	6,616,988
Surplus	2,569,130	2,038,079
Solvency ratio (%)	157.4%	144.5%
The Board's target for the period (in %)	114.3%	113.6%
Capital surplus over target	1,930,007	1,416,655
Meeting milestones taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:**		
Shareholders equity in respect of SCR	7,524,516	7,200,873
Solvency capital requirement (SCR)	4,306,029	4,207,916
Surplus	3,218,487	2,992,957
Solvency ratio (%)	174.7%	171.1%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Capital raising	-	-
Shareholders' equity for solvency purposes	7,524,516	7,200,873
Surplus	3,218,487	2,992,957
Solvency ratio (%)	174.7%	171.1%

B. Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
	Audited*	Audited*
	NIS thousand	
Minimum capital requirement (MCR)	1,315,136	1,267,822
Solvency capital requirement (SCR)	5,839,516	5,797,315

(*) The solvency ratio was reviewed by the Company's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. See Note 5 to the Consolidated Interim Financial Statements and the Economic Solvency Ratio Report on the Company's website.

(**) Solvency calculation as of December 31, 2023; in the Transitional Period, the adjustment period of the stock scenario ended, i.e., capital requirement in respect of equity risk is calculated in full. The Company recalculated the value of the Deduction as of December 31, 2023 mainly due to the increase in the interest rate. The post-deduction balance amounts to approx. NIS 491 million, compared to deductible balance of approx. NIS 887 million in December 2022

C. Solvency ratio

Shomera Insurance	As of December 31, 2023	As of December 31, 2022
	Audited*	Audited*
	NIS thousand	
Without taking into account the Provisions for the Transitional Period and after adjusting the stock scenario:		
Shareholders equity in respect of SCR	627,488	629,276
Solvency capital requirement (SCR)	462,009	475,975
Surplus	165,479	153,300
Solvency ratio (%)	135.8%	132.2%
The Board's target for the period (in %)	110.9%	108.8%
Excess capital over target (in NIS thousand)	115,186	111,551
Meeting milestones taking into account the Provisions for the Transitional Period and after adjusting the stock scenario: **		
Shareholders equity in respect of SCR	627,488	629,276
Solvency capital requirement (SCR)	438,908	420,253
Surplus	188,580	209,023
Solvency ratio (%)	143.0%	149.7%

D. Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
	Audited*	Audited*
	NIS thousand	
Minimum capital requirement (MCR)	138,093	165,648
Solvency capital requirement (SCR)	627,488	629,276

(*) The solvency ratio was reviewed by the Company's independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. See Note 5 to the Consolidated Interim Financial Statements and the Economic Solvency Ratio Report on the Company's website.

(**) Solvency calculation as of December 2023; in the Transitional Period, the adjustment period of the stock scenario ended, i.e., capital requirement in respect of equity risk is calculated in full.

The Solvency Ratio Report was prepared on the basis of the terms and conditions and the best estimate as known to the companies as of the December 31, 2023.

According to the Supervision of Financial Services Regulations (Provident Funds) (Minimum Equity Required from a Provident Fund or a Pension Fund's Management Company), 2012, and the circulars by virtue of the said regulations, as of the report date, Menora Mivtachim Pension and Provident Funds has excess capital of approx. NIS 425 million.

As of the approval date of the financial statements, all Group companies comply with the capital requirements that were set for them, as the case may be (see also Note 5 to the financial statements).

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

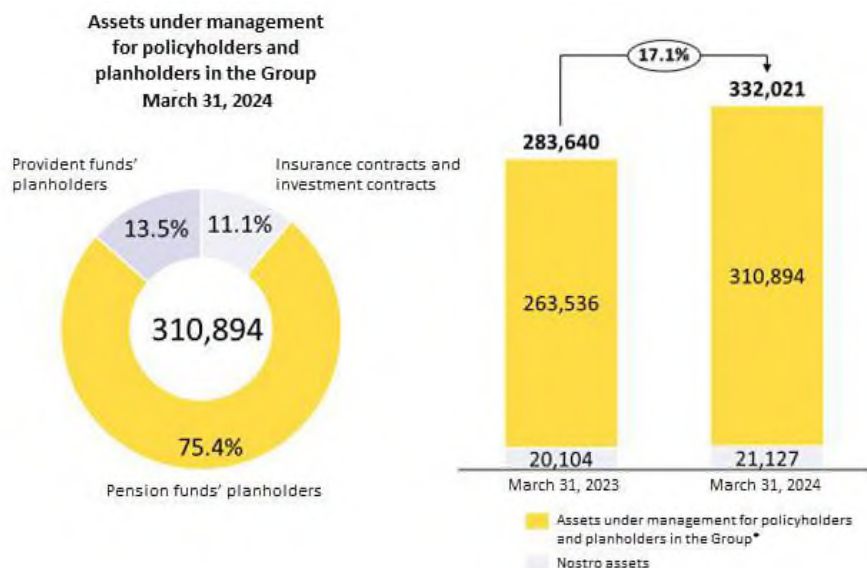
The target capital set by the consolidated insurance companies for the purpose of dividend distribution will be formed gradually. In November 2021, Shomera updated the target capital for dividend distribution purposes, such that it will increase gradually until reaching 113% (in lieu of the previous 110%) by approx. 2.1% per year through the end of the Transitional Period in 2024. Menora's target capital was set at 115% through the end of 2024. In November 2023, Menora Insurance updated the target capital, such that as from the end of 2024 the target capital will increase linearly from 115% as stated above to 130% in 2032. As of December 31, 2023, the target capital stands at approx. 114.3% and approx. 110.9% in Menora Insurance and Shomera Insurance, respectively.

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

For further details, see Section 7.1.2.2 (d)-(h) and Note 5 to the Financial Statements.

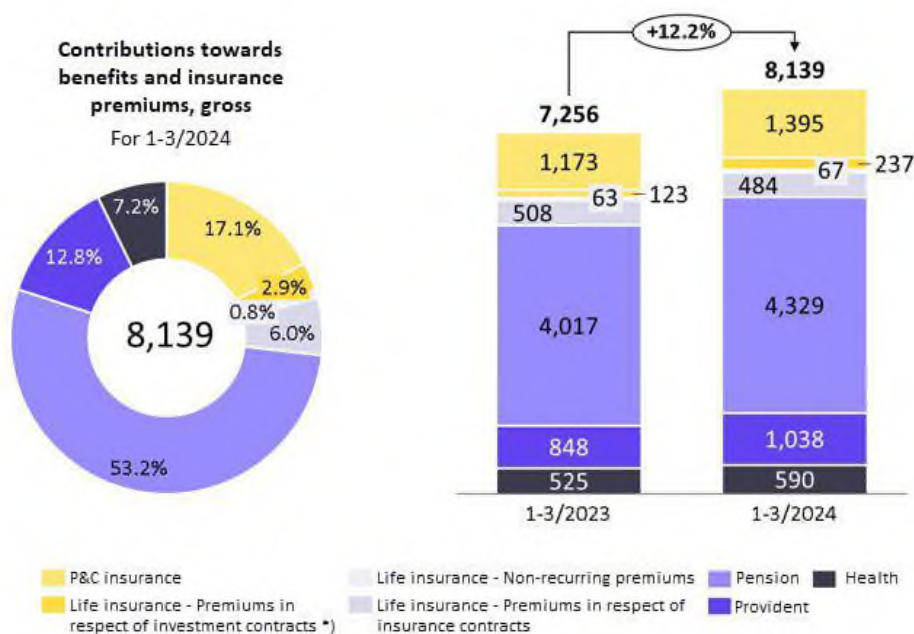
4. Assets under management and premiums earned

4.1 Assets under management (in NIS million)



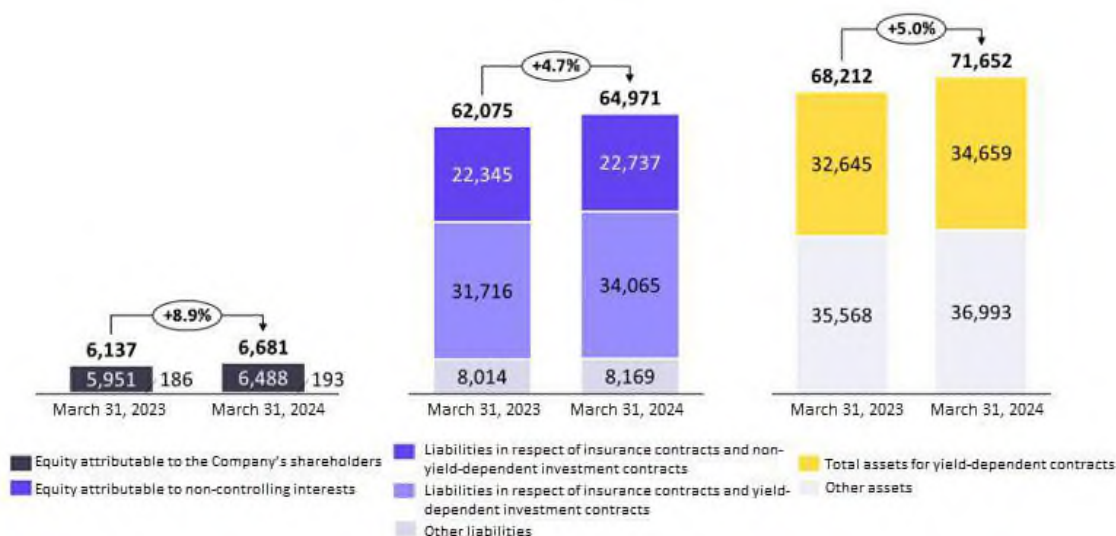
*) The consolidated financial statements do not include the assets under management in the pension funds and provident funds (except for guaranteed return provident fund tracks).

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



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

4.3 Key data from the consolidated balance sheets



Some of the liabilities in respect of yield-dependent insurance contracts are presented in the “other liabilities” and “financial liabilities” line items.

The increase in assets (approx. NIS 3.4 billion) and in liabilities (approx. NIS 2.9 billion) in the Reporting Period stemmed mainly from positive return on the assets and growth in the business. Accordingly, the equity attributable to the shareholders increased by approx. NIS 537 million.

4.4 Changes in the shareholders' equity

The equity attributable to the Company's shareholders amounted to approx. NIS 6,488 million as of March 31, 2024, compared to approx. NIS 6,431 million as of December 31, 2023. The increase in equity stems mainly from comprehensive income attributable to the shareholders in the period of approx. NIS 231 million, and on the other hand from distributed dividends of approx. NIS 175 million.

5. Operating results

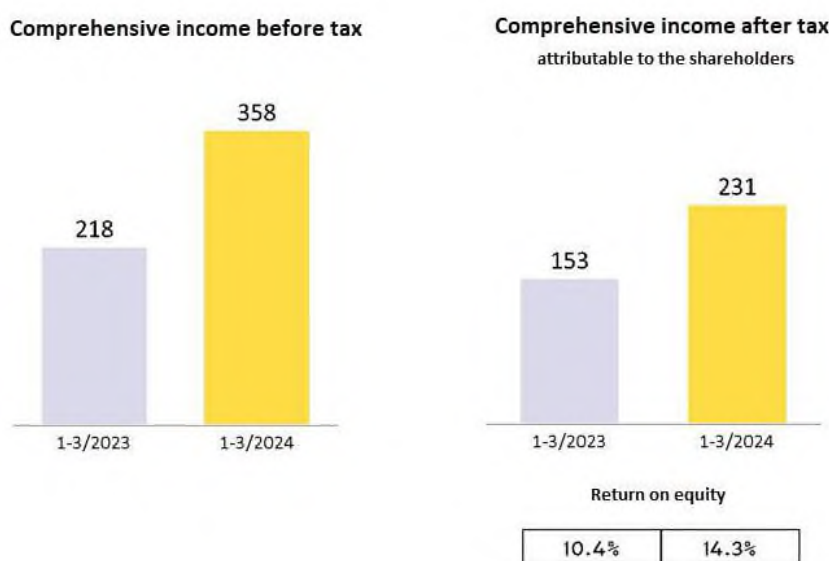
In the Reporting Period and in the corresponding quarter last year the nostro portfolio achieved positive real returns. Concurrently, the interest rate curve - which increased in the corresponding period last year (positive effect of approx. NIS 55 million) - decreased in the Reporting Period (negative effect of approx. NIS 39 million).

The Company recorded a significant improvement in underwriting profitability in property and casualty insurance and in life insurance and long-term savings; in addition, the Health Insurance Segment achieved underwriting improvement. The improvement in underwriting profitability in property and casualty insurance arises mainly from the motor insurance subsegments, the underwriting improvement in life insurance arises mainly from an improvement in the results of individual

insurance, the improvement in income from the pension and provident funds segment arises from continued growth in the segment and from the increase in management fees, and the improvement in health insurance arises from most of the products and was partially offset against the results of collectives in the medical expenses subsegment. Furthermore, the results of the period were affected by special items (as defined in Section 5.2 below); for further details see Section 5.2.1 below.

5.1 Data from the Consolidated statements of income data

5.1.1 Comprehensive income before tax and comprehensive income after tax in the Reporting Period (NIS million)



5.2 Comprehensive income (loss) from operating segments during the Reporting Period

The Group assesses the results of the insurance business while separating the operating results of underwriting activities from those of the financial activities. When measuring the underwriting operating results,³ the Company charges a real normative return of 3%⁴ (annualized) in respect of the liability component that is not backed by Hetz bonds, and also for the purpose of calculating variable management fees (hereinafter- “**underwriting income**”)⁵. The difference between the actual return and the above-mentioned normative return is presented as financial income (hereinafter - “**Investment Income**”). Also detailed are the effects of changes in the risk-free interest rate curve adapted to the illiquid nature of the insurance liabilities, and changes in the fair value of the illiquid assets compared to their amortized cost

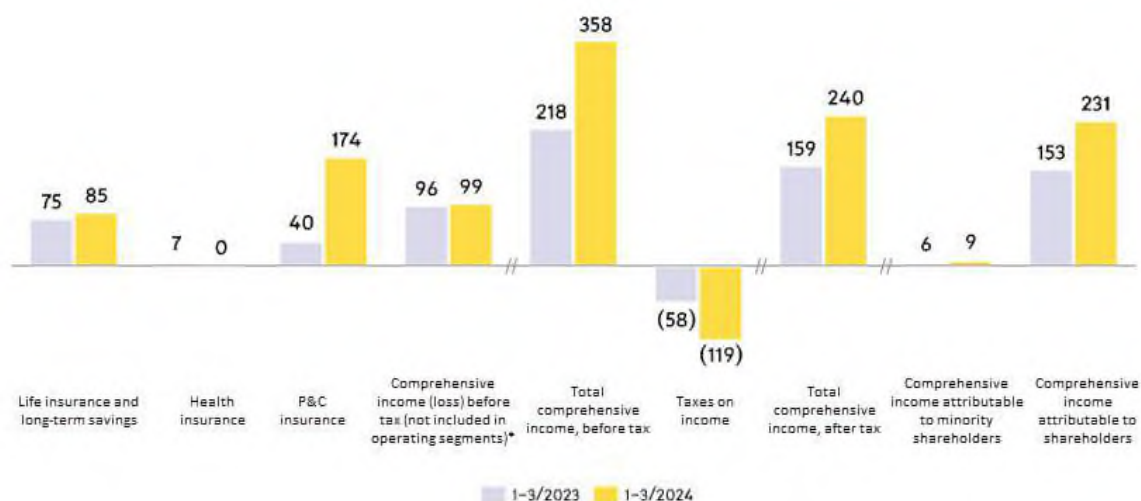
³Including regarding current business activity of pension and provident funds.

⁴ Except for a liability in respect of unearned premium reserve, in respect of which a return was credited at a nominal rate of 3%.

⁵ Without adjustment of expenses in respect of changes in return and interest.

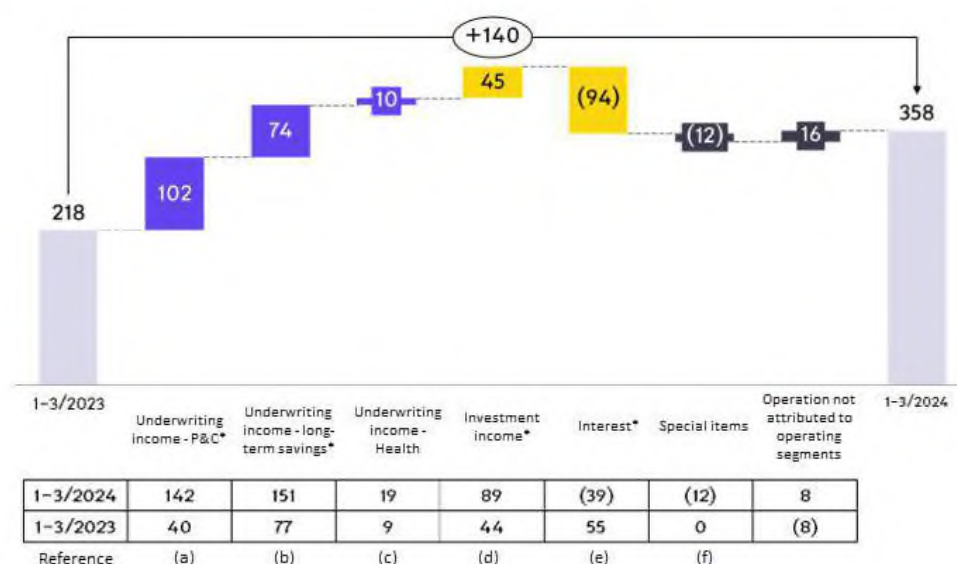
as per the books of accounts against health and P&C insurance liabilities (hereinafter - the “change in the interest rate curve”), special items - which include model revisions and actuarial assumptions, and non-recurring effects due to regulation and other significant events outside the ordinary course of business, at management’s discretion (hereinafter jointly - “special items”).

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



*) Mainly includes the results of an operation which is not defined as an operating segment, and investment income which is not allocated to a defined operating segment, net of finance expenses.

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



*) The data for the corresponding period last year included immaterial changes in order to better reflect the interest rate effect, investment income, and special items which were previously recorded in the underwriting income line item.

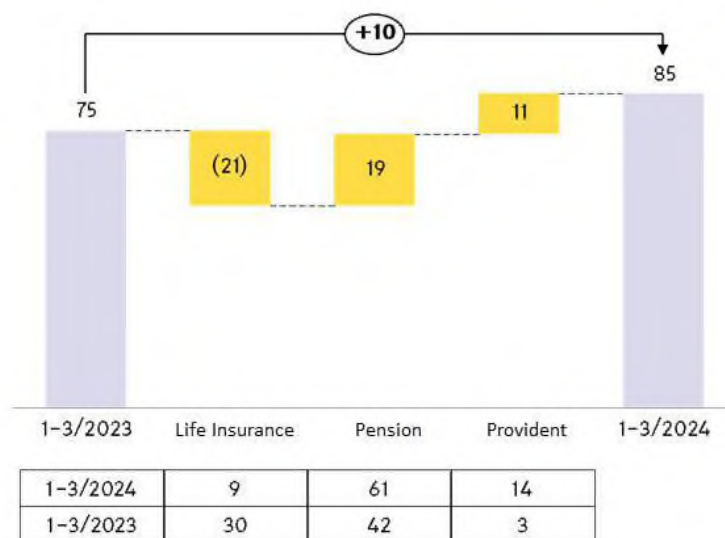
Financial effects and other special items in the Reporting Period:

- A. **Underwriting income in property and casualty insurance:** The increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a significant improvement in the results of the motor property segment, and from an improvement in the underwriting income in other liability and property subsegments alongside a decrease in underwriting income in the compulsory motor subsegment. For further details, see Section 5.6.3 below.
- B. **Underwriting income long-term savings:** The increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a significant improvement in the profitability of the individual insurance products alongside an improvement in the savings products and the collective life insurance policies, and an improvement in profitability in the pension and provident funds segment as a result of an increase in activity. For further details, see Section 5.3.6 below.
- C. **Underwriting income in health insurance:** The increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from an improvement in the results of individual and long-term care insurance, and - on the other hand - from a deterioration in the results of collectives in the medical expenses subsegment. For further details, see Section 5.7.1 below.
- D. **Investment income/losses** (as defined in Section 5.2 above): The real return in the Reporting Period and in the corresponding period last year was positive and higher than the normative return as stated in Section 5.2 above. In the Reporting Period, investment income amounted to approx. NIS 89 million, compared to income of approx. NIS 44 million in the corresponding period last year.
- E. **Interest rate effect:** The interest rate effect in the Reporting Period triggered an approx. NIS 39 million increase in insurance liabilities. The interest rate effect in the corresponding period last year reduced the insurance liabilities by approx. NIS 55 million.
- F. **Special items:** Special items during the reporting period mainly include the approx. NIS 8 million effect of the Iron Swords War on the results of the Life Insurance Segment. For further details, see Section 2.1 above.

5.3 Financial information by area of activity

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

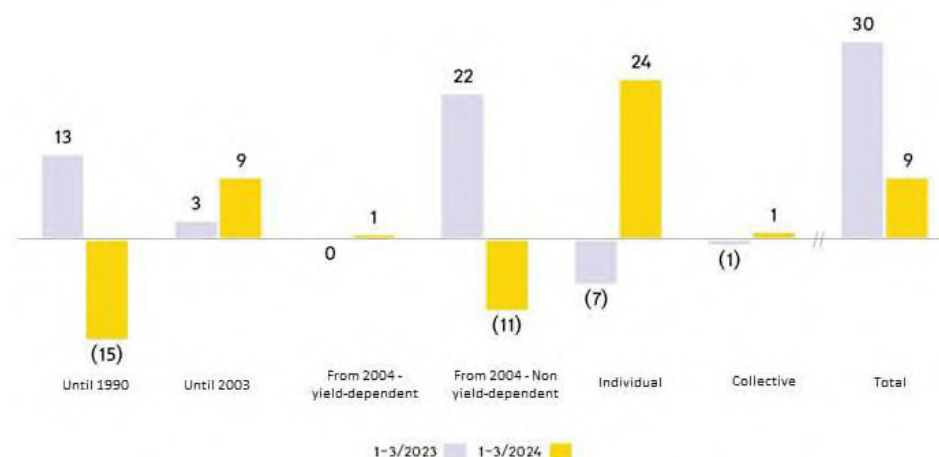
5.3.2 Key results of the life insurance and long-term savings segment in the Reporting Period



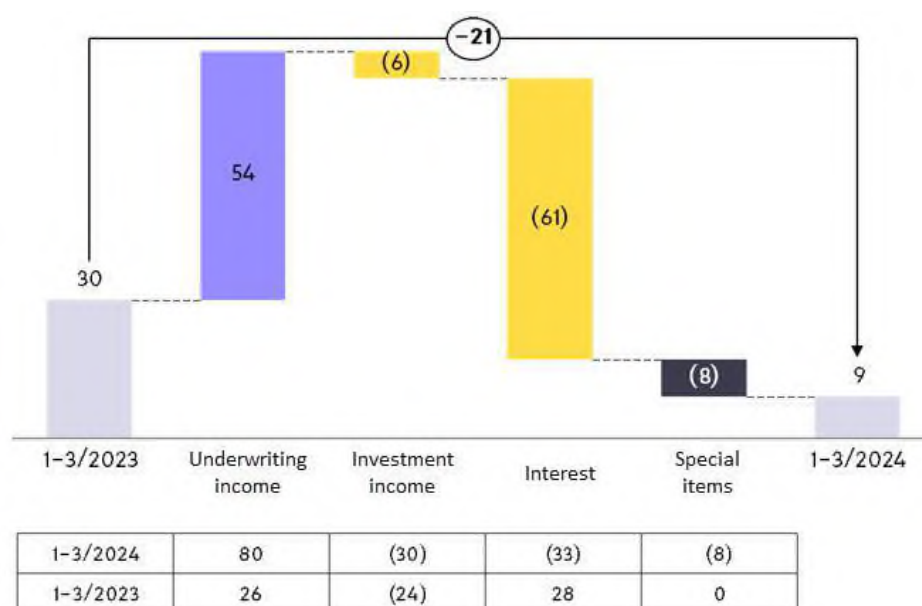
5.3.3 Operating results of the life insurance and long-term savings subsegments (pre-tax)

The profitability of the long-term savings subsegment is affected by the changes in the capital market, which impact the guaranteed-return policies (which are backed mainly by designated bonds) and the variable management fees in respect of yield-dependent policies which were issued in 1991-2003. In addition, since the segment is characterized with high insurance reserves, changes in estimates of assumptions and actuarial assessments, and changes in interest rates and investment income/losses, had a marked effect on the activity's results.

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



5.3.5 Changes in the results of the life insurance subsegment during the Reporting Period (in NIS million)

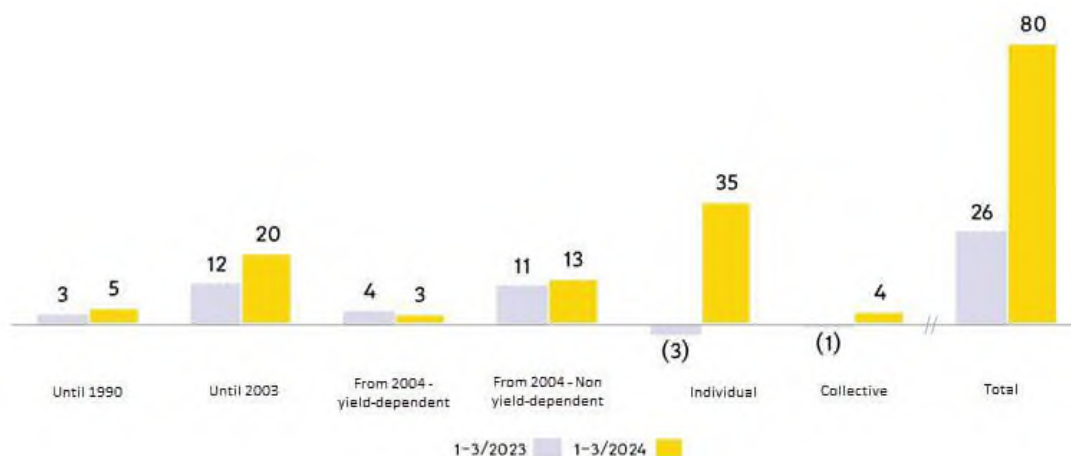


The decrease in comprehensive income from the life insurance and long-term savings activity in the Reporting Period compared to the corresponding period last year arises mainly from the interest rate effect, which led to an increase in insurance liabilities in the Reporting Period by approx. NIS 33 million, compared to an approx. NIS 28 million decrease in the corresponding period last year.

On the other hand, during the Reporting Period, the underwriting income increased by approx. NIS 54 million compared to the corresponding period last year. The increase in underwriting income arises mainly from a decrease in life insurance claims.

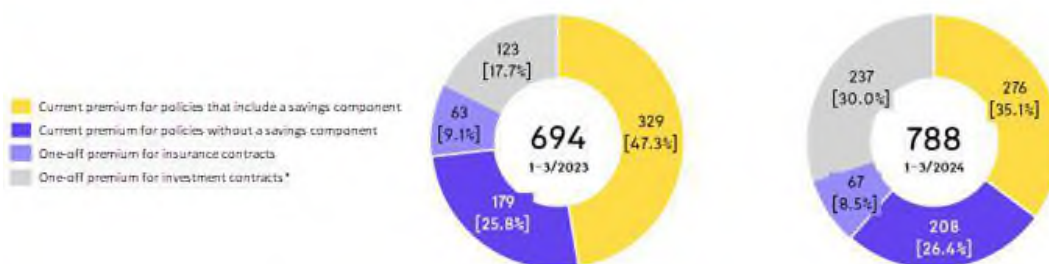
In addition, in the Reporting Period - due to the events of the War - there was a negative effect of approx. NIS 8 million (retention) on the Company's results.

5.3.6 Results of the underwriting income in the various life insurance subsegments during the Reporting Period (pre-tax) (in NIS million)



- **Policies issued by 1990** - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a decrease in disability insurance claims.
- **Participating policies issued by 2003** - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a decrease in disability insurance claims and from a decrease in expenses.
- **Policies issued as from 2004 yield-dependent** - the decrease in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from an increase in disability insurance products and negative development in life insurance claims as part of the annuity reserve. On the other hand, there was a decrease in expenses and an improvement in life insurance claims.
- **Policies issued as from 2004 non-yield-dependent** - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a positive development in life insurance claims as part of the annuity reserve.
- **Individual policies without a savings component** - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from a decrease in life insurance claims.
- **Collective policies without a savings component** - the increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from ceded business and a decrease in disability insurance claims.

5.3.7 Gross insurance premiums and redemptions in the Reporting Period (in NIS million)



*) Premiums in respect of investment contracts are recognized directly in insurance liabilities, and not recognized as premiums in the financial statements.

The policies which were redeemed during the Reporting Period amounted to approx. NIS 558 million, compared to approx. NIS 479 million in the corresponding period last year. The rate of redemptions out of the average reserve in the Reporting Period was approx. 6.78% compared to approx. 6.05% in the corresponding period last year.

Redemptions in respect of policies where premiums were charged directly to liabilities in respect of insurance contracts (without a significant insurance risk component) amounted to approx. NIS 224 million in the Reporting Period, compared to approx. NIS 284 million in the corresponding period last year.

Yield-dependent policies

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

The liabilities arising from yield-dependent policies as of March 31, 2024 amounted to approx. NIS 32,163 million, compared to approx. NIS 30,180 million in the corresponding period last year, an increase of approx. 6.6%.

In yield-dependent insurance policies issued from 1991 to 2003, an insurer may collect fixed management fees and variable management fees at the rates set in the regulations and derived from the real return of the investment portfolio. The variable management fees are collected only in respect of positive real return. If a negative real return was achieved, the insurer can only collect the variable management fees once the return which is achieved covers the accumulated real loss. During the course of 2022, a negative real return, which has yet to be offset as of the report date, was achieved, and consequently, the Company is prevented from collecting variable management fees until a cumulative positive return is achieved. As of the report date, the potential loss of income from management fees amounted to approx. NIS 116 million. Immediately prior to the report publication date, the potential loss of income from management fees is estimated at approx.

NIS 139 million. It should be noted that in connection with yield-dependent insurance policies issued as from 2004, only fixed management fees are collected, and therefore real investment losses do not have a direct effect on the collection of those management fees as stated above.

In the Reporting Period, income from management fees in yield-dependent life insurance policies amounted to approx. NIS 58 million, compared to approx. NIS 57 million in the corresponding period last year.

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

Policies issued in 1991-2003 (Fund J)

	1-3/2024	1-3/2023	1-12/2023
Real return before payment of management fees	4.25%	(0.62%)	4.70%
Real return after payment of management fees	4.09%	(0.77%)	4.08%
Nominal return before payment of management fees	4.55%	0.46%	8.20%
Nominal return after payment of management fees	4.40%	0.31%	7.55%

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

	1-3/2024	1-3/2023	1-12/2023
Real return before payment of management fees	4.25%	(0.62%)	4.70%
Real return after payment of management fees	4.02%	(0.84%)	3.81%
Nominal return before payment of management fees	4.55%	0.46%	8.20%
Nominal return after payment of management fees	4.33%	0.23%	7.28%

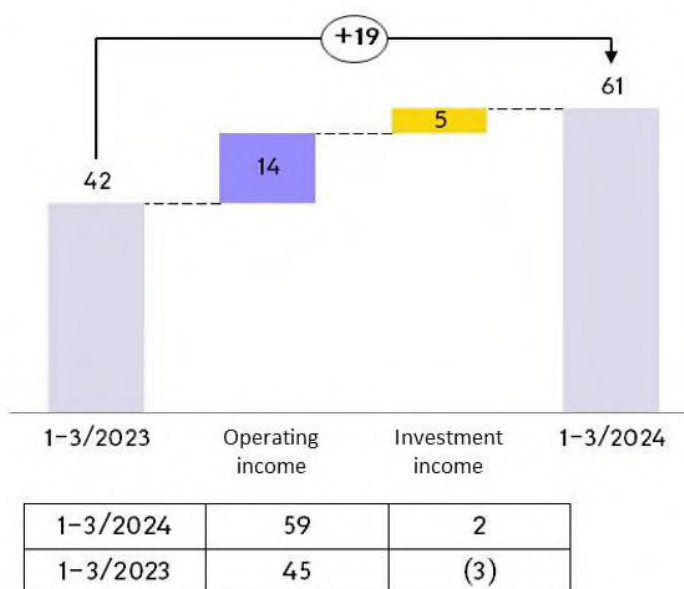
Details regarding the investment income which was charged to policyholders in participating policies and the management fees:

In NIS million	1-3/2024	1-3/2023	1-12/2023
Nominal investment income credited to policyholders net of management fees	1,363	335	2,357
Fixed management fees	58	57	229
Variable management fees	-	-	-
Total management fees	58	57	229

5.4 The pension subsegment

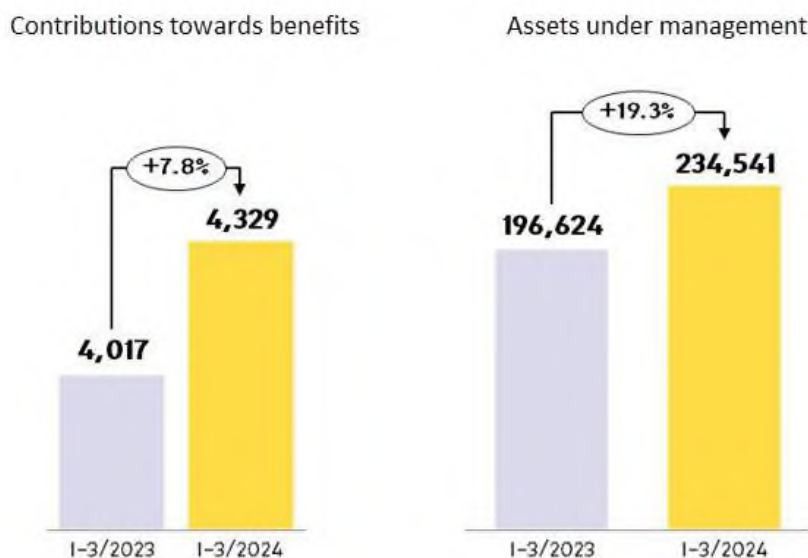
The operating results in the pension funds subsegment relate to the results of a consolidated management company - Menora Mivtachim Pension and Provident Funds.

5.4.1 Changes in the pension funds operating results during the Reporting Period (in NIS million)



In the Reporting Period, the income amounted to approx. NIS 61 million, compared to income of approx. NIS 42 million in the corresponding period last year. The increase in income in the reporting period compared to the corresponding period last year arises from an increase in operating income of approx. NIS 14 million, which stems mainly from an increase in income from management fees (net) due to the increase in total assets under management and an increase in collection, after discounts to planholders, at the total amount of approx. NIS 14 million; as well as a decrease in general and administrative expenses, marketing and purchase expenses and deferred purchase fees totaling approx. NIS 2 million. Furthermore, there was an increase in investment income (after stating of the normative return under operating income, as outlined in Section 5.2) at the total amount of approx. NIS 5 million.

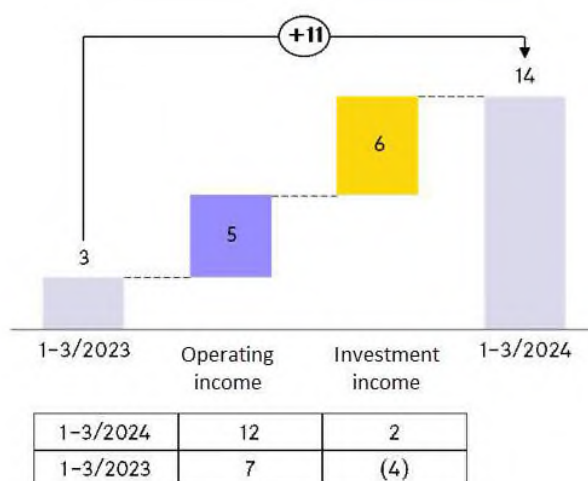
5.4.2 Assets under management and contributions towards benefits (in NIS million)



5.5 Provident funds

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

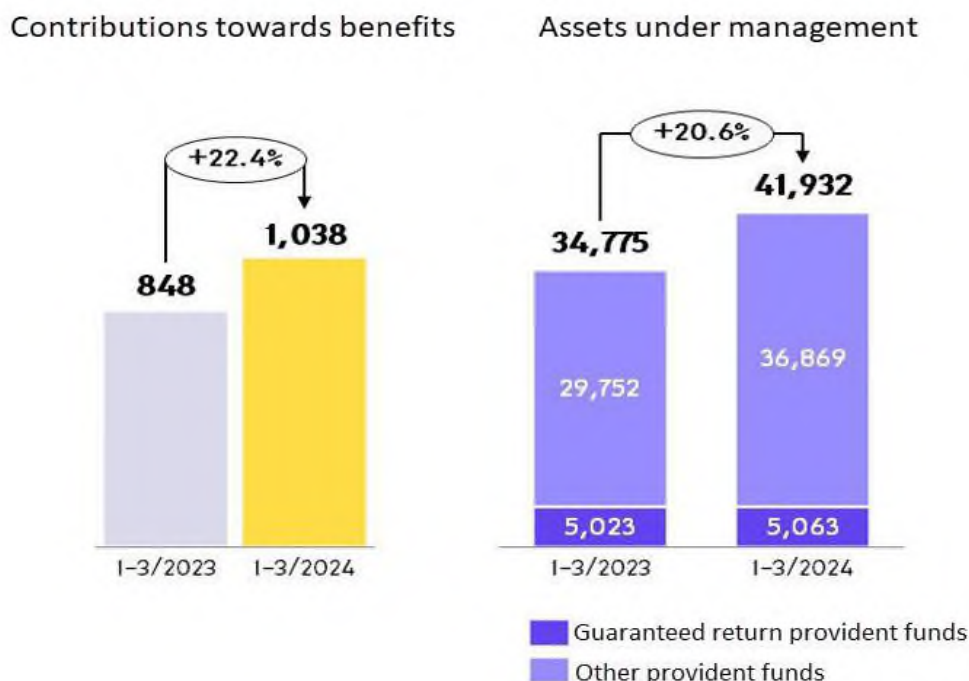
5.5.1 Changes in the operating results of the provident funds subsegment during the Reporting Period (in NIS million)



In the Reporting Period, the income amounted to approx. NIS 14 million, compared to a loss of approx. NIS 3 million in the corresponding period last year. During the Reporting Period, the increase in income compared to the corresponding period last year stems mainly from an approx. NIS 6 million increase in investments in guaranteed return provident funds and nostro. In

addition, there was an increase of NIS 5 million in operating income, arising mainly from an increase in management fees, which was partially offset by an increase in expenses.

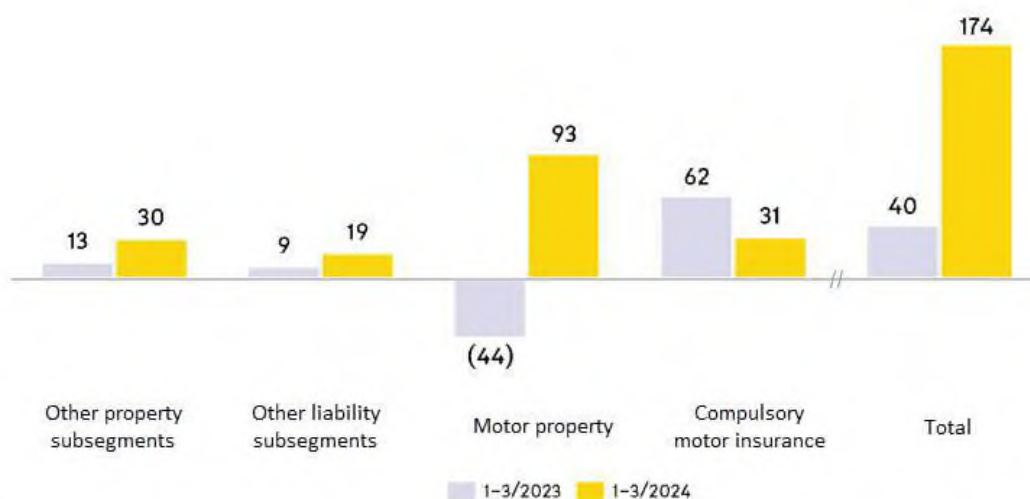
5.5.2 Assets under management and contributions towards benefits (in NIS million)



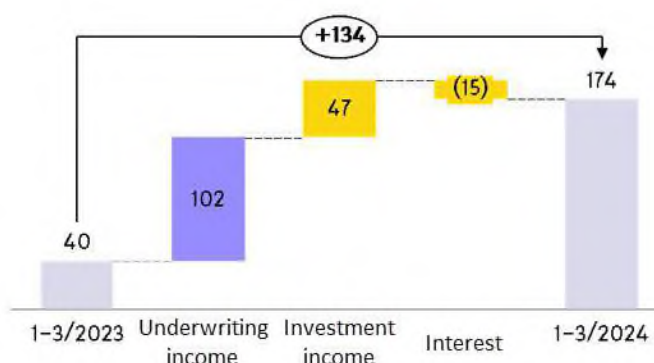
5.6 Operating results of property and casualty insurance

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

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



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

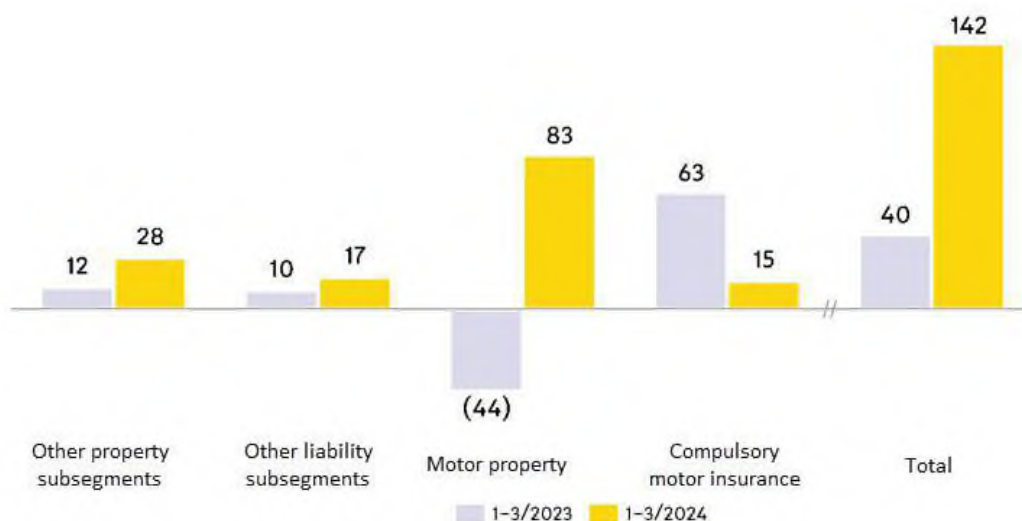


1-3/2024	142	21	10
1-3/2023	40	(26)	25

The increase in comprehensive income in the Reporting Period compared to the corresponding period last year stems from an approx. NIS 102 million increase in underwriting income, from transitioning from investment losses in the corresponding period last year to a profit (after charging a normative return as stated in Section 5.2 above) of approx. NIS 21 million (of which approx. NIS 8 million in compulsory motor insurance, approx. NIS 9 million in motor property insurance, approx. NIS 2 million in other liability subsegments, and approx. NIS 2 million in other property and subsegments).

On the other hand, in the Reporting Period, the interest rate effect reduced the insurance liabilities by approx. NIS 10 million, compared to an approx. NIS 25 million decrease in the corresponding period last year. The Effect of Interest in the Reporting Period includes a positive effect of approx. NIS 9 million in compulsory motor insurance and approx. NIS 1 million in motor property insurance (in the corresponding period last year - a positive effect of approx. NIS 23 million in compulsory motor insurance, approx. NIS 3 million in other liability subsegments, and on the other hand - a negative effect of approx. NIS 1 million in motor property insurance).

5.6.3 Results of underwriting income (pre-tax) by operating segment in the Reporting Period (in NIS million)



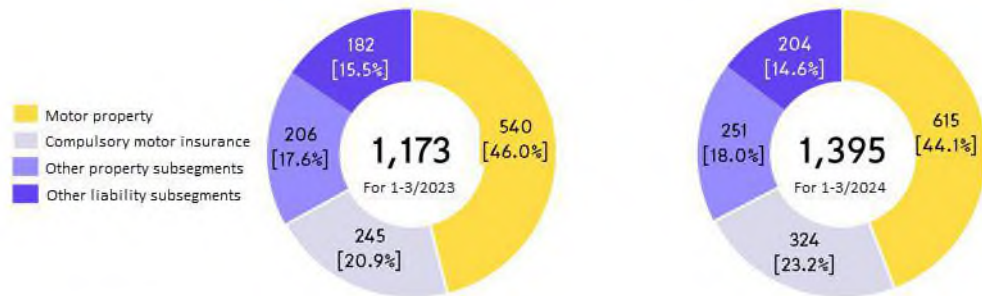
Compulsory motor insurance - the lower underwriting income in the Reporting Period compared to the corresponding period last year is mainly due to a positive development in respect of prior years' claims in the corresponding period last year, and a deterioration in the results of the current year.

Motor property insurance - the transition to underwriting income in the Reporting Period compared to a loss in the corresponding period last year arises from an improvement in the results of the current year due to higher tariffs, and from positive developments with respect to previous years, compared to negative developments in the corresponding period last year, and an increase in premium deficiency in the corresponding period last year. As to the effect of the Iron Swords War, see also Section 2.1 above.

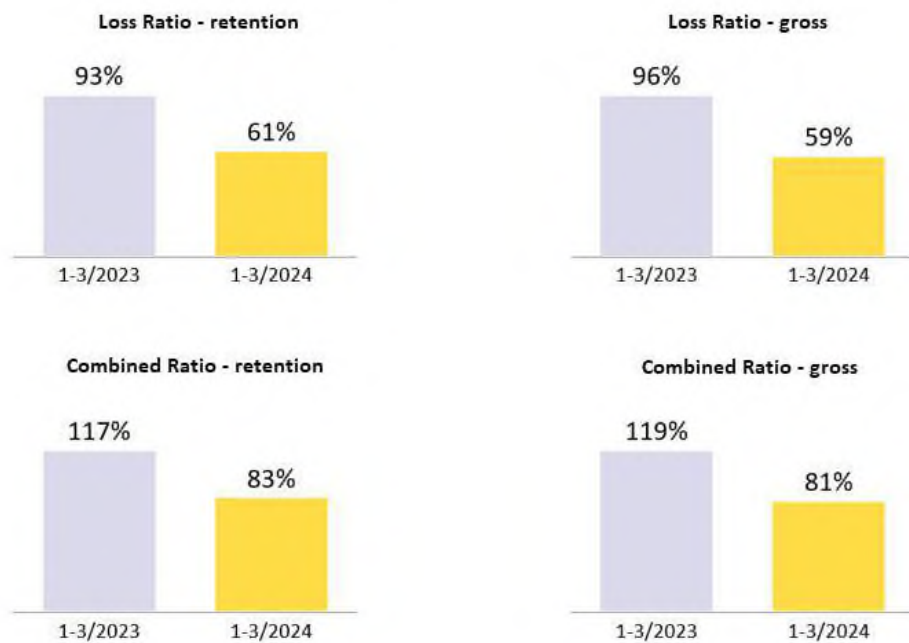
Other liability subsegments - the increase in the underwriting income in the Reporting Period compared to the corresponding period last year is mainly due to an improvement in the ratio of claims which led to an improvement in the current year and positive developments in respect of prior years.

Other property subsegments - the increase in underwriting income in the Reporting Period compared to the corresponding period last year is mainly due to a positive developments in respect of prior years, and an improvement in the results of the current year.

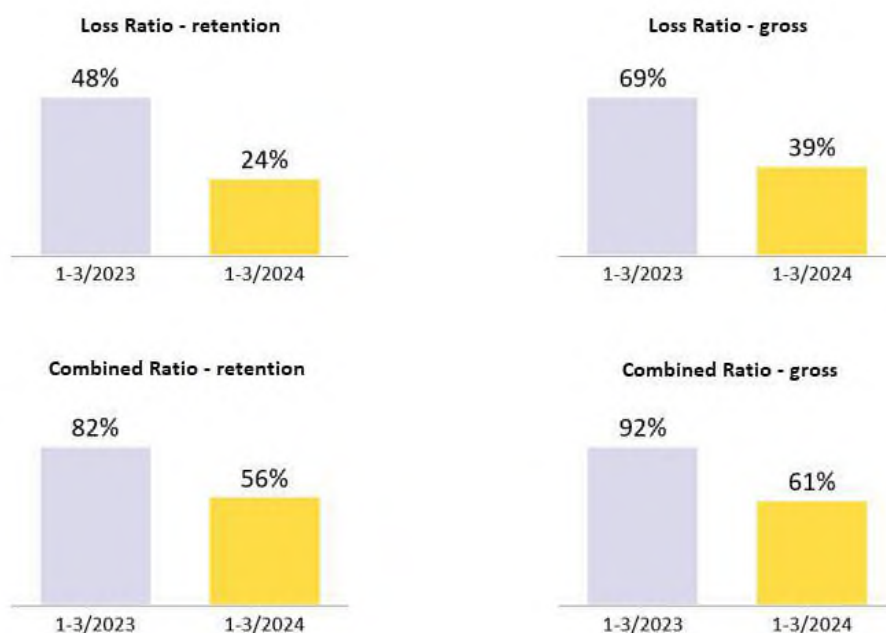
5.6.4 Gross premiums during the Reporting Period and corresponding period last year (in NIS million)



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

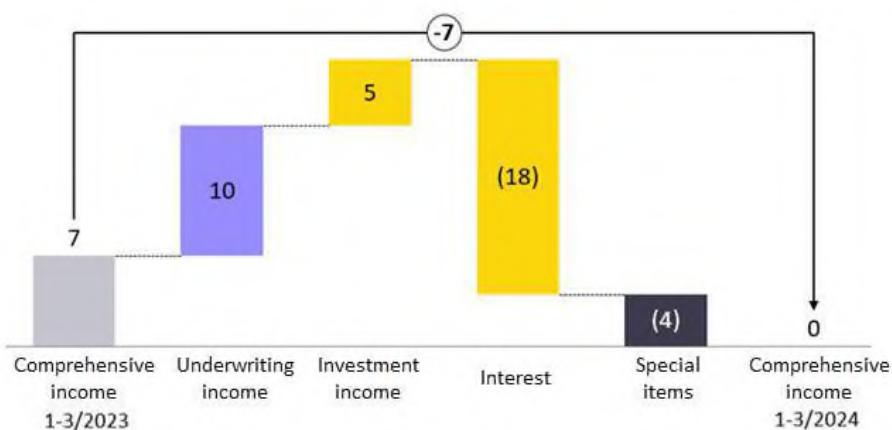


Following is the loss ratio and combined loss ratio - gross and retention - in the other property subsegments:



5.7 Operating results of the Health Insurance Segment

5.7.1 Changes in the results of the Health Insurance Segment during the Reporting Period (in NIS million)

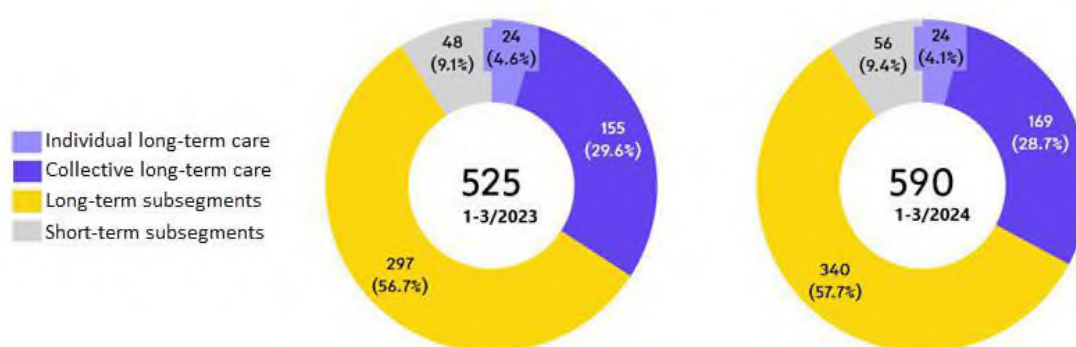


1-3/2024	19	1	(16)	(4)
1-3/2023	9	(4)	2	0

The increase in underwriting income in the Reporting Period compared to the corresponding period last year arises mainly from an improvement in underwriting alongside an increase in the activity of individual insurance subsegments, underwriting improvement in the collective long-term care insurance subsegment, and - on the other hand - from an underwriting deterioration in the collective the medical expenses subsegment. The increase in investment income (as stated in Section 5.2) is attributed to a higher real return in the reporting period.

In the Reporting Period, the interest rate effect increased the insurance liabilities by approx. NIS 16 million, compared to an approx. NIS 2 million decrease in the corresponding period last year.

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



6. Cash flow

In NIS million	1-3/2024	1-3/2023	% of change	1-12/2023
Net cash provided by (used for) activity:				
Operating	750	(291)		(325)
Investment	(157)	(207)	(21.1%)	(269)
Financing	101	41	145.0%	104
Exchange rate differences in respect of cash and cash equivalent balances	7	20	(65.8%)	10
Change in the cash balance	702	(437)		(480)
Cash balance at end of period	4,107	3,448	19.1%	3,405

7. Restrictions on and supervision of the corporation's business

Legal provisions applicable to the Company as a whole

7.1 The Commissioner's circulars, directives, position papers and fundamental decisions

IFRS roadmap

Further to what is stated in Section 7.1.1.2(I) in the Description of the Corporation's Business chapter of the Periodic Report, in January, May, December 2022, and in June 2023, the Commissioner published directives that revise the roadmap for the adoption of the standard. The directives prescribe, among other things, the time tables and the preparations insurance companies are required to make in the lead up to the implementation of the standard in Israel. On June 1, 2023, the first-time application date of the standard in Israel was revised, such that it will take place on January 1, 2025, and the transition date shall apply on January 1, 2024. Furthermore, in accordance with the above directives, in 2024, disclosure will be provided as part of the financial statements regarding the effect of the application of the provisions of IFRS 17 and IFRS 9 on the Company's financial position (pro forma balance sheet) as of January 1, 2024 (opening balances data as of the transition date) in the Company's financial statements as of the third quarter of 2024 and disclosure regarding the Company's results and financial position (statement of comprehensive income and a pro-forma balance sheet) in the annual financial statements of 2024. In addition, the directives add requirements regarding reports submitted to the Capital Market, Insurance and Savings Authority in connection with the Company's results and financial position in accordance with IFRS 17 and IFRS 9.

On April 15, 2024, an eighth draft was published of **professional issues pertaining to the implementation in Israel of IFRS 17**, which includes guidance on professional issues, in accordance with the roadmap for the adoption of the standard. For further details in connection with the application of the standard, see Note 8 to the financial statements.

7.2 Circulars and draft regulations pertaining to investments of institutional entities

7.2.1 Health insurance

- (a) Further to the details provided in Section 6.1 to the Description of the Corporation's Business chapter in the Periodic Report, in June 2023, **the Economic Plan Law (Legislative Amendments for Implementing Economic Policies for the Budget Years 2023 and 2024), Chapter S (Health) (hereinafter - the "Economic Arrangements Law")** was published, which amends The Financial Services Supervision Law, and sets a requirement whereby an insurer will pay the health maintenance organization for a surgical procedure that was executed and financed through a SHABAN plan when the following two conditions are met: (1)

The policyholder is insured under a “first shekel” surgical procedure insurance policy, and the said policy covers such a surgical procedure; (2) the surgeon is part of a surgical procedures arrangement with the insurance company; (3) the surgical procedure was carried out and financed through a SHABAN plan, even if there are differences between the SHABAN plan and the policy in terms of the method employed to execute the surgical procedure, the medical center in which it is carried out, and the technology and the devices required for the surgical procedure.

In this regard, it was determined that the amount that will be paid to the health maintenance organization shall be equal to the price of the surgical procedure as per the Ministry of Health’s price list, or as set in a dedicated order that will be set at the recommendation of the Commissioner - the lower of the two. The policyholder’s deductible shall be deducted from this amount, to the extent that he paid it. It was also stipulated that the insurer may submit to the Commissioner an appeal to the payment notice as stated above within 30 days from receipt of such notice, and the appeal will not delay the payment to the health maintenance organization, and the Commissioner is required to inform the insurer and the health maintenance organization of its decision regarding the appeal within 60 days of its receipt. Furthermore, transitional provisions were set that will require the insurer to transfer policyholders from an individual “From the First Shekel” surgical procedure policy taken out as from February 2016 until the effective date who also have a SHABAN plan in place, to a “Supplementary SHABAN” surgical procedures policy, while ensuring continuous insurance coverage on June 1, 2024.

In addition, it was determined that policyholders will be allowed to inform the insurer - within a year of the transfer date - of their wish to cancel the transfer and reinstate the original policy. It was prescribed that in order to transfer the payment by the insurer in respect of the execution of the surgical procedure as part of the SHABAN plan as stated above, and in order to transfer policyholders to a “Supplementary SHABAN” surgical procedures policy, the Capital Market, Insurance and Savings Authority shall operate and maintain a secure online interface that will be used to transfer the relevant information between the health maintenance organizations and the insurance companies to achieve the implementation of the provisions of the law.

In March 2024, the Commissioner published a circular, which includes provisions as to the process of transferring policyholders to a supplementary SHABAN surgical insurance policy (Insurance Circular 2024-1-4), including with regard to the wording of provisions to transferred policyholders and the transfer cancellation procedure. In addition, in March 2024, **“Amendment to the Consolidated Circular - Title 6, Part 3, Chapter 2 - The Requirement to Offer Supplementary**

SHABAN Healthcare Coverage” was published, which includes provisions regarding the insurance coverage under a SHABAN supplementary policy.

In the opinion of the Group, the provisions of the law shall affect the marketing and pricing of the premium in “first shekel” surgical procedures policies (covering procedures carried out in Israel), that will be marketed and renewed as from the effective date. The Group's assessment constitutes forward-looking information that is based on the information available to the Group at the report publication date. The actual results may differ from the estimated results, which depend, inter alia, on the actual behavior of customers and competitors.

- (b) Further to Section 6.1 to the Description of the Corporation's Business chapter, in December 2023, the **Commissioner's Directives regarding Financial Services Supervision (Insurance) (Collective Long-Term Care Insurance to Members of Health Maintenance Organizations) (Amendment), 2023**, which revises the existing insurance coverage under collective long-term care insurance policies of health maintenance funds in order to stabilize the “policyholders' funds” in view of the increase in the incidence of claims filed and paid, and their adverse effect on policyholders' funds. The provisions prescribe reducing by approx. 10% the amount of insurance benefits paid to a policyholder, who is entitled to the basic tier of coverage, and who lives at home. In addition, the monthly insurance benefits paid in accordance with the directives were reduced by linking the insurance benefits amounts to the known CPI on the Amendment's effective date and no later than July 1, 2016. Furthermore, the existing exclusion period was revised for entitlement to insurance coverage under the policy to an insured event that occurred in the first 5 years of a policyholder's life instead of 3 years according to the existing exclusion. In view of the difficulties of adding an “extended tier” to the insurance coverage under the policy, the effective date of the provisions dealing with the extended tier was postponed to January 1, 2028. The amendment shall apply to all collective long-term care insurance policies of the health maintenance organizations that will be entered into or renewed as from the effective date (as defined below), and that they will also apply to existing policies, if it was agreed between the insurance company and the health maintenance organization, that those directives shall apply to them. It was clarified that the amendment will not apply to insured events that occurred prior to the effective date. The effective date of the provisions of the amendment is January 1, 2024.
- (c) Further to Section 6.1 to the Description of the Corporation's Business chapter, in December 2023, the Commissioner published an amendment to Consolidated Circular - Title 6, Part 3 - Long-Term Care

Insurance, which prescribes that, due to the challenges arising in long-term care insurance (including an increase in the number of insured events and the prolongation of the entitlement period), the minimum 20% threshold for insurance companies' participation in the insurance risk arising from long-term care insurance policies of health maintenance organizations should be scrapped. It was clarified that this cancellation is expected to allow the health maintenance organizations the flexibility to set the risk rate applicable to the insurance company.

7.2.2 Property and casualty insurance

- (a) Further to the details in Section 7.1.4 to the Description of the Corporation's Business chapter, in September 2023, the Commissioner of the Capital Market, Insurance and Savings published a fundamental decision on Reduced Insurance Payouts in Motor (Property) Insurance in respect of a Difference in Spare Parts Prices Where the Vehicle was Repaired in a Garage which is not Included in an Arrangement. The decision was issued further to queries, which were made by members of the public, and which the Capital Market, Insurance and Savings Authority became aware of, from which it became evident regarding motor property insurance policies that some of the insurance companies started using a practice, as part of which they deduct some of the insurance benefits in respect of the difference between the spare parts price list quoted by the appraiser in its appraisal, and the amount the insurance company would have paid for those parts had they been purchased from spare parts suppliers, with whom the insurance company entered into engagement. As part of the decision, the Commissioner stipulated that the insurance companies are entitled to enforce the provisions of Section 61 to the Insurance Contracts Law, 1981 (hereinafter - the "**Insurance Contract Law**"), subject to the rules set in the decision.

Further to the above, and by the power vested in him under Section 62(A) to the Financial Services Supervision Law, which allows him to make decisions regarding complaints and order a rectification by way of issuing a rule, the Commissioner ordered the companies to act in the following manner from here on: (a) An insurance company that operates in the said manner should display to the policyholder, in a prominent way, the way it is expected to conduct itself upon the occurrence of an insured event. Such disclosure will be given both at the stage of the insurance offer, and when the policyholder reports an insured event (hereinafter - "**Disclosure regarding the Requirement to Minimize the Damage**"); (b) before a deduction is carried out, the insurance company shall consider, according to the relevant circumstances, to give the policyholder the option to pay a lower deductible similar to the deductible amount the policyholder would have paid had it repaired the

car in a garage, which is included in an arrangement.

On February 12, 2024 a draft was published entitled Filing of Insurance Plans in the Motor Property Subsegment. The draft was published against the backdrop of the publication of the abovementioned decision, and a “Call for Proposals” published regarding the effect of the decision on the amount of the deductible payable by policyholders.

As part of the draft, it is suggested to clarify that an insurance company that takes steps to reduce the damage in motor property insurance should do so while conducting itself in good faith and fairness and in accordance with the provisions of the law, and the reduction rate shall not exceed a rate to be approved by the Authority out of the total cost of the repair in respect of the damage; to determine that if the policyholder collaborated with the insurance company, and led to cost savings, the insurance company shall deduct a deductible from the insurance benefits, as if the policyholder repaired his/her car in an arrangement auto repair shop; and to determine that the insurance companies will not include in the insurance plans the option to receive compensation in respect of constructive total loss, and that vehicles will be taken off the road only in cases of total loss that requires the taking the damaged car off the road.

- (b) On May 15, 2024, a circular was published on the filing of insurance plans in the motor property subsegment. The circular was published following the abovementioned decision, and a “Call for Proposals” published regarding the effect of the decision on the amount of the deductible payable by policyholders.

The circular stipulates that an insurance company, which acts to minimize the damage in motor property insurance, shall revise the wording of the disclosure to a policyholder insured under the insurance plan, such that in the event that the damage is minimized it will meet its obligations to act in good faith and fairly towards the policyholder, and will refer in the disclosure to the rules for reducing insurance benefits where damage is minimized. The reduction rules will be filed for approval by the Authority as part of a the filing of the insurance plan, and will include, among other things, the reasonableness of the measure according to which the policyholder is required to act, the prices of available spare parts after the discounts, the fees, which will be paid to the auto repair shop in respect of the spare parts, and the cost of repairing the vehicle by the auto-repair shop. The circular also stipulates that if a policyholder, who opted to repair the vehicle in an auto-repair shop which does not participate in the arrangement, took the reasonable measures as advised by the insurance company, and the auto-repair shop agreed to accept the terms and conditions of the insurance company’s arrangement before repairing the vehicle, the insurance company will deduct a deductible from the insurance benefits

as if the policyholder repaired their vehicle in an auto-repair shop, which participates in the arrangement. The abovementioned provisions came into force on September 1, 2024.

The circular also stipulates that the insurance companies will not include in the insurance plans the option of compensation for constructive total loss, except for types of cases filed by the Company to the Authority as part of the filing of an insurance plan, and the Authority did not object to them. The provisions regarding this matter come into force on the day of coming into force of the amendment to the definition of “total loss” in the Traffic Regulations, 1961, regarding the selection of an appraiser in connection with a “total loss” of a vehicle.

The provisions of the circular might have an adverse effect on the Group’s ability to enforce the requirement to minimize the damage; however, at this stage it is impossible to assess the circular’s ramifications on the Group. The Group’s assessment constitutes forward-looking information that is based on the information available to the Group at the report publication date. Actual results may differ from those estimated, which depend, among other things, on the reduction rules, which the Authority will approve, and their wording, and on the actual conduct of policyholders and auto-repair shops.

- (c) Further to Section 4.1 to the Description of the Corporation's Business chapter to the Periodic Report, in May 2024 the Commissioner published a circular on the “Amendment of the Consolidated Circular Title 6 Part 2 - Provisions in the Motor Property Subsegment”. The circular includes provisions regarding the regulation of claims settlement in the motor property subsegment, including, among other things, the engagement with appraisers and auto repair shops, and various provisions pertaining to the marketing of the policy and the settlement of the claim.

In the opinion of the Group, the provisions of the circular will have an extensive impact on operational and commercial aspects of motor vehicle insurance policies - property (self insurance and third party insurance); however, at this stage the Group is unable to predict and/or estimate its scope.

The Group’s assessment in this matter constitutes forward-looking information that is based on the information available to it at the report publication date. The actual results may differ from the estimated results, which will be affected, among other things, by the behavior of the various parties involved in its implementation.

8. Financing resources

The balance of the financial liabilities as of March 31, 2024 is approx. NIS 4,946 million compared to NIS 4,773 million as of December 31, 2023.

As of the report date, the Company's separate financial liabilities amount to approx. NIS 325 million, originating in Bonds (Series C), whose repayment is spread over 3 years (totaling NIS 163 million) according to the amortization schedules, and in an option to non-controlling interests (totaling NIS 162 million). The Company considers it important to maintain available financial assets at the amounts required to repay bonds and to cover its operating activities and those of its investees. In this regard, it should be noted that as of the report date the Company has liquid financial assets at the total amount of approx. NIS 605 million. As part of the rating of the bonds it raised, the Company declared that it intends to maintain liquid assets and lines of credit at a rate of 100% of debt repayments (principal and interest) one year in advance, in accordance with the bonds' amortization schedule.

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

In accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, the report regarding market risks and mitigation thereof relates to exposures of the Company and its consolidated companies, except for insurance companies. During the first three months of 2024, there were no material changes in the Company's exposures to market risks and their management, compared to what is described in the 2023 Periodic Report.

10. Corporate Governance Aspects

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

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

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

■ **Committee members**

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

■ **Approval procedure of the financial statements**

The financial statements of the Company were discussed in a meeting of the Balance Sheet Committee that was held on May 27, 2024. All members of the Balance Sheet Committee attended the above-mentioned meeting. The meeting was also attended by the following Group officers and managers: Mssrs. Ari Kalman, CEO; Eran Griffel, Chairman of the Board of Directors; Ran Kalmi, CFO; Shimon Ir-Shai, Chief Legal Counsel, and Eti Hirshman, Chief Internal Auditor. The independent auditors and the following officers and managers of the subsidiary - Menora Mivtachim Insurance - were also in attendance: Mssrs. Yehuda Ben Assayag - Chairman of the Board; Michael Kalman - CEO; Ran Kalmi - CFO, Dan Bar-On - Chief Actuary; Ruthi Cohen Yehudayoff - Chief Risk Officer; Omri Gal - Head of Finance and Accounting; Katy Reznik - Actuary, Life Insurance; Anna Semenova - Health Insurance Actuary; Jacob Mauser - Supervising Actuary (Property and Casualty Insurance) and representative of the Company's Secretariat.

The draft interim financial statements of the Company as of March 31, 2024, including the Report of the Board of Directors, and the financial statements, were delivered to the members of the Balance Sheet Committee and Board of Directors in advance, several days prior to their approval date.

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

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

The members of the committee assessed the judgment exercised by management in connection with the different issues, and after listening to the position of the Company's independent auditor, they reached the conclusion that the Company applied adequate accounting policies, and used adequate estimates and assessments. The committee formulated its recommendations regarding the various issues that were discussed, and recommended that the Board of Directors approve the interim financial statements for the period ended March 31, 2024.

11. Dedicated disclosure for bondholders

11.1 Details regarding the corporation's bonds

There were no material changes in relation to Section 8 to The Report of the Board of Directors in the Periodic Report.

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

12.1 Reporting critical accounting estimates

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

12.2 Internal Control over Financial Reporting and Disclosure

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

Accordingly, and further to the above, managements of the institutional entities, together with their CEOs and CFOs, assessed the effectiveness of the controls and procedures concerning the institutional entity's disclosure as of the end of the period covered in this report. Based on this assessment, it was concluded that, as of the end of this period, the controls and procedures as to the institutional entities' disclosure are sufficiently effective for recording, processing, summarizing, and reporting the information that the institutional entity is required to disclose in its quarterly report in accordance with the provisions of the law and the reporting provisions set by the Commissioner and on the date set out in these provisions. In addition, during the quarter ending March 31, 2024, no changes took place in the internal control over financial reporting of the institutional entities that had a material effect, or is expected to have a material effect, on the institutional entities' internal control over financial reporting.

13. Events subsequent to the balance sheet date

13.1 Collective agreement subsidiary - Menora Mivtachim Pension and Provident Funds

On April 16, 2024, Menora Mivtachim Pension and Provident Funds Ltd. (hereinafter - "**Mivtachim Pension and Provident**") signed a collective agreement with the Histadrut and Mivtachim Pension and Provident workers' committee (hereinafter - the "**New Agreement**"), further to a previous collective agreement, which was in effect through the end of 2023 (but continued to apply to the parties for an unlimited period thereafter). The term of the New Agreement starts on January 1, 2024 and ends at the end of 2027. The New Agreement will apply to all Mivtachim Pension and Provident's employees, except for managers and employees serving in specific roles, which were defined in the agreement. The New Agreement revises the existing arrangements, and does not have a material effect on Mivtachim Pension and Provident's salary expenses.

13.2 Extraordinary annual general meeting

An extraordinary annual meeting of the Company was held on May 6, 2024, in which the 2023 Periodic Report was approved; the independent auditor was reappointed and the Board of Directors was authorized to set its fees; the term in office of the following directors was renewed: Eran Griffel, Yonel Cohen, Yoav Kremer, Shay Feldman, and Orly Yarkoni; and the compensation payable to directors other than EDs or controlling shareholders of the Company was approved. In addition, the Company's Compensation Policy was approved for a period of three years. For further details, see the immediate report dated May 6, 2024 (Ref. No.: 2024-01-044032).

13.3 Rating - subsidiary

On May 29, 2024, Midroog published a tracking report of Menora Mivtachim Insurance Ltd. a company subsidiary, which reiterated the rating of the subsidiary and that of the notes issued by it and by Menora Mivtachim Gius Hon, a sub-subsidiary of the Company. Accordingly, the subsidiary's rating is Aa1 with a stable outlook, the rating of the notes included in the Tier 2 and Tier 3 Capital is Aa2 with a stable outlook, and the rating of the notes comprising the hybrid Tier 2 Capital is Aa3 with a stable outlook.

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

Eran Griffel
Chairman of the Board

Ari Kalman
CEO

Ramat Gan, May 29, 2024

Chapter B

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

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

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

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

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

Ran Kalmi, CFO

Nir Moroz, Chief Investment Officer

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

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

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

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

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

In the quarterly report on the effectiveness of internal control over financial reporting and the disclosure attached to the quarterly report for the period ended December 31, 2023 (hereinafter - the "**Most Recent Quarterly Report of Internal Control**"), the internal control was found to be effective; based on this assessment, the Corporation's Board of Directors and management have concluded that the said internal control, as of December 31, 2023, is effective.

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

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

Certification

Certification by the CEO

I, Ari Kalman, hereby certify as follows:

- (1) I have examined the quarterly report of Menora Mivtachim Holdings Ltd. (hereinafter - the "**Corporation**") for the first quarter of 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 Corporation's audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the establishment or implementation of the internal controls over financial reporting and disclosure that may adversely affect, in a reasonable manner, the Corporation's ability to collect, process, summate or report financial information in a manner that may give rise to doubt as to the reliability of financial reporting and preparation of the financial statements in accordance with the provisions of the law; and -
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) No event or matter has been brought to my attention during the period between the date of the most recent periodic report and the date of this report that changes the conclusion of the Board of Directors and Management in respect of the effectiveness of the internal control over the Corporation's financial reporting and disclosure.

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

Ramat Gan, May 29, 2024

Ari Kalman, CEO

Certification

Certification by the Most Senior Financial Officer

I, Ran Kalmi, hereby certify that as follows:

- (1) I have reviewed interim financial statements and other financial information included in the interim report of Menora Mivtachim Holdings Ltd. (hereinafter - the "Corporation") for the first quarter of 2024 (hereinafter – the "Reports" or "Interim Reports");
- (2) To my knowledge, the interim financial statements and other financial information included in the Interim Reports do not contain any misrepresentation of a material fact, nor omit a representation of a material fact that is necessary in order for the representations included therein - under the circumstances in which such representations were included - to be misleading as to the reporting period;
- (3) To my knowledge, the Interim Financial Statements and other financial information included in the Interim Reports present fairly, in all material aspects, the Company's financial position, financial performance and cash flows of the Corporation as of the dates and for the periods covered by the Reports;
- (4) I have disclosed to the independent auditor of the Corporation, the Board of Directors, and the Corporation's audit and financial statements committees, based on my most recent evaluation of the internal control over financial reporting and disclosure, the following:
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting and disclosure insofar as it relates to the Interim Financial Statements and other financial information included in the Interim Reports, that could reasonably adversely affect the Corporation's ability to collect, process, summarize or report financial information so as to cast doubt on the reliability of financial reporting and the preparation of the financial statements in accordance with law; and -
 - (b) Any fraud, whether material or not, involving the chief executive officer or anyone directly reporting thereto or involving other employees who have a significant role in the internal control over financial reporting and disclosure;
- (5) I, alone or together with others in the Corporation, state that:
 - (a) I have established such controls and procedures, or ensured that such controls and procedures under my supervision be established and in place, designed to ensure that material information relating to the Corporation, including its consolidated companies as defined in the Securities Regulations (Annual Financial Statements), -2010, is brought to my attention by others in the Corporation and the consolidated companies, particularly during the Reports' preparation period; and -
 - (b) I have established controls and procedures, or ensured that such controls and provisions under my supervision be established and in place, designed to ensure, in a reasonable manner, the reliability of financial reporting and preparation of financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles;
 - (c) I have not been informed of any event or matter that occurred during the period between the most recent periodic report date and the date of this Report, relating to the Interim Financial Statements and to any other financial information included in the Interim Financial Statements, which may, in my opinion, change the conclusion of the Board of Directors and management regarding the effectiveness of internal controls over the corporation's financial reporting and disclosure.

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

Ramat Gan, May 29, 2024

Ran Kalmi, CFO

Chapter C

Financial Statements

Consolidated Interim Financial Statements

As of March 31, 2024

Unaudited

Menora Mivtachim Holdings Ltd.

Consolidated Interim Financial Statements

As of March 31, 2024

Unaudited

Table of Contents

	<u>Page</u>
Review of the Consolidated Interim Financial Statements	3
Consolidated Statements of Financial Position	4 - 5
Consolidated Statements of Profit or Loss	6
Consolidated Statements of Comprehensive Income	7
Consolidated Statements of Changes in Equity	8 - 10
Consolidated Statements of Cash Flows	11 - 14
Notes to the Consolidated Interim Financial Statements	15 - 92
Appendix - Breakdown of assets for yield-dependent contracts and other financial investments of the Consolidated Insurance Companies	93 - 97

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

Introduction

We have reviewed the accompanying financial information of Menora Mivtachim Holdings Ltd. and its subsidiaries (hereinafter - the "Group"), including the condensed statement of financial position as of March 31, 2024 and the condensed consolidated statements of profit and loss, comprehensive income, changes in equity and cash flows for the three-month period then ended. The Board of Directors and management are responsible for the preparation and presentation of financial information for this interim period in accordance with the Israel Securities Regulations (Periodic and Immediate Reports), 1970, which pertain to insurers' holding companies, as described in Note 2(a). Our responsibility is to express a conclusion regarding the financial information for this interim period based on our review.

We have not reviewed the condensed interim financial information of the consolidated companies the total consolidated assets of which constitute approx. 3.28% of the total consolidated assets as of March 31 2024 and the consolidated income of which constitutes approx. 2.05% of the total consolidated income for the three-month period then ended. Neither did we audit the condensed interim financial information of equity-accounted companies, the investment in which amounted to approx. NIS 356,743 thousand as of March 31, 2024, and the Company's share in the income (losses) of which amounted to approx. NIS 14,888 thousand for a period of three-month period then ended. The condensed interim financial information of the above companies was audited by other independent auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

Review scope

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

Conclusion

Based on our review and the review reports of other independent auditors, nothing has come to our attention that causes us to believe that the above-mentioned financial information does not comply, in all material respects, with the Israel Securities Regulations (Periodic and Immediate Reports), 1970, which pertain to insurers' holding companies, as described in Note 2(a) to the financial information.

Emphasis of matter

Without qualifying the above conclusion, we draw attention to that which is stated in Note 6 to the Consolidated Interim Financial Statements regarding exposure to contingent liabilities.

Tel Aviv,
May 29, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Consolidated Statements of Financial Position

Assets

	As of March 31		As of
	2024	2023	December 31
	Unaudited		2023
			Audited
	NIS thousand		
Intangible assets	1,811,447	1,733,456	1,795,069
Deferred tax assets	22,796	32,487	24,348
Deferred acquisition costs	2,270,287	2,086,749	2,188,426
Property, plant & equipment	1,016,020	986,794	1,017,318
Investments in associates	497,467	440,460	487,665
Investment property in respect of yield-dependent contracts	104,415	96,692	102,961
Investment property - other	656,001	637,407	651,862
Reinsurance assets	3,634,653	3,547,538	3,628,513
Current tax assets	100,263	178,224	133,349
Receivables and debit balances	490,360	863,905	524,638
Premiums collectible	1,226,554	1,245,982	1,030,293
Financial investments in respect of yield-dependent contracts	31,618,311	29,544,999	31,077,288
Other financial investments:			
Liquid debt assets	4,764,737	4,547,704	4,836,998
Illiquid debt assets	14,889,249	14,635,719	14,689,854
Shares	1,219,183	1,253,772	1,212,717
Other	3,222,855	2,933,015	3,226,868
Total other financial investments	24,096,024	23,370,210	23,966,437
Cash and cash equivalents in respect of yield-dependent contracts	2,686,100	2,268,921	2,080,711
Other cash and cash equivalents	1,420,807	1,178,619	1,324,214
Total assets	<u>71,651,505</u>	<u>68,212,443</u>	<u>70,033,092</u>
Total assets in respect of yield-dependent contracts	<u>34,658,834</u>	<u>32,644,558</u>	<u>33,559,357</u>

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

Consolidated Statements of Financial Position (cont.)

Equity and liabilities

	As of March 31		As of
	2024	2023	December 31
	Unaudited		2023
	NIS thousand		Audited
<u>Equity</u>			
Share capital	99,429	99,429	99,429
Share premium	332,215	332,985	332,985
Treasury shares	(95,207)	(100,200)	(100,200)
Capital reserves	814,508	709,463	828,474
Retained earnings	5,336,604	4,909,673	5,270,149
Total equity attributable to the Company's shareholders	6,487,549	5,951,350	6,430,837
Non-controlling interests	193,127	186,150	187,165
Total equity	6,680,676	6,137,500	6,618,002
<u>Liabilities</u>			
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	22,736,902	22,344,681	22,396,649
Liabilities in respect of insurance contracts and yield-dependent investment contracts	34,065,295	31,716,484	33,059,486
Liabilities in respect of deferred taxes	490,398	403,220	480,601
Liabilities for employee benefits	127,321	125,983	127,019
Liability for current taxes	3,542	10,334	8,500
Payables and credit balances	2,601,696	2,644,466	2,569,694
Financial liabilities	4,945,675	4,829,775	4,773,141
Total liabilities	64,970,829	62,074,943	63,415,090
Total equity and liabilities	71,651,505	68,212,443	70,033,092

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

May 29, 2024	Eran Griffel	Ari Kalman	Ran Kalmi
Approval date of the financial statements	Chairman of the Board	CEO	CFO

Consolidated Statements of Profit or Loss

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand (excluding earnings per share data)		
Premiums earned, gross	2,147,001	2,025,931	8,689,531
Premiums earned by reinsurers	365,291	374,438	1,520,328
Premiums earned - retention	1,781,710	1,651,493	7,169,203
Investment income, net and finance income	1,813,314	765,295	4,037,631
Income from management fees	293,614	261,427	1,091,635
Income from fees and commissions	74,204	69,819	264,166
Other income	1,072	2,229	6,985
Total income	3,963,914	2,750,263	12,569,620
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	3,104,042	2,270,595	9,931,645
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(243,000)	(354,097)	(1,127,980)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	2,861,042	1,916,498	8,803,665
Fees and commissions, marketing expenses and other purchase expenses	442,777	420,693	1,752,181
General and administrative expenses	232,494	247,733	988,319
Other expenses	8,368	9,515	39,196
Finance expenses	55,791	53,861	210,371
Total expenses	3,600,472	2,648,300	11,793,732
Share in the income (losses) of associates	8,125	(215)	13,740
Income before taxes on income	371,567	101,748	789,628
Taxes on income	120,547	16,622	251,231
Net income	251,020	85,126	538,397
Attributable to:			
Company's shareholders	241,764	79,237	514,380
Non-controlling interests	9,256	5,889	24,017
Net income	251,020	85,126	538,397
<u>Basic earnings per share attributable to the Company's shareholders (in NIS)</u>	<u>3.91</u>	<u>1.28</u>	<u>8.31</u>
<u>Diluted net earnings per share attributable to the Company's shareholders (in NIS)</u>	<u>3.77</u>	<u>1.28</u>	<u>8.08</u>

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

Consolidated Statements of Comprehensive Income

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Net income	251,020	85,126	538,397
Other comprehensive income (loss):			
<u>Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss</u>			
Adjustments arising from translation of financial statements of foreign operations	985	(2,013)	(2,631)
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	67,442	52,398	109,505
Net change from realization of financial assets classified as available for sale, carried to the statements of profit and loss	(85,838)	64,656	110,858
Impairment loss of financial assets classified as available for sale, carried to the Statements of Profit and Loss	6,263	4,215	30,891
Share in other comprehensive loss of associates	(1,522)	(5,552)	(13,616)
Total other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	(12,670)	113,704	235,007
Taxes on income (tax benefit) related to available-for-sale financial assets	(2,323)	40,290	83,599
Taxes on income relating to other components of other comprehensive income	471	571	743
Total other comprehensive income (loss) items, net, that, subsequent to initial recognition in comprehensive income, were or will be carried to profit and loss	(10,818)	72,843	150,665
<u>Other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, will not be carried to profit and loss</u>			
Revaluation of property, plant and equipment	-	-	54,694
Gain (loss) due to remeasurement of defined benefit plans	(460)	2,259	2,716
Total other comprehensive income (loss) items that, subsequent to initial recognition in comprehensive income, will not be carried to profit and loss	(460)	2,259	57,410
Taxes on income (tax benefit)	(151)	766	13,518
Items of other comprehensive income (loss), net not transferred to profit and loss	(309)	1,493	43,892
Total other comprehensive income (loss), net	(11,127)	74,336	194,557
Total comprehensive income	239,893	159,462	732,954
Attributable to:			
Company's shareholders	230,652	153,496	708,858
Non-controlling interests	9,241	5,966	24,096
	239,893	159,462	732,954

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

Consolidated Statements of Changes in Equity

	Attributable to the Company's shareholders											Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total			
	Unaudited NIS thousand												
Balance as of January 1, 2024 (audited)	99,429	332,985	(100,200)	63,224	511,350	(39,823)	276,738	16,985	5,270,149	6,430,837	187,165	6,618,002	
Net income	-	-	-	-	-	-	-	-	241,764	241,764	9,256	251,020	
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	1,000	-	-	-	1,000	(15)	985	
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	-	67,442	-	-	-	-	67,442	-	67,442	
Net change from realization of financial assets classified as available for sale, carried to the statements of profit and loss	-	-	-	-	(85,838)	-	-	-	-	(85,838)	-	(85,838)	
Impairment loss of financial assets classified as available for sale, carried to the Statements of Profit and Loss	-	-	-	-	6,263	-	-	-	-	6,263	-	6,263	
Loss due to remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	(460)	(460)	-	(460)	
Share in other comprehensive loss of associates	-	-	-	-	-	(1,522)	-	-	-	(1,522)	-	(1,522)	
Tax benefit (taxes on income) relating to items of other comprehensive income	-	-	-	-	2,323	(471)	-	-	151	2,003	-	2,003	
Total other comprehensive loss	-	-	-	-	(9,810)	(993)	-	-	(309)	(11,112)	(15)	(11,127)	
Total comprehensive income (loss)	-	-	-	-	(9,810)	(993)	-	-	241,455	230,652	9,241	239,893	
Exercise of employee options	-	(770)	4,993	(4,223)	-	-	-	-	-	-	-	-	
Cost of share-based payment	-	-	-	1,450	-	-	-	-	-	1,450	24	1,474	
Change in non-controlling interests in respect of a put option	-	-	-	-	-	-	-	(390)	-	(390)	(1,189)	(1,579)	
Dividend distributed - see Note 5G	-	-	-	-	-	-	-	-	(175,000)	(175,000)	(2,114)	(177,114)	
Balance as of March 31, 2024	99,429	332,215	(95,207)	60,451	501,540	(40,816)	276,738	16,595	5,336,604	6,487,549	193,127	6,680,676	

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

Consolidated Statements of Changes in Equity (cont.)

	Attributable to the Company's shareholders											
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total	Non-controlling interests	Total shareholders' equity
	Unaudited NIS thousand											
Balance as of January 1, 2023 (audited)	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,929,631	5,897,001	182,144	6,079,145
Effect of first-time application of IFRS 9	-	-	-	-	-	-	-	-	(686)	(686)	-	(686)
Balance as of January 1, 2023 after first-time application of IFRS 9	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,928,945	5,896,315	182,144	6,078,459
Net income	-	-	-	-	-	-	-	-	79,237	79,237	5,889	85,126
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,088)	-	-	-	(2,088)	75	(2,013)
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	-	52,398	-	-	-	-	52,398	-	52,398
Net change from realization of financial assets classified as available for sale, carried to the statements of profit and loss	-	-	-	-	64,656	-	-	-	-	64,656	-	64,656
Impairment loss of financial assets classified as available for sale, carried to the Statements of Profit and Loss	-	-	-	-	4,215	-	-	-	-	4,215	-	4,215
Gain on remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	2,256	2,256	3	2,259
Share in other comprehensive loss of associates	-	-	-	-	-	(5,552)	-	-	-	(5,552)	-	(5,552)
Taxes on income relating to items of other comprehensive income	-	-	-	-	(40,290)	(571)	-	-	(765)	(41,626)	(1)	(41,627)
Total other comprehensive income (loss)	-	-	-	-	80,979	(8,211)	-	-	1,491	74,259	77	74,336
Total comprehensive income (loss)	-	-	-	-	80,979	(8,211)	-	-	80,728	153,496	5,966	159,462
Non-controlling interests arising in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	1,064	1,064
Cost of share-based payment	-	-	-	2,455	-	-	-	-	-	2,455	-	2,455
Change in non-controlling interests in respect of a put option	-	-	-	-	-	-	-	(916)	-	(916)	(602)	(1,518)
Dividend distributed	-	-	-	-	-	-	-	-	(100,000)	(100,000)	(2,422)	(102,422)
Balance as of March 31, 2023	99,429	332,985	(100,200)	53,845	424,674	(30,918)	234,623	27,239	4,909,673	5,951,350	186,150	6,137,500

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

Consolidated Statements of Changes in Equity (cont.)

	Attributable to the Company's shareholders											Non-controlling interests	Total shareholders' equity
	Share capital	Share premium	Treasury shares	Capital reserve for share-based payment transaction	Capital reserve in respect of available-for-sale financial assets	Adjustments arising from translation of financial statements of foreign operations	Revaluation capital reserve	Other capital reserves	Retained earnings	Total			
	Audited NIS thousand												
Balance as of January 1, 2023	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,929,631	5,897,001	182,144	6,079,145	
Effect of first-time application of IFRS 9	-	-	-	-	-	-	-	-	(686)	(686)	-	(686)	
Balance as of January 1, 2023 after first-time application of IFRS 9	99,429	332,985	(100,200)	51,390	343,695	(22,707)	234,623	28,155	4,928,945	5,896,315	182,144	6,078,459	
Net income	-	-	-	-	-	-	-	-	514,380	514,380	24,017	538,397	
Adjustments arising from translation of financial statements of foreign operations	-	-	-	-	-	(2,757)	-	-	-	(2,757)	126	(2,631)	
Net change in fair value of financial assets classified as available for sale, carried to capital reserves	-	-	-	-	109,505	-	-	-	-	109,505	-	109,505	
Net change from realization of financial assets classified as available for sale, carried to the statements of profit and loss	-	-	-	-	110,858	-	-	-	-	110,858	-	110,858	
Impairment loss of financial assets classified as available for sale, carried to the Statements of Profit and Loss	-	-	-	-	30,891	-	-	-	-	30,891	-	30,891	
Revaluation of property, plant and equipment	-	-	-	-	-	-	54,694	-	-	54,694	-	54,694	
Gain on remeasurement of defined benefit plans	-	-	-	-	-	-	-	-	2,775	2,775	(59)	2,716	
Share in other comprehensive loss, net of associates	-	-	-	-	-	(13,616)	-	-	-	(13,616)	-	(13,616)	
Tax benefit (taxes on income) relating to items of other comprehensive income (loss)	-	-	-	-	(83,599)	(743)	(12,579)	-	(951)	(97,872)	12	(97,860)	
Total other comprehensive income (loss)	-	-	-	-	167,655	(17,116)	42,115	-	1,824	194,478	79	194,557	
Total comprehensive income (loss)	-	-	-	-	167,655	(17,116)	42,115	-	516,204	708,858	24,096	732,954	
Non-controlling interests arising in companies consolidated for the first time	-	-	-	-	-	-	-	-	-	-	7,549	7,549	
Cost of share-based payment	-	-	-	11,834	-	-	-	-	-	11,834	260	12,094	
Change in non-controlling interests in respect of a put option	-	-	-	-	-	-	-	(11,170)	-	(11,170)	(6,687)	(17,857)	
Dividend distributed	-	-	-	-	-	-	-	-	(175,000)	(175,000)	(20,197)	(195,197)	
Balance as of December 31, 2023	99,429	332,985	(100,200)	63,224	511,350	(39,823)	276,738	16,985	5,270,149	6,430,837	187,165	6,618,002	

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

Consolidated Statements of Cash Flows

	Appendix	For the 3 months ending March 31		For the year ended December 31
		2024	2023	2023
		Unaudited		Audited
		NIS thousand		
<u>Cash flows used for operating activities</u>	(a)	750,598	(291,045)	(324,600)
<u>Cash flows provided by investing activities</u>				
Investments in associates		(49)	(75,373)	(81,358)
Cash derecognized due to acquisition of consolidated companies consolidated for the first time	(d)	-	(3,000)	(9,787)
Proceeds from disposal of an associate		-	14,958	14,958
Investment in property, plant and equipment		(9,772)	(5,279)	(26,610)
Investment in intangible assets		(65,074)	(41,920)	(227,210)
Proceeds from realization (purchases) of financial investments by Group companies which are not insurance companies, net		(80,611)	(93,377)	60,779
Loans granted to associates		(1,454)	(3,598)	(3,676)
Dividend received from associates		91	97	3,179
Proceeds from disposal of property, plant and equipment		-	213	603
Net cash used for investing activities		<u>(156,869)</u>	<u>(207,279)</u>	<u>(269,122)</u>
<u>Cash flows provided by financing activities</u>				
Assumption of financial liabilities (less issuance expenses)		111,220	51,129	396,172
Repayment of financial liabilities		(7,691)	(7,317)	(96,976)
Dividend paid to the Company's shareholders		-	-	(175,000)
Dividend paid to non-controlling interests		<u>(2,114)</u>	<u>(2,422)</u>	<u>(20,197)</u>
Net cash provided by financing activities		<u>101,415</u>	<u>41,390</u>	<u>103,999</u>
Exchange differences in respect of cash and cash equivalent balances		<u>6,838</u>	<u>19,975</u>	<u>10,149</u>
Increase (decrease) in cash and cash equivalents		701,982	(436,959)	(479,574)
Balance of cash and cash equivalents as of the beginning of period	(b)	<u>3,404,925</u>	<u>3,884,499</u>	<u>3,884,499</u>
Balance of cash and cash equivalents as of the end of period	(c)	<u>4,106,907</u>	<u>3,447,540</u>	<u>3,404,925</u>

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

Consolidated Statements of Cash Flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
(a) <u>Cash flows from operating activities</u>			
Net income for the period	251,020	85,126	538,397
Adjustments to profit and loss line items:			
Share in losses (income) of associates	(8,125)	215	(13,740)
Investment losses (income), net on financial investments in respect of insurance contracts and yield-dependent investment contracts	(1,380,531)	2,218,753	(2,552,798)
Losses (gains), net on other financial investments:			
Liquid debt assets	(51,507)	16,895	32,638
Illiquid debt assets	(175,964)	(210,214)	(816,364)
Shares	(86,384)	(49,289)	(267,597)
Other	6,224	95,524	91,732
	(307,631)	(147,084)	(959,591)
Finance expenses in respect of financial liabilities	48,292	43,655	188,447
Loss (gain) on disposal of property, plant, and equipment	49	(45)	(126)
Decline in fair value of investment property in respect of yield-dependent contracts	-	1,955	6,284
Increase in fair value of other investment property	-	(120,003)	(114,737)
Impairment of intangible assets	137	2,123	5,070
Depreciation and amortization:			
Property, plant & equipment	20,857	19,258	84,091
Intangible assets	48,555	46,473	191,492

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

Consolidated Statements of Cash Flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
(a) <u>Cash flows from operating activities</u> (cont.)			
Change in liabilities in respect of insurance contracts and yield-dependent investment contracts	1,005,809	(78,446)	1,264,556
Change in liabilities in respect of insurance contracts and non-yield-dependent investment contracts	340,253	511,527	563,495
Share-based payment	1,227	1,902	10,202
Change in reinsurance assets	(6,140)	(110,545)	(191,520)
Change in deferred acquisition costs	(81,861)	(84,129)	(185,806)
Taxes on income	120,547	16,622	251,231
Changes in other on-balance sheet line items:			
Financial investments and investment property in respect of insurance contracts and yield-dependent investment contracts:			
Acquisitions and appreciations of investment property	(1,454)	(4,689)	(15,287)
Proceeds of disposal (acquisition) of financial investments, net	652,535	(2,528,690)	(192,197)
Financial investments and other investment property:			
Acquisitions and appreciations of investment property	(4,141)	(8,207)	(27,927)
Proceeds of disposal (acquisition) of financial investments, net	81,184	(24,281)	(543,442)
Premiums collectible	(196,261)	(197,612)	18,077
Receivables and debit balances	34,278	(158,194)	152,621
Payables and credit balances	(129,848)	(90,513)	(74,905)
Liabilities for employee benefits	(158)	800	1,577
Total adjustments required to present cash flows from operating activities	<u>237,573</u>	<u>(689,155)</u>	<u>(2,134,933)</u>
Cash paid and received during the period for:			
Interest paid	(50,164)	(44,400)	(165,736)
Interest received	302,061	339,947	1,202,771
Taxes paid	(78,717)	(82,304)	(308,613)
Taxes received	458	1,585	70,081
Dividend received	<u>88,367</u>	<u>98,156</u>	<u>473,433</u>
	<u>262,005</u>	<u>312,984</u>	<u>1,271,936</u>
Total cash flows provided by (used for) operating activities	<u>750,598</u>	<u>(291,045)</u>	<u>(324,600)</u>

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

Consolidated Statements of Cash Flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
NIS thousand			
(b) <u>Cash and cash equivalents as of the beginning of the period</u>			
Cash and cash equivalents in respect of yield-dependent contracts	2,080,711	2,590,568	2,590,568
Other cash and cash equivalents	1,324,214	1,293,931	1,293,931
Balance of cash and cash equivalents as of the beginning of period	<u>3,404,925</u>	<u>3,884,499</u>	<u>3,884,499</u>
(c) <u>Cash and cash equivalents as of the end of the period</u>			
Cash and cash equivalents in respect of yield- dependent contracts	2,686,100	2,268,921	2,080,711
Other cash and cash equivalents	1,420,807	1,178,619	1,324,214
Balance of cash and cash equivalents as of the end of period	<u>4,106,907</u>	<u>3,447,540</u>	<u>3,404,925</u>
<u>Cash derecognized due to acquisition of consolidated</u>			
(d) <u>companies consolidated for the first time</u>			
Intangible assets	-	4,064	28,356
Property, plant & equipment	-	-	764
Receivables and debit balances	-	-	4,675
Deferred taxes	-	-	(1,849)
Liabilities for employee benefits	-	-	(716)
Payables and credit balances	-	-	(690)
Financial liabilities	-	-	(13,204)
Non-controlling interests	-	(1,064)	(7,549)
	<u>-</u>	<u>3,000</u>	<u>9,787</u>
(e) <u>Noncash activity</u>			
Dividend distributed against payables and credit balances	<u>175,000</u>	<u>100,000</u>	<u>-</u>

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

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL

A. Company description

Menora Mivtachim Holdings Ltd. (hereinafter - the “**Company**”) is a publicly-traded company, whose shares are listed on the Tel Aviv Stock Exchange. The Company’s principal shareholders are Najaden Establishment and Palamas Establishment (foreign corporations), which are held in trust for Msrs. Niva Gurevitch and Tali Griffel, and which (jointly) hold approx. 63.25% of the Company’s shares. The Company operates through companies under its control in all of the main insurance subsegments, including life insurance and long-term savings (life insurance, pension and provident funds), health insurance and property and casualty insurance. The Company is also engaged, through companies under its control, in the provision of securities distribution services and an underwriting obligation, the provision of an undertaking for repayment of means of payment, and in solar activity. In addition, the Company is engaged in real estate investments abroad, and in the provision of financing and credit to SMEs through subsidiaries and associates.

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

B. The Iron Swords War

On October 7, 2023, a surprise attack was launched on the State of Israel from the Gaza Strip, following which the Israeli government declared a state of war (hereinafter - the “**Iron Swords War**” or the “**War**”). In view of the above and further to the letters issued on October 17 and November 8, 2023 by the Commissioner of the Capital Market, Insurance and Savings Authority (hereinafter - the “**Commissioner**”) to the Group’s institutional entities regarding “Guidelines to Institutional Entities in View of the Iron Swords War” and “The Effects of the Iron Swords War on the Financial Statements, respectively, and further to points of emphasis published by the Israel Securities Authority to reporting corporations regarding a disclosure in connection with the Iron Swords War, the boards of directors of the companies and the Group’s institutional entities held meetings in which, among other things, they analyzed the potential exposure to the effects of the War, and discussed the business continuity plan, the Company’s preparedness to emergency scenarios, and the tools through which the Group can mitigate the risk, including from a financial perspective.

Following are the details of the main effects:

■ On the operational level:

Upon the outbreak of the War, Group companies took action to facilitate remote work for most of their employees, with an emphasis on continuous provision of services to customers and employers in connection with essential process, specifically those listed in the Commissioner’s letter, while monitoring different business parameters through relevant reporting mechanisms; enhancing the capability to provide services through digital channels - all, to the extent possible, while ensuring work safety, and mitigating the risks of remote working, including cyber and information security risks, and refreshing the business continuity procedures. Towards the end of 2023, and during the first quarter of 2024, a gradual process of returning to work full time at the Group’s offices has started, aiming to return to the work format that was in place prior to the outbreak of the War.

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL (cont.)

B. The Iron Swords War (cont.)

■ At the business level:

Life insurance and long-term savings - most of the exposure in this subsegment stems from life insurance, permanent health insurance, and disability insurance. The Group has in place reinsurance coverage for catastrophe events, which is supposed to absorb some of the exposure; in the opinion of the Group, based on the information available to date, the effect of the War on retention in the fourth quarter of 2023 amounts to approx. NIS 42 million before tax, and in the first quarter of 2024 - approx. NIS 8 million. It is noted that following the war in Ukraine and the Iron Swords War, the reinsurers excluded war risks from catastrophe coverage in life and health insurance. Furthermore, due to potential adverse effects of the War on the labor market, and specifically an increase in unemployment rate, there may be a decline in contributions and an increase in withdrawals from pension savings in the future.

Health insurance (including long-term care insurance) - the exposure as a result of the War on the health and long-term care insurance subsegment is not expected to be material.

Property and casualty insurance - Generally, damage to property due to a war event is not covered under a property insurance policy, and therefore the exposure as a result of the War is immaterial. Furthermore, in this subsegment, there is an immaterial positive effect which is not quantifiable.

Non-banking credit - the credit granting activity in the Group is carried out mostly by the subsidiary ERN (hereinafter - "ERN") and the second-tier subsidiary (Mimun Click). Most of the effects of the War were felt in October and November 2023, and were reflected in a decline in transaction turnover and in income, and in an increase in default rates. As from December 2023, the effects of the War moderated. The exposure arising the credit provision activity stems from a potential increase in loan losses. In addition, the direct effect of the War on the expected loan losses is immaterial.

■ On the financial level:

Assets under management - the Iron Swords War triggered declines in capital markets in Israel (both in share prices and in bond prices), which moderated in November 2023 and even changed course to hikes since December 2023 and during the first quarter of the year, moderating subsequent to the report date. As a result of the above, the value of the Group's nostro assets and assets under management increased.

Changes in the risk-free interest and the illiquidity premium - as a result of the War there was an increase in the risk-free interest and the illiquidity premium, and as from November 2023, the trend changed and the risk-free interest decreased, and in the short term the decrease was even higher than the said increase. It is noted that subsequent to the report date, there was a moderate increase in the interest rate.

Notes to the Consolidated Interim Financial Statements

NOTE 1 - GENERAL (cont.)

C. Market volatility

In 2022, there were declines in the financial markets due to the increase in the interest rate curve and due to the conflict between Russia and Ukraine. In view of the above, the declines in financial markets increased, specifically due to the hikes in interest rates across the world and in the USA, and the concern that a global recession will occur. Further to the above, the participating life insurance policies marketed through 2004 achieved negative real returns. Therefore, Menora Insurance did not record variable management fees since the beginning of 2022; rather, it only recorded fixed management fees. In 2023 and in the first quarter of 2024, there was a positive return, which partially offset the negative real return as stated above. Accordingly, the estimated management fees that will not be collected due to the negative real return until a cumulative positive return is achieved amounted, as of the report date, to approx. NIS 116 million before tax. Immediately prior to the financial statements publication date the management fees that will not be collected due to the negative real return were estimated at approx. NIS 139 million.

Furthermore, and in view of the War in Ukraine that is still raging, some western countries decided to collaborate and impose some significant financial and economic sanctions on Russia, as well as various trade restrictions on Russian entities (including financial institutions and various corporations, politicians, Russian businessmen, etc.); these sanctions and restrictions include a prohibition on trade, investment, and on maintaining economic relations, as well as the disconnection of some Russian banks from international financial systems. At the same time, the Russian government imposed restrictions on the transfer of capital to destinations outside Russia. Menora Mivtachim group invested - together with partners - in assets located in Russia; the amount of the investment is immaterial compared to the Group's total assets; in view of the above, the Group's ability to dispose of the assets is limited, and so is its ability to transfer funds to destinations outside the Russian Federation. Furthermore, and as a result of a sharp depreciation in the exchange rate of the Ruble, the value of the investment has eroded significantly in USD and NIS terms.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

A. Preparation format of the Condensed Consolidated Interim Financial Statements

These interim financial statements were prepared in condensed format as of March 31 2024 and for the three-month period then ended (hereinafter - the "Consolidated Interim Financial Statements"). These financial statements should be read in conjunction with the Annual Financial Statements as of December 31, 2023 and for the year then ended and the accompanying notes (hereinafter - the "Consolidated Annual Financial Statements").

The Consolidated Interim Financial Statements of the Company have been drawn up in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports), 1970. 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).

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

A. Preparation format of the Condensed Consolidated Interim Financial Statements (cont.)

In addition, for the other issues, including regarding the information in the financial statements that does not refer to said subsidiary meeting the definition of insurer, the consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting. In addition, the financial statements were prepared in accordance with the disclosure provisions in Chapter D of the Securities Regulations (Periodic and Immediate Reports), 1970, insofar as these regulations apply to a corporation consolidating an insurance company.

The accounting policies applied in the preparation of the Consolidated Interim Financial Statements are consistent with those implemented in the preparation of the Consolidated Annual Financial Statements.

B. Use of estimates and judgments

In preparing the Condensed Consolidated Interim Financial Statements in accordance with International Financial Reporting Standards (IFRS), the Group's management is required to exercise discretion in assessments, estimates and assumptions that affect the implementation of the policy and the amounts of assets and liabilities, income and expenses. It is clarified that the actual results may differ from those estimates.

The judgment of management, when applying the Group's accounting policy and the principal assumptions used in assessments that involve uncertainty, are consistent with those used in the annual financial statements.

See Note 7A below regarding changes in interest rates and in an estimate, and their effect on the insurance liabilities.

C. Disclosure of the new IFRSs in the period prior to their application

1) For details regarding IFRS 17 - *Insurance Contracts* and IFRS 9, *Financial Instruments*, see Note 8.

2) 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 and loss must be classified into one of five categories (operating, investing, financing, income taxes, and discontinued operations), it may alter the structure of the Company's statement of profit and loss. In addition, the publication of the New Standard triggered limited amendments to other accounting standards, including IAS 7 - *Statement of Cash Flow* - and IAS 34 - *Interim Financial Reporting*.

Notes to the Consolidated Interim Financial Statements

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

2) IFRS 18, Presentation and Disclosure in Financial Statements (cont.)

The New Standard was applied retrospectively as from annual periods beginning on January 1, 2027. Early application is permitted, 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.

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

	Consumer Price Index		USD
	In lieu CPI	Known CPI	representative
	%	%	exchange rate
For the three months ended:			
March 31, 2024	1.0	0.3	1.5
March 31, 2023	1.2	1.1	2.7
For the year ended December 31, 2023	3.0	3.4	3.1

NOTE 3 - OPERATING SEGMENTS

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

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

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

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

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

1. Life insurance and long-term savings segment

The life insurance and long-term savings segment includes the life insurance, pension and provident funds subsegments and focuses mainly on long-term savings (in the framework of various types of insurance policies, pension and provident funds including educational funds), as well as insurance coverage for various risks such as: death, disability, occupational disability, etc.

In accordance with the directives of the Insurance Commissioner, the life insurance and long-term savings segment is broken down into life insurance, pension funds and provident funds.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

2. Health Insurance Segment

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

3. Property and Casualty Insurance Segment

The Property and Casualty Insurance Segment includes the liability and property subsegments. In accordance with the Commissioner's directives, the Property and Casualty Insurance Segment is broken down into 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.

■ Property and other subsegments

Property subsegments other than motor and liability as well as other insurance subsegments.

■ 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, directors' liability, professional liability and product liability insurance, and other subsegments such as vessels, aircrafts, and Sale Law guarantee insurance.

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

Seasonality

1. Life and health insurance

Income from life insurance and health insurance premiums are not affected by seasonality.

2. Property and Casualty Insurance

Gross income from premiums in property and casualty insurance is characterized by seasonality, 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 this seasonality on the reported income is neutralized through the provision for unearned premium. Other expenses components, such as claims, and other income components, such as investment income, do not have significant seasonality, and therefore there is no significant seasonality in the income. However, it should be noted that a severe winter may trigger an increase in claims, mainly in the motor property subsegments, in the first and fourth quarters of the year, and as a consequence, a decrease in the reported income.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

	For the 3 months ended March 31, 2024					
	Life Insurance and Long-Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited					
	NIS thousand					
Premiums earned, gross	551,042	576,363	1,019,596	-	-	2,147,001
Premiums earned by reinsurers	21,774	67,197	276,320	-	-	365,291
Premiums earned - retention	529,268	509,166	743,276	-	-	1,781,710
Investment income, net and finance income	1,500,292	93,603	47,205	177,802	(5,588)	1,813,314
Income from management fees	284,357	8,900	-	939	(582)	293,614
Income from fees and commissions	8,130	4,591	44,894	31,214	(14,625)	74,204
Other income	-	-	-	1,597	(525)	1,072
Total income	2,322,047	616,260	835,375	211,552	(21,320)	3,963,914
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	1,937,433	531,376	635,758	-	(525)	3,104,042
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	(14,594)	(75,164)	(153,242)	-	-	(243,000)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	1,922,839	456,212	482,516	-	(525)	2,861,042
Fees and commissions, marketing expenses and other purchase expenses	149,291	130,579	167,584	9,948	(14,625)	442,777
General and administrative expenses	145,143	25,137	26,959	40,152	(4,897)	232,494
Other expenses	2,758	23	-	5,587	-	8,368
Finance expenses	4,363	2,210	1,171	49,527	(1,480)	55,791
Total expenses	2,224,394	614,161	678,230	105,214	(21,527)	3,600,472
Share in the profits (losses) of associates	(138)	(5)	784	7,484	-	8,125
Income before taxes on income	97,515	2,094	157,929	113,822	207	371,567
Other comprehensive income (loss) before taxes on income	(12,275)	(1,892)	15,744	(14,708)	-	(13,131)
Total comprehensive income before income tax	85,240	202	173,673	99,114	207	358,436
	As of March 31, 2024					
	Unaudited					
	NIS thousand					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,397,519	2,581,107	7,758,276	-	-	22,736,902
Liabilities in respect of insurance contracts and yield-dependent investment contracts	32,162,564	1,902,731	-	-	-	34,065,295

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

	For the 3 months ended March 31, 2023					
	Life Insurance and Long- Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	Total
	Unaudited					
	NIS thousand					
Premiums earned, gross	571,238	530,330	924,363	-	-	2,025,931
Premiums earned by reinsurers	28,134	64,245	282,059	-	-	374,438
Premiums earned - retention	543,104	466,085	642,304	-	-	1,651,493
Investment income, net and finance income	527,667	38,333	23,201	180,365	(4,271)	765,295
Income from management fees	261,070	-	-	773	(416)	261,427
Income from fees and commissions	7,911	4,756	44,751	25,652	(13,251)	69,819
Other income	-	-	-	2,727	(498)	2,229
Total income	1,339,752	509,174	710,256	209,517	(18,436)	2,750,263
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	1,062,003	453,231	755,859	-	(498)	2,270,595
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	(25,547)	(92,413)	(236,137)	-	-	(354,097)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	1,036,456	360,818	519,722	-	(498)	1,916,498
Fees and commissions, marketing expenses and other purchase expenses	144,069	122,848	158,574	8,453	(13,251)	420,693
General and administrative expenses	154,863	24,713	25,714	45,765	(3,322)	247,733
Other expenses	3,108	24	-	6,383	-	9,515
Finance expenses	6,834	3,641	681	44,300	(1,595)	53,861
Total expenses	1,345,330	512,044	704,691	104,901	(18,666)	2,648,300
Share in the profits (losses) of associates	(2,371)	(262)	636	1,782	-	(215)
Profit (loss) before taxes on income	(7,949)	(3,132)	6,201	106,398	230	101,748
Other comprehensive income (loss) before taxes on income	83,186	9,667	33,511	(10,401)	-	115,963
Total comprehensive income before income tax	75,237	6,535	39,712	95,997	230	217,711
	As of March 31, 2023					
	Unaudited					
	NIS thousand					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,303,335	2,193,429	7,847,917	-	-	22,344,681
Liabilities in respect of insurance contracts and yield-dependent investment contracts	30,179,664	1,536,820	-	-	-	31,716,484

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

	For the year ended December 31, 2023					Total
	Life Insurance and Long-Term Savings	Health Insurance	Property and Casualty Insurance	Not attributed to operating segments	Adjustments and offsets	
	Audited					
	NIS thousand					
Premiums earned, gross	2,575,678	2,208,725	3,905,128	-	-	8,689,531
Premiums earned by reinsurers	104,917	253,670	1,161,741	-	-	1,520,328
Premiums earned - retention	2,470,761	1,955,055	2,743,387	-	-	7,169,203
Investment income, net and finance income	3,081,141	205,809	212,023	555,322	(16,664)	4,037,631
Income from management fees	1,090,206	-	-	3,168	(1,739)	1,091,635
Income from fees and commissions	17,154	13,865	178,002	102,179	(47,034)	264,166
Other income	5	-	-	9,009	(2,029)	6,985
Total income	6,659,267	2,174,729	3,133,412	669,678	(67,466)	12,569,620
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	5,390,158	1,976,765	2,566,751	-	(2,029)	9,931,645
Share of reinsurers in payments and changes in liabilities in respect of insurance contracts	(90,615)	(377,317)	(660,048)	-	-	(1,127,980)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	5,299,543	1,599,448	1,906,703	-	(2,029)	8,803,665
Fees and commissions, marketing expenses and other purchase expenses	571,856	507,268	684,239	35,852	(47,034)	1,752,181
General and administrative expenses	625,315	92,274	101,014	182,912	(13,196)	988,319
Other expenses	13,739	98	-	25,359	-	39,196
Finance expenses	14,681	12,165	266	189,498	(6,239)	210,371
Total expenses	6,525,134	2,211,253	2,692,222	433,621	(68,498)	11,793,732
Share in the profits (losses) of associates	8,173	792	(7,540)	12,315	-	13,740
Income (losses) before taxes on income	142,306	(35,732)	433,650	248,372	1,032	789,628
Other comprehensive income before taxes on income	189,059	22,095	53,664	27,599	-	292,417
Total comprehensive income (loss) before taxes on income	331,365	(13,637)	487,314	275,971	1,032	1,082,045
	As of December 31, 2023					
	Audited					
	NIS thousand					
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts	12,417,800	2,486,203	7,492,646	-	-	22,396,649
Liabilities in respect of insurance contracts and yield-dependent investment contracts	31,257,883	1,801,603	-	-	-	33,059,486

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

A. Additional data regarding the Property and Casualty Insurance Segment

	For the 3 months ended March 31, 2024				
	Compulsory motor insurance	Motor property	Property and other subsegments *)	Other liability subsegments **)	Total
	Unaudited				
	NIS thousand				
Gross premiums	323,773	615,375	251,378	204,320	1,394,846
Reinsurance premiums	7,822	1,889	175,858	109,403	294,972
Premiums - retention	315,951	613,486	75,520	94,917	1,099,874
Change in unearned premium balance, retention	(123,480)	(186,300)	(8,940)	(37,878)	(356,598)
Premiums earned - retention	192,471	427,186	66,580	57,039	743,276
Investment income, net and finance income	26,390	16,506	120	4,189	47,205
Income from fees and commissions	899	2,433	32,120	9,442	44,894
Total income	219,760	446,125	98,820	70,670	835,375
Payments and change in liabilities in respect of insurance contracts, gross	189,218	255,758	93,199	97,583	635,758
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(15,996)	5,641	(77,424)	(65,463)	(153,242)
Payments and change in liabilities for insurance contracts - retention	173,222	261,399	15,775	32,120	482,516
Fees and commissions, marketing expenses and other					
purchase expenses	16,124	85,889	46,486	19,085	167,584
General and administrative expenses	7,249	9,793	6,721	3,196	26,959
Finance expenses	412	93	317	349	1,171
Total expenses	197,007	357,174	69,299	54,750	678,230
Share in profits of associates	412	153	28	191	784
Income before taxes on income	23,165	89,104	29,549	16,111	157,929
Other comprehensive income before taxes on income	8,151	3,784	606	3,203	15,744
Total comprehensive income before taxes on income	31,316	92,888	30,155	19,314	173,673
Liabilities in respect of insurance contracts - gross - as of March 31, 2024 (unaudited)	3,289,600	1,359,991	978,946	2,129,739	7,758,276
Liabilities in respect of insurance contracts - retention - as of March 31 2024 (unaudited)	2,797,527	1,335,271	206,135	921,866	5,260,799

*) Property and other subsegments mainly include results from the property loss, business and home insurance subsegments, whose activity constitutes 70% of total premiums in these subsegments.

***) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 87% of total premiums in these subsegments.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

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

	For the 3 months ended March 31, 2023				
	Compulsory motor insurance	Motor property	Property and other subseg-ments *)	Other liability subseg-ments **)	Total
	Unaudited				
	NIS thousand				
Gross premiums	244,934	539,940	206,016	181,806	1,172,696
Reinsurance premiums	7,243	12,607	146,293	100,191	266,334
Premiums - retention	237,691	527,333	59,723	81,615	906,362
Change in unearned premium balance, retention	(60,575)	(164,562)	(5,703)	(33,218)	(264,058)
Premiums earned - retention	177,116	362,771	54,020	48,397	642,304
Investment income, net and finance income	6,060	10,807	1,543	4,791	23,201
Income from fees and commissions	5,694	1,542	28,699	8,816	44,751
Total income	188,870	375,120	84,262	62,004	710,256
Payments and change in liabilities in respect of insurance contracts, gross	152,185	361,102	138,965	103,607	755,859
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(35,510)	(22,871)	(112,809)	(64,947)	(236,137)
Payments and change in liabilities for insurance contracts - retention	116,675	338,231	26,156	38,660	519,722
Fees and commissions, marketing expenses and other purchase expenses	22,017	78,419	40,475	17,663	158,574
General and administrative expenses	7,090	9,074	6,124	3,426	25,714
Finance expenses	248	67	148	218	681
Total expenses	146,030	425,791	72,903	59,967	704,691
Share in profits of associates	347	117	17	155	636
Profit (loss) before taxes on income	43,187	(50,554)	11,376	2,192	6,201
Other comprehensive income before taxes on income	18,423	6,748	1,207	7,133	33,511
Total comprehensive income (loss) before taxes on income	61,610	(43,806)	12,583	9,325	39,712
Liabilities in respect of insurance contracts - gross - as of March 31, 2023 (unaudited)	3,471,233	1,381,856	985,765	2,009,063	7,847,917
Liabilities in respect of insurance contracts - retention - as of March 31 2023 (unaudited)	2,857,709	1,303,418	185,156	981,756	5,328,039

**) Property and other insurance subsegments mainly include data from the comprehensive home insurance, comprehensive business insurance and property loss insurance subsegments, whose activity constitutes 70% of total premiums in these subsegments.

***) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 86% of total premiums in these subsegments.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

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

	For the year ended December 31, 2023				
	Compulsory motor insurance	Motor property	Property and other subseg- ments *)	Other liability subseg- ments **)	Total
	Audited				
	NIS thousand				
Gross premiums	737,271	1,691,381	909,624	580,919	3,919,195
Reinsurance premiums	31,136	24,844	652,881	359,550	1,068,411
Premiums - retention	706,135	1,666,537	256,743	221,369	2,850,784
Change in unearned premium balance, retention	23,894	(99,052)	(19,068)	(13,171)	(107,397)
Premiums earned - retention	730,029	1,567,485	237,675	208,198	2,743,387
Investment income, net and finance income	92,676	53,990	20,300	45,057	212,023
Income from fees and commissions	17,625	4,407	119,752	36,218	178,002
Total income	840,330	1,625,882	377,727	289,473	3,133,412
Payments and change in liabilities in respect of insurance contracts, gross	728,948	1,143,375	380,236	314,192	2,566,751
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	(59,323)	(42,317)	(288,734)	(269,674)	(660,048)
Payments and change in liabilities for insurance contracts - retention	669,625	1,101,058	91,502	44,518	1,906,703
Fees and commissions, marketing expenses and other					
purchase expenses	90,021	343,281	179,881	71,056	684,239
General and administrative expenses	26,023	37,461	24,758	12,772	101,014
Finance expenses	(752)	(728)	674	1,072	266
Total expenses	784,917	1,481,072	296,815	129,418	2,692,222
Share in losses of associates	(3,992)	(1,371)	(263)	(1,914)	(7,540)
Income before taxes on income	51,421	143,439	80,649	158,141	433,650
Other comprehensive income before taxes on income	29,286	10,836	2,226	11,316	53,664
Total comprehensive income before taxes on income	80,707	154,275	82,875	169,457	487,314
Liabilities in respect of insurance contracts, gross, as of					
December 31, 2023 (audited)	3,279,005	1,190,793	999,912	2,022,936	7,492,646
Liabilities in respect of insurance contracts - retention - as of					
December 31, 2023 (audited)	2,764,609	1,149,804	201,611	876,036	4,992,060

(*) Property and other subsegments mainly include results from the property loss, business and home insurance subsegments, whose activity constitutes 70% of total premiums in these subsegments.

(**) Other liability subsegments mainly include results of the following segments: employers' liability insurance, third-party insurance, and professional liability insurance, the activity of which constitutes 86% of total premiums in these subsegments.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments

	For the 3 months ended March 31, 2024			
	Life			Total
	Provident	Pension	insurance	
	Unaudited			
NIS thousand				
Premiums earned, gross	-	-	551,042	551,042
Premiums earned by reinsurers	-	-	21,774	21,774
Premiums earned - retention	-	-	529,268	529,268
Investment income, net and finance income	77,556	3,997	1,418,739	1,500,292
Income from management fees	48,084	178,054	58,219	284,357
Income from fees and commissions	-	-	8,130	8,130
Total income	125,640	182,051	2,014,356	2,322,047
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	72,251	-	1,865,182	1,937,433
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(14,594)	(14,594)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	72,251	-	1,850,588	1,922,839
Fees and commissions, marketing expenses and other purchase expenses	17,436	40,057	91,798	149,291
General and administrative expenses	20,952	75,601	48,590	145,143
Other expenses	465	2,450	(157)	2,758
Finance expenses	120	2,509	1,734	4,363
Total expenses	111,224	120,617	1,992,553	2,224,394
Share in losses of associates	-	-	(138)	(138)
Income before taxes on income	14,416	61,434	21,665	97,515
Other comprehensive income (loss) before taxes on income	2	4	(12,281)	(12,275)
Total comprehensive income before income tax	14,418	61,438	9,384	85,240

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments (cont.)

	For the 3 months ended March 31, 2023			
	Provident	Pension	Life insurance	Total
	Unaudited			
	NIS thousand			
Premiums earned, gross	-	-	571,238	571,238
Premiums earned by reinsurers	-	-	28,134	28,134
Premiums earned - retention	-	-	543,104	543,104
Investment income, net and finance income	110,776	735	416,156	527,667
Income from management fees	40,068	163,865	57,137	261,070
Income from fees and commissions	-	-	7,911	7,911
Total income	150,844	164,600	1,024,308	1,339,752
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	115,147	-	946,856	1,062,003
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(25,547)	(25,547)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	115,147	-	921,309	1,036,456
Fees and commissions, marketing expenses and other				
purchase expenses	11,042	37,379	95,648	144,069
General and administrative expenses	20,663	80,116	54,084	154,863
Other expenses	557	2,450	101	3,108
Finance expenses	149	2,652	4,033	6,834
Total expenses	147,558	122,597	1,075,175	1,345,330
Share in losses of associates	-	-	(2,371)	(2,371)
Profit (loss) before taxes on income	3,286	42,003	(53,238)	(7,949)
Other comprehensive income before taxes on income	5	29	83,152	83,186
Total comprehensive income before income tax	3,291	42,032	29,914	75,237

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments (cont.)

	For the year ended December 31, 2023			
	Provident	Pension	Life	Total
			insurance	
	Audited			
NIS thousand				
Premiums earned, gross	-	-	2,575,678	2,575,678
Premiums earned by reinsurers	-	-	104,917	104,917
Premiums earned - retention	-	-	2,470,761	2,470,761
Investment income, net and finance income	401,228	10,553	2,669,360	3,081,141
Income from management fees	168,089	692,684	229,433	1,090,206
Income from fees and commissions	-	-	17,154	17,154
Other income	-	-	5	5
Total income	569,317	703,237	5,386,713	6,659,267
Payments and change in liabilities in respect of insurance contracts and investment contracts, gross	401,039	-	4,989,119	5,390,158
Reinsurers' share in payments and in changes in liabilities in respect of insurance contracts	-	-	(90,615)	(90,615)
Payments and change in liabilities in respect of insurance contracts and investment contracts - retention	401,039	-	4,898,504	5,299,543
Fees and commissions, marketing expenses and other				
purchase expenses	46,493	162,606	362,757	571,856
General and administrative expenses	85,680	323,684	215,951	625,315
Other expenses	2,469	11,210	60	13,739
Finance expenses	634	10,283	3,764	14,681
Total expenses	536,315	507,783	5,481,036	6,525,134
Share in profits of associates	-	-	8,173	8,173
Profit (loss) before taxes on income	33,002	195,454	(86,150)	142,306
Other comprehensive income (loss) before taxes on income	(91)	268	188,882	189,059
Total comprehensive income (loss) before income tax	32,911	195,722	102,732	331,365

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments (cont.)

For the three months ended <u>March 31, 2024</u>	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		Guaranteed return provident funds	Total
	Until 1990 (1)	Until 2003	from 2004		Individual	Collective		
			Non-yield- dependent	Yield- dependent				
	Unaudited							
NIS thousand								
Gross premiums	7,603	100,242	8,941	226,589	194,097	13,570		551,042
Proceeds in respect of investment contracts credited directly to insurance reserves	-	1	-	236,668	-	-		236,669
Financial margin including management fees (2)	(5,291)	20,619	7,206	37,599	-	-	4,503	64,636
Payments and change in liabilities in respect of insurance contracts, gross	78,184	690,539	26,576	734,446	89,924	12,335		1,632,004
Payments and change in liabilities for investment contracts	29	91	-	233,058	-	-	72,251	305,429
Comprehensive income (loss) from life insurance business	(15,242)	9,327	(10,821)	795	24,195	1,130		9,384
Comprehensive income from pension and provident								75,856
Total comprehensive income from life insurance and long-term savings								85,240

- (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 income of Menora Insurance collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies and guaranteed return provident funds is based on actual investment income (including other comprehensive income) for the reporting period, less the product of the guaranteed rate of return for the period, multiplied by the average reserve for the period in the various insurance reserves and guaranteed return provident funds. 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.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments (cont.)

For the three months ended <u>March 31, 2023</u>	Policies including a savings component (including appendices) by policy issuance date				Policies without a savings component sold as a single policy		Guaranteed return provident funds	Total
	Until 1990 (1)	Until 2003	from 2004		Individual	Collective		
			Non-yield- dependent	Yield- dependent				
	Unaudited NIS thousand							
Gross premiums	8,476	107,068	14,459	261,793	168,407	11,035		571,238
Proceeds in respect of investment contracts credited directly to insurance reserves	-	1	-	123,000	-	-		123,001
Financial margin including management fees (2)	(1,073)	19,859	19,700	37,278	-	-	(4,601)	71,163
Payments and change in liabilities in respect of insurance contracts, gross	91,902	256,603	15,110	392,080	109,756	13,360		878,811
Payments and change in liabilities for investment contracts	220	46	(181)	67,960	-	-	115,147	183,192
Comprehensive income (loss) from life insurance business	12,898	2,881	22,034	(8)	(6,891)	(1,000)		29,914
Comprehensive income from pension and provident								45,323
Total comprehensive income from life insurance and long-term savings								75,237

- (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 income of Menora Insurance collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies and guaranteed return provident funds is based on actual investment income (including other comprehensive income) for the reporting period, less the product of the guaranteed rate of return for the period, multiplied by the average reserve for the period in the various insurance reserves and guaranteed return provident funds. 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.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

B. Additional data about the life insurance and long-term savings segments (cont.)

Data for the year ended December 31, 2023	Policies including a savings component (including appendices) by policy issuance date						Guaranteed return provident funds	Total
	from 2004				Policies without a savings component sold as a single policy			
	Until 1990 (1)	Until 2003	Non-yield- dependent	Yield- dependent	Individual	Collective		
	Audited							
NIS thousand								
Gross premiums	32,784	425,326	72,829	1,281,469	722,005	41,265	2,575,678	
Proceeds in respect of investment contracts credited directly to insurance reserves	-	14	-	580,036	-	-	580,050	
Financial margin including management fees (2)	(11,945)	80,206	57,918	149,226	-	-	271,760	
Payments and change in liabilities in respect of insurance contracts, gross	329,340	1,464,998	104,248	2,225,734	429,926	44,767	4,599,013	
Payments and change in liabilities for investment contracts	180	170	(156)	389,912	-	-	791,145	
Comprehensive income (loss) from life insurance business	17,239	28,454	28,449	25,826	3,369	(605)	102,732	
Comprehensive income from pension and provident							228,633	
Total comprehensive income from life insurance and long-term savings							331,365	

- (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 income of Menora Insurance collected as a percentage of the premium and is calculated before deducting investment management expenses. The financial margin in guaranteed return policies and guaranteed return provident funds is based on actual investment income (including other comprehensive income) for the reporting period, less the product of the guaranteed rate of return for the period, multiplied by the average reserve for the period in the various insurance reserves and guaranteed return provident funds. 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.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

C. Additional data regarding the Health Insurance Segment

For the three months ended March 31, 2024					
	Long-term care		Other **)		Total
	Indi- vidual	Collec- tive	Long-term Unaudited	Short- term	
NIS thousand					
Gross premiums	<u>24,393</u>	<u>169,293</u>	<u>340,226 *)</u>	<u>55,655 *)</u>	<u>589,567</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>55,896</u>	<u>236,266</u>	<u>206,072</u>	<u>33,142</u>	<u>531,376</u>
Total comprehensive income (loss) from Health Insurance Business	<u>(12,483)</u>	<u>(78)</u>	<u>8,297</u>	<u>4,466</u>	<u>202</u>

*) Of which, long-term individual premiums in the amount of NIS 276,976 thousand and collective premiums in the amount of NIS 63,250 thousand and for the short-term - all premiums are individual premiums.

***) The most material coverage included in other long-term health insurance is medical expenses; in short-term - foreign workers.

For the three months ended March 31, 2023					
	Long-term care		Other **)		Total
	Indi- vidual	Collec- tive	Long-term Unaudited	Short- term	
NIS thousand					
Gross premiums	<u>23,914</u>	<u>155,313</u>	<u>297,420 *)</u>	<u>47,884 *)</u>	<u>524,531</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>51,619</u>	<u>180,629</u>	<u>178,347</u>	<u>42,636</u>	<u>453,231</u>
Total comprehensive income (loss) from Health Insurance Business	<u>(74)</u>	<u>(2,898)</u>	<u>4,705</u>	<u>4,802</u>	<u>6,535</u>

*) Of which, long-term individual premiums in the amount of NIS 243,744 thousand and collective premiums in the amount of NIS 53,676 thousand and for the short-term - all premiums are individual premiums.

***) The most material coverage included in other long-term health insurance is medical expenses; in short-term - foreign workers.

Notes to the Consolidated Interim Financial Statements

NOTE 3 - OPERATING SEGMENTS (cont.)

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

Data for the year ended December 31, 2023	Long-term care		Other **)		Total
	Indivi- dual	Collec- tive	Long-term	Short- term	
	Audited				
	NIS thousand				
Gross premiums	<u>96,877</u>	<u>647,643</u>	<u>1,264,066*)</u>	<u>188,088 *)</u>	<u>2,196,674</u>
Payments and change in liabilities in respect of insurance contracts, gross	<u>210,652</u>	<u>799,062</u>	<u>811,680</u>	<u>155,371</u>	<u>1,976,765</u>
Total comprehensive income (loss) from Health Insurance Business	<u>(37,107)</u>	<u>(17,883)</u>	<u>20,902</u>	<u>20,451</u>	<u>(13,637)</u>

*) Of which, long-term individual premiums in the amount of NIS 1,033,162 thousand and collective premiums in the amount of NIS 230,904 thousand and for the short-term - all premiums are individual premiums.

***) The most material coverage included in other long-term health insurance is medical expenses; in short-term - foreign workers.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS

A. Assets for yield-dependent contracts

1. Following is a breakdown of assets held against insurance contracts and yield-dependent investment contracts:

	As of March 31		As of
	2024	2023	December 31
	Unaudited		Audited
	NIS thousand		
Investment property	104,415	96,692	102,961
Financial investments:			
Liquid debt assets	9,360,811	8,941,329	9,024,947
Illiquid debt assets *)	4,161,423	4,396,680	4,280,403
Shares	9,289,720	7,826,670	8,839,155
Other financial investments **)	8,806,357	8,380,320	8,932,783
Total financial investments	31,618,311	29,544,999	31,077,288
Cash and cash equivalents	2,686,100	2,268,921	2,080,711
Other	250,008	733,946	298,397
Total assets for yield-dependent contracts	34,658,834	32,644,558	33,559,357
*) Including assets measured at amortized cost	308,344	327,233	309,642
Fair value of said assets	305,248	319,852	307,221

**)) Other financial investments mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.

2. Fair value of financial assets by level

The following table presents an analysis of the financial assets presented at fair value through profit and loss. The different levels were defined as follows:

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

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

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

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

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

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

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Financial investments:				
Liquid debt assets	7,694,043	1,247,286	-	8,941,329
Illiquid debt assets	-	4,065,201	4,246	4,069,447
Shares	7,265,603	22,740	538,327	7,826,670
Other financial investments	<u>3,313,438</u>	<u>1,137,453</u>	<u>3,929,429</u>	<u>8,380,320</u>
Total	<u>18,273,084</u>	<u>6,472,680</u>	<u>4,472,002</u>	<u>29,217,766</u>

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousand			
Financial investments:				
Liquid debt assets	7,888,216	1,136,731	-	9,024,947
Illiquid debt assets	-	3,934,533	36,228	3,970,761
Shares	8,300,031	21,385	517,739	8,839,155
Other financial investments	<u>3,248,353</u>	<u>1,380,147</u>	<u>4,304,283</u>	<u>8,932,783</u>
Total	<u>19,436,600</u>	<u>6,472,796</u>	<u>4,858,250</u>	<u>30,767,646</u>

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

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

3. Assets measured at fair value - Level 3

	Fair value measurement at the reporting date			
	Financial assets at fair value through profit and loss			
	Unaudited			
	NIS thousand			
	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of				
January 1, 2024 (audited)	36,228	517,739	4,304,283	4,858,250
Total gains (losses) recognized in profit and loss *)	233	(6,703)	2,778	(3,692)
Purchases	-	9,818	157,090	166,908
Sales	-	-	(86,863)	(86,863)
Redemptions	(1,814)	-	-	(1,814)
Balance as of March 31, 2024	<u>34,647</u>	<u>520,854</u>	<u>4,377,288</u>	<u>4,932,789</u>
*) Of which - Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of March 31, 2024	<u>233</u>	<u>(6,703)</u>	<u>2,786</u>	<u>(3,684)</u>

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

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

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

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

	Fair value measurement at the reporting date			
	Financial assets at fair value through profit and loss			
	Unaudited			
	NIS thousand			
	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of				
January 1, 2023 (audited)	5,716	511,324	3,725,301	4,242,341
Total gains recognized in profit and loss *)	1,140	14,113	46,160	61,413
Purchases	-	12,890	230,929	243,819
Sales	-	-	(72,961)	(72,961)
Redemptions	(2,610)	-	-	(2,610)
Balance as of March 31, 2023	<u>4,246</u>	<u>538,327</u>	<u>3,929,429</u>	<u>4,472,002</u>
*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2023	<u>1,140</u>	<u>13,980</u>	<u>51,936</u>	<u>67,056</u>

In the three months ended March 31, 2023, there were no material transfers between Level 1 and Level 2.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

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

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

	Fair value measurement at the reporting date			
	Financial assets at fair value through profit and loss			
	Audited			
	NIS thousand			
	Illiquid debt assets	Shares	Other financial investments	Total
Balance as of January 1, 2023	5,716	511,324	3,725,301	4,242,341
Total gains (losses) recognized in profit and loss *)	2,332	(1,564)	(29,029)	(28,261)
Purchases	-	36,630	889,311	925,941
Sales	-	(28,651)	(281,300)	(309,951)
Redemptions	(9,590)	-	-	(9,590)
Transfers to Level 3	<u>37,770</u>	-	-	<u>37,770</u>
Balance as of December 31, 2023	<u>36,228</u>	<u>517,739</u>	<u>4,304,283</u>	<u>4,858,250</u>
*) Of which: Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2023	<u>2,332</u>	<u>(7,748)</u>	<u>(28,462)</u>	<u>(33,878)</u>

Transfers to Level 3 result from changes in securities valuation techniques.

In 2023, there were no material transfers between Level 1 and Level 2.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments

1. Illiquid debt assets

Composition:

	As of March 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	7,048,288	8,527,588
<u>Other debt assets:</u>		
Non-convertible	5,489,227	5,453,994
Total illiquid debt assets	12,537,515	13,981,582
	As of March 31, 2023	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	7,101,509	8,905,435
<u>Other debt assets:</u>		
Non-convertible	5,295,196	5,113,869
Total illiquid debt assets	12,396,705	14,019,304
	As of December 31, 2023	
	Carrying amount	Fair value
	Audited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	7,015,565	8,568,217
<u>Other debt assets:</u>		
Non-convertible	5,429,366	5,356,191
Total illiquid debt assets	12,444,931	13,924,408

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

2. Fair value of financial assets by level

The following table presents an analysis of the financial assets presented at fair value. The different levels defined in Section A.2. above.

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

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

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	4,269,922	218,976	-	4,488,898
Shares	768,782	1,714	421,463	1,191,959
Other financial investments	194,042	7,042	2,920,766	3,121,850
Total	5,232,746	227,732	3,342,229	8,802,707

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Liquid debt assets	3,844,784	364,680	-	4,209,464
Shares	741,832	3,128	425,683	1,170,643
Other financial investments	287,176	38,832	2,572,403	2,898,411
Total	4,873,792	406,640	2,998,086	8,278,518

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousand			
Liquid debt assets	4,270,625	277,235	-	4,547,860
Shares	776,384	815	407,532	1,184,731
Other	232,234	67,403	2,855,401	3,155,038
Total	5,279,243	345,453	3,262,933	8,887,629

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

3. 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		
	Shares	Other	Total
	Unaudited		
NIS thousand			
Balance as of January 1, 2024 (audited)	407,532	2,855,401	3,262,933
Total gains recognized in profit and loss *)	8,071	4,383	12,454
Total income (losses) recognized in other comprehensive income	(4,673)	3,680	(993)
Purchases	10,533	100,499	111,032
Sales	-	(43,197)	(43,197)
Balance as of March 31, 2024	<u>421,463</u>	<u>2,920,766</u>	<u>3,342,229</u>
*) Of which - Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2024	<u>8,071</u>	<u>2,843</u>	<u>10,914</u>

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

	Financial assets at fair value through profit and loss and available-for-sale financial assets		
	Shares	Other	Total
	Unaudited		
	NIS thousand		
Balance as of January 1, 2023 (audited)	403,221	2,357,731	2,760,952
Total gains (losses) recognized in profit and loss *)	(65)	1,170	1,105
Total income recognized in other comprehensive income	21,764	84,350	106,114
Purchases	763	158,124	158,887
Sales	-	(28,972)	(28,972)
Balance as of March 31, 2023	<u>425,683</u>	<u>2,572,403</u>	<u>2,998,086</u>
*) Of which - Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of March 31, 2023	<u>(65)</u>	<u>1,698</u>	<u>1,633</u>

In the three months ended March 31, 2023, there were no material transfers between Level 1 and Level 2.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

B. Other financial investments (cont.)

3. 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		
	Shares	Other	Total
	Audited		
	NIS thousand		
Balance as of January 1, 2023	403,221	2,357,731	2,760,952
Gains (losses) recognized:			
In profit and loss *)	(28,460)	(136,719)	(165,179)
In other comprehensive income	37,956	225,916	263,872
Purchases	14,700	602,583	617,283
Sales	(19,885)	(194,110)	(213,995)
Balance as of December 31, 2023	<u>407,532</u>	<u>2,855,401</u>	<u>3,262,933</u>
*) Of which - Total unrealized gains (losses) for the period recognized in profit and loss in respect of assets held as of December 31, 2023	<u>(37,072)</u>	<u>(146,401)</u>	<u>(183,473)</u>

In 2023, there were no material transfers between Level 1 and Level 2.

C. Other financial investments unrelated to consolidated companies which meet the definition of insurer

1. Fair value compared to carrying amount

	As of March 31, 2024		As of March 31, 2023		As of December 31, 2023	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	Unaudited				Audited	
	NIS thousand				NIS thousand	
<u>Financial assets:</u>						
Illiquid debt assets	<u>2,351,736</u>	<u>2,325,296</u>	<u>2,239,737</u>	<u>2,296,164</u>	<u>2,244,922</u>	<u>2,250,505</u>

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

C. Other financial investments unrelated to consolidated companies which meet the definition of insurer (cont.)

2. Classification of financial investments according to the fair value hierarchy

	Fair value hierarchy			
	March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
NIS thousand				

Financial assets classified as held for trading or designated at fair value and changes therein carried to profit or loss

Liquid debt assets	275,839	-	-	275,839
Shares	23,543	-	3,681	27,224
Other	54,899	32	46,074	101,005
Total other financial investments	354,281	32	49,755	404,068

	Fair value hierarchy			
	March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
NIS thousand				

Financial assets classified as held for trading or designated at fair value and changes therein carried to profit or loss

Liquid debt assets	338,240	-	-	338,240
Shares	76,878	277	5,974	83,129
Other	25,679	89	8,836	34,604
Total other financial investments	440,797	366	14,810	455,974

	Fair value hierarchy			
	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
NIS thousand				

Financial assets classified as held for trading or designated at fair value and changes therein carried to profit or loss

Liquid debt assets	289,139	-	-	289,139
Shares	24,557	-	3,430	27,987
Other	54,465	2,049	15,317	71,831
Total other financial investments	368,161	2,049	18,747	388,957

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

C. Other financial investments unrelated to consolidated companies which meet the definition of insurer (cont.)

3. Financial investments measured at fair value - Level 3

	Shares	Other financial investments	Total
	Unaudited		
	NIS thousand		
Balance as of January 1, 2024	3,430	15,317	18,747
Total gains income in profit and loss *)	251	1,070	1,321
Total income in other comprehensive income	-	2	2
Purchases	-	29,685	29,685
Balance as of March 31, 2024	<u>3,681</u>	<u>46,074</u>	<u>49,755</u>
*) Of which - Total unrealized gains for the period recognized in profit and loss in respect of assets held as of March 31, 2024	<u>251</u>	<u>1,070</u>	<u>1,321</u>

	Shares	Other financial investments	Total
	Unaudited		
	NIS thousand		
Balance as of January 1, 2023	-	26,679	26,679
Total losses in profit and loss *)	-	(2,876)	(2,876)
Purchases	5,974	-	5,974
Sales	-	(4)	(4)
Redemptions	-	(14,962)	(14,962)
Balance as of March 31, 2023	<u>5,974</u>	<u>8,836</u>	<u>14,810</u>
*) Of which - Total unrealized losses for the period recognized in profit and loss in respect of assets held as of March 31, 2023	<u>-</u>	<u>(2,793)</u>	<u>(2,793)</u>

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

C. Other financial investments unrelated to consolidated companies which meet the definition of insurer (cont.)

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

	Shares	Other financial investments	Total
	Audited		
	NIS thousand		
Balance as of January 1, 2023	-	26,679	26,679
Total losses in profit and loss *)	-	(1,784)	(1,784)
Purchases	3,430	5,388	8,818
Sales	-	(4)	(4)
Redemptions	-	(14,962)	(14,962)
Balance as of December 31, 2023	<u>3,430</u>	<u>15,317</u>	<u>18,747</u>
*) Of which: Total unrealized gains for the period recognized in profit and loss in respect of assets held as of December 31, 2023	<u>-</u>	<u>265</u>	<u>265</u>

4. Changes in provision for impairment in respect of investments in debt instruments

	Credit losses for 12 months	Credit losses – remai- ning life	Credit- impaired financial assets	Total
	Unaudited			
	NIS thousand			
<u>Balance as of January 1, 2024</u>	14,365	9,087	82,321	105,773
Provision during the year	1,982	(396)	2,082	3,668
Transfers between measurement groups of credit losses	(191)	775	10,171	10,755
Credit losses recognized at purchase date of the financial asset	5,210	-	7,374	12,584
Cancellation in respect of collected debts	(5,510)	(2,160)	-	(7,670)
Derecognized financial assets	-	-	(6,584)	(6,584)
<u>Balance as of March 31, 2024</u>	<u>15,856</u>	<u>7,306</u>	<u>95,364</u>	<u>118,526</u>
Balance of investments in debt instruments before provision for impairment	<u>1,838,772</u>	<u>129,291</u>	<u>426,037</u>	<u>2,394,100</u>

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

C. Other financial investments unrelated to consolidated companies which meet the definition of insurer (cont.)

4. Changes in provision for impairment in respect of investments in debt instruments (cont.)

	Credit losses for 12 months	Credit losses – remaining life	Credit-impaired financial assets	Total
Unaudited				
NIS thousand				
<u>Balance as of January 1, 2023</u>	-	-	44,211	44,211
Effect of first-time application of IFRS 9	912	-	-	912
Provision during the year	7,716	5,581	5,072	18,369
Transfers between measurement groups of credit losses	(302)	3,960	9,840	13,498
Credit losses recognized at purchase date of the financial asset	5,108	-	5,579	10,687
Cancellation in respect of collected debts	(2,474)	(2,606)	-	(5,080)
Derecognized financial assets	-	-	(1,592)	(1,592)
<u>Balance as of March 31, 2023</u>	<u>10,960</u>	<u>6,935</u>	<u>63,110</u>	<u>81,005</u>
Balance of investments in debt instruments before provision for impairment	<u>1,620,016</u>	<u>129,291</u>	<u>411,446</u>	<u>2,160,753</u>

	Credit losses for 12 months	Credit losses – remaining life	Credit-impaired financial assets	Total
Audited				
NIS thousand				
<u>Balance as of January 1, 2023</u>	-	-	44,211	44,211
Effect of first-time application of IFRS 9	912	-	-	912
Provision during the year	13,453	9,087	103,286	125,826
Derecognized financial assets	-	-	(65,176)	(65,176)
<u>Balance as of December 31, 2023</u>	<u>14,365</u>	<u>9,087</u>	<u>82,321</u>	<u>105,774</u>
Balance of investments in debt instruments before provision for impairment	<u>1,990,804</u>	<u>136,699</u>	<u>223,193</u>	<u>2,350,697</u>

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities

1. Breakdown of financial liabilities

	<u>As of March 31</u>		<u>As of</u>	<u>As of March 31</u>		<u>As of</u>
	<u>2024</u>	<u>2023</u>	<u>December</u>	<u>2024</u>	<u>2023</u>	<u>December</u>
	<u>Carrying amount</u>			<u>Fair value</u>		
	<u>Unaudited</u>		<u>Audited</u>	<u>Unaudited</u>		<u>Audited</u>
NIS thousand						
1. <u>Financial liabilities presented at amortized cost:</u>						
Loans from banking corporations	1,432,398	1,337,031	1,380,927	1,432,398	1,337,031	1,380,927
Bonds *)	2,269,696	2,007,680	2,263,189	2,199,994	1,891,600	2,190,441
Liabilities in respect of financial guarantee contracts	13,435	15,960	13,239	13,435	15,960	13,239
Liabilities to pay standing orders	668,753	580,295	603,804	668,753	580,295	603,804
Lease liabilities **)	73,207	76,597	71,666			
	<u>4,457,489</u>	<u>4,017,563</u>	<u>4,332,825</u>	<u>4,314,580</u>	<u>3,824,886</u>	<u>4,188,411</u>
2. <u>Financial liabilities presented at fair value through profit and loss:</u>						
Derivatives held for yield-dependent contracts	237,984	508,075	214,473	237,984	508,075	214,473
Derivatives held for non-yield-dependent contracts	74,077	146,622	51,297	74,077	146,622	51,297
Liability in respect of option granted to non-controlling interests	176,125	157,515	174,546	176,125	157,515	174,546
	<u>488,186</u>	<u>812,212</u>	<u>440,316</u>	<u>488,186</u>	<u>812,212</u>	<u>440,316</u>
Total financial liabilities	<u>4,945,675</u>	<u>4,829,775</u>	<u>4,773,141</u>	<u>4,802,766</u>	<u>4,637,098</u>	<u>4,628,727</u>
*) Of which subordinated notes that constitute capital for solvency purposes	<u>2,104,311</u>	<u>1,788,265</u>	<u>2,098,802</u>	<u>2,040,871</u>	<u>1,682,650</u>	<u>2,032,393</u>

**) Disclosure of fair value was not required.

Notes to the Consolidated Interim Financial Statements

NOTE 4 - FINANCIAL INSTRUMENTS (cont.)

D. Financial liabilities (cont.)

2. Fair value of financial liabilities by level

The following table presents an analysis of financial liabilities presented at fair value. The different levels defined in Section A.2. above.

For financial liabilities periodically recognized at fair value, an assessment is made, at the end of each reporting period, whether transfers have been made between the various levels of the fair value hierarchy.

	March 31, 2024			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Derivatives	9,266	302,795	-	312,061
Liability in respect of option granted to non-controlling interests	-	176,125	-	176,125
	<u>9,266</u>	<u>478,920</u>	<u>-</u>	<u>488,186</u>

	March 31, 2023			
	Level 1	Level 2	Level 3	Total
	Unaudited			
	NIS thousand			
Derivatives	12,680	642,017	-	654,697
Liability in respect of option granted to non-controlling interests	-	157,515	-	157,515
	<u>12,680</u>	<u>799,532</u>	<u>-</u>	<u>812,212</u>

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
	Audited			
	NIS thousand			
Derivatives	13,003	252,767	-	265,770
Liability in respect of option granted to non-controlling interests	-	174,546	-	174,546
	<u>13,003</u>	<u>427,313</u>	<u>-</u>	<u>440,316</u>

Notes to the Consolidated Interim Financial Statements

NOTE 5 - EQUITY AND CAPITAL REQUIREMENTS

Capital policy and requirements

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

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

The target capital set by the consolidated insurance companies for the purpose of dividend distribution was formed gradually. In November 2021, Shomera Insurance updated the target capital for dividend distribution purposes, such that it will increase gradually until reaching 113% (in lieu of 110%) by approx. 2.1% per year through the end of the Transitional Period in 2024. Menora Insurance's target capital was set at 115% through the end of 2024. In November 2023, Menora Insurance updated the target capital, such that as from the end of 2024 the target capital will increase linearly from 115% as stated above to 130% in 2032. As of December 31, 2023, the target capital stands at approx. 114.3% and approx. 110.9% in Menora Insurance and Shomera Insurance. It is hereby clarified that there is no certainty that the Consolidated Insurance Companies will meet this solvency ratio at each point in time.

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

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

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

Risk-based solvency ratio

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

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

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

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

Notes to the Consolidated Interim Financial Statements

NOTE 5 - EQUITY AND CAPITAL REQUIREMENTS (cont.)

Capital policy and requirements (cont.)

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

Risk-based solvency ratio (cont.)

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

- 1) Gradual transition to the capital requirement until 2024, such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The capital requirement as of December 31, 2023 - 95% of the SCR amount (as of December 31, 2022 - 90%); it is noted that this was the only alternative through the Solvency Ratio Report as of December 31, 2019.
- 2) Increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Solvency Circular (hereinafter - the "**Deduction**"). The Deduction will decrease gradually until 2032 (hereinafter - the "**Transitional Period**").

Shomera Insurance selected the first alternative.

The calculation method of the second alternative, as from the calculation as of December 31, 2022, replaces the first alternative for the Transitional Period, that was implemented in the calculation of Menora Insurance's solvency ratio in previous periods, after receiving the Commissioner's approval.

- b) A reduced capital requirements, that will increase gradually until 2023, in respect of certain investment types.

Solvency ratio of the Consolidated Insurance Companies

According to the Solvency Ratio Reports as of December 31, 2023, which were published on May 29, 2024, Menora Insurance and Shomera Insurance (hereinafter - the "Consolidated Insurance Companies") have excess capital without applying the Transitional Provisions.

The calculation made by the consolidated insurance companies' independent auditors, in accordance with International Standard on Assurance Engagements (ISAE 3400) - The Examination of Prospective Financial Information. This standard is relevant to audits of solvency calculations and does not constitute part of the auditing standards that apply to financial statements. It should be emphasized that the projections and assumptions on the basis of which the Economic Solvency Ratio Report was prepared are based mainly on past experience as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The calculation is sometimes based on assumptions regarding future events, steps taken by management, and the pattern of the future development of the risk margin, that will not necessarily materialize or will materialize in a manner different than the assumptions used in the calculation. Furthermore, actual results may substantively vary from the calculation, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation. In their special report, the independent auditors noted that they did not review the appropriateness of the Deduction Amount During the Transitional Period as of December 31, 2023, except for implementing all the work procedures specified in the report regarding the Deduction amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the capital requirement, which affects both the calculation of the expected capital release and the release of the expected risk margin as detailed in the provisions on calculation of risk margin.

Notes to the Consolidated Interim Financial Statements

NOTE 5 - EQUITY AND CAPITAL REQUIREMENTS (cont.)

Capital policy and requirements (cont.)

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

Solvency ratio of the Consolidated Insurance Companies (cont.)

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

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

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

The Consolidated Insurance Companies' calculation as of December 31, 2023, which is based on the investments mix and insurance liabilities as of the calculation date, and taking into account equity transactions after the calculation date, reflects an economic solvency ratio, which is higher than the solvency ratio required according to the Letter.

- D. Own Risk and Solvency Assessment of an Insurance Company (ORSA)

According to the provisions of the Consolidated Circular - "Reporting to the Commissioner of Capital Market" - Own Risk and Solvency Assessment of an Insurance Company (ORSA) (hereinafter - the "**Circular**"), 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 circular, the Company 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. Following the outbreak of the Iron Swords War, on October 23, 2023, the Commissioner published the Commissioner of the Capital Market, Insurance and Savings Authority's Emergency Directives (hereinafter - the "**Emergency Directives**"). As part of the Emergency Directives, the Commissioner postponed the report in respect of forward-looking valuation, scenarios and sensitivity analyses to January 1, 2025. In addition, in accordance with the Consolidated Insurance Companies' circular, they delivered the requisite report in respect of a summary of results, status of business and interactions, risk exposure, assessment of solvency and capital requirement to the Commissioner by the end of February 2024.

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

Notes to the Consolidated Interim Financial Statements

NOTE 5 - EQUITY AND CAPITAL REQUIREMENTS (cont.)

Capital policy and requirements (cont.)

E. (cont.)

	As of March 31, 2024	As of December 31, 2023
	Unaudited	Audited
	NIS thousand	
The amount required according with the Capital Regulations of management companies	281,932	275,154
Existing shareholders' equity	<u>750,271</u>	<u>699,805</u>
Surplus	468,339	424,651
Equity transaction subsequent to the reporting date:		
Declared dividend *)	<u>(50,000)</u>	-
Surplus taking into account an event occurring subsequent to the reporting date	<u>418,339</u>	<u>424,651</u>
The required amount includes capital requirements in respect of:		
Total assets under management	144,701	138,305
Annual expenses	137,990	137,609
Expedients according to the Commissioner's circular	<u>(759)</u>	<u>(760)</u>
	<u>281,932</u>	<u>275,154</u>

*) Subsequent to the reporting date, on May 27, 2024, the Board of Directors of Mivtachim Pension and Provident declared the distribution of a NIS 50 million dividend. The dividend was paid on April May 30, 2023.

- F. The capital requirement in Menora Engineers stands at NIS 10 million. As of March 31, 2024, the shareholders' equity of Menora Engineers amounts to approx. NIS 11.3 million, and the surplus capital amounts to approx. NIS 1.3 million. Subsequent to the reporting date, on May 20, 2024, the Board of Directors of Menora Engineers declared a dividend distribution of approx. NIS 0.8 million to the shareholders. The dividend was paid on April May 21, 2024.
- G. On March 28, 2024, the Company's Board of Directors declared a dividend distribution to the Company's shareholders on April 8, 2024 (the ex-date) at the total amount of NIS 175 million, which constitute NIS 2.82 per each share of NIS 1 par value. The dividend was paid on April 16, 2024.
- H. In March 2024, Menora Insurance distributed a NIS 200 million dividend to the Company.
- I. In March 2024, Shomera Insurance distributed a NIS 50 million dividend to the Company.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES

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

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

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

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

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

For motions to certify claims as class actions in which the Company's and/or the consolidated companies' defense claims are "more likely than not" to be denied and the proceeding is "more likely than not" to be dismissed (on its merits, or - for a class action lawsuit - to not be certified as a class action lawsuit by the court), according to the management's assessment, based (among other things) on legal opinions it has received - no provision was included in the Financial Statements. For proceedings where it is more likely than not that the defense claims of the Company and/or consolidated companies will be dismissed, in whole or in part, the Financial Statements include provisions to cover the exposure estimated by the Company and/or consolidated companies. For proceedings in preliminary stages whose odds cannot be estimated, no provision was included in the financial statements (see Section B, Subsections 5, 7, 8 and 10-18, Section C, Subsections 1-3, 6-24, and Section D, Subsections 1-5 below). For cases in which the company and/or any of the consolidated companies are willing to settle, a provision has been made according to the willingness to settle, even if it is "more likely than not" that the Company's and/or the consolidated companies' defense claims would be granted, or the proceeding is at a preliminary stage and it is impossible to estimate the proceeding's odds.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

With respect to the motions to certify claims as class actions described in Section B, Subsections 1-4, 6 and 9 below and Section C, Subsection 4-5, that the District Court has certified as class action lawsuits – the financial statements include provisions to cover the exposure, as estimated by the Company and/or the consolidated companies, unless, according to the management's assessment, that is based, among other things, on legal opinions it has received, it is "more likely than not" that the Company's and/or the consolidated companies' defense claims on the substantive lawsuit would be accepted, and the lawsuit would be denied, even if it is adjudicated as a class action lawsuit.

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

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

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

(1) The date the lawsuits and the motions were filed is the original date on which they were filed. The indicated court is the court before which the proceeding had initially been brought.

(2) Based on the class the plaintiff sought to represent in accordance with the statement of claim, which is the basis for the estimated amount claimed.

(3) The claim amount stated above is the amount the plaintiff had estimated when the lawsuit was filed. The amounts specified in the lawsuits are the plaintiff's estimates, according to the estimated class the plaintiff seeks to represent. In some lawsuits, the plaintiff did not name the claimed amount, and therefore, it was not specified. To the extent that the plaintiff specified an amount that was attributed to the company, this is noted expressly.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
2.	04/2011 District Court - Central	Life insurance policyholder v. Menora Insurance and additional insurance companies	The collection of funds, without any basis in the agreement between the parties – funds that the plaintiffs assert constitute a substantial portion of the premium the policyholder pays, that are referred to as a “policy factor” and/or as “other management fees”. Causes of action: misleading customers both in the pre-contractual stage and in the contractual stage; breach of the provisions of the law, in particular the Supervision Law and the regulations promulgated thereunder; bad faith; unjust enrichment; breach of an agreement; breach of statutory duty; an unduly disadvantageous condition in a standard contract. The main remedies being sought: payment of an amount equal to the total policy factor members of the represented class were charged in practice, plus 85% of the return they had been deprived of with respect to this amount, because it was deducted from the premium and not invested for them, and in light of the insurance company’s entitlement to 15% of the return, as damages/restitution; issuance of a mandatory injunction ordering the defendants to change their modus operandi in everything related to collecting “other management fees” and/or a “policy factor”.	Anyone who has held combined life insurance and savings policies issued by the respondents between 1982 and 2003, and who was charged any amount as a “policy factor” and/or as “other management fees”.	On June 10, 2015, the parties submitted a settlement agreement for the court’s approval (hereinafter - the “Settlement Agreement”). On June 11, 2015, the court ordered the appointment of an examiner for the Settlement Agreement and demanded the Attorney General’s comments on the Settlement Agreement. On October 18, 2015, and following the submission of the examiner’s opinion and the submitted objection to the Settlement Agreement, a hearing was held, in which the court expressed its initial position that it is strongly leaning against approving the Settlement Agreement, as submitted, and advised the parties to substantially enhance its terms. On November 21, 2016, the court dismissed the Settlement Agreement and partially certified the lawsuit as a class action lawsuit. On January 12, 2017, the movants filed a statement of claim in the class action lawsuit. On May 16, 2017, the respondents filed a motion for leave to appeal the certification decision and the Settlement Agreement’s dismissal with the Supreme Court. On June 12, 2017, the Supreme Court issued its ruling on a motion for a stay of execution, according to which, the proceeding being adjudicated before the District Court would be suspended pending a ruling to the contrary. On February 6, 2019, the respondents announced, further to the Supreme Court’s proposal, the withdrawal of the motion for leave to appeal, and therefore, the substantive lawsuit is to be remanded to the District Court, to commence the evidentiary hearings stage. At the same time, with the court’s consent, a consensual mediation process is underway. Further to the mediation process and the dialogue between the parties, on June 21, 2023, a motion to approve a settlement agreement was filed.	Total of approx. NIS 254 million, out of a total of approx. NIS 2.3 billion attributed to all the respondents.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
3.	07/2014 District Court - Central	NGOs and organizations that serve the pensioner population v. Mivtachim Pension and Provident and additional management companies.	Raising the management fees pensioners pay to the maximum management fees permitted by law (0.5% of the accrued balance), while taking advantage of the pensioners' status as a "captive audience" that is barred from moving its accrual to other pension funds, while active colleagues pay significantly lower management fees on average (approx. 0.3% of their accrued balance and approx. 2% of their current contributions). It was further claimed that the respondents do not disclose to their planholders that when they become pensioners, the management fees they pay the defendants would immediately be raised to the maximum management fees. Causes of action: bad faith misuse of a contractual right, the respondents' cartelistic conduct, breach of the fiduciary duties and the duties of care towards the respondents' planholders, breach of the duty of disclosure towards the planholders, an unduly disadvantageous condition in a standard contract, unjust enrichment, breach of statutory duty, and an unlawful failure to notify the planholders of the increased management fees on the eve of their retirement. Main remedies requested: (a) to return the excess management fees unlawfully charged from the class members with interest and linkage; (b) to require the respondents to lower the management fees charged to the pensioners, such that they do not exceed the management fees it charged before each one of them retired; (c) to prohibit the respondents from raising each planholder's management fees immediately before their retirement.	Anyone who is a planholder of a comprehensive new pension fund and is entitled to be paid an old-age pension and/or will be entitled to be paid an old-age pension in the future.	Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. Further to the parties' announcement that the mediation process had failed, the lawsuit was returned to the court for further adjudication. On March 18, 2022, the District Court (Central District) certified the lawsuit as a class action lawsuit. Pursuant to the court's recommendation, the parties entered a mediation proceeding.	Approx. NIS 48 million for all defendants

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
4.	09/2015 District Court - Tel Aviv	A holder of insurance policies v. Menora Insurance	The defendant's (alleged) conscious and deliberate policy of disregard for its duty, as required by law and by decided case law, by paying insurance benefits without the lawful interest. Causes of action: unjust enrichment, breach of contract, deprivation, breach of the Commissioner's Directives, and breach of statutory duty. The main sought remedies: to declare and find that the defendant is in breach of its duty to add the lawful interest and linkage to the insurance benefits it pays, and ordering it to rectify its policy immediately and hereafter; to compel the defendant to pay the class members linked interest in accordance with the law, as defined in Section 1 of the Adjudication of Interest and Linkage Law, 1961, or in accordance with the contractual interest rate stipulated in the policy (whichever is higher), for the period commencing on the date of the occurrence of the insured event and ending on the actual insurance benefits payment date, and alternatively, for the period commencing 30 days from the date of delivery of the insurance claim to the defendant and until the actual insurance benefits payment date; to compel the defendant to pay the class members linkage differences and interest due to its underpayment, from the date of underpaying the insurance benefits and until the day the defendant pays the class members the linked interest; in addition and/or alternatively, should the court find that paying the class members damages is impractical – to order the defendant to compensate the general public.	Anyone who was paid insurance benefits from the defendants in the 7 years preceding the day the lawsuit had been filed and/or who will be paid insurance benefits by the respondent before a judgment is rendered in the lawsuit, without lawfully adding interest to the insurance benefits.	The lawsuit, as detailed below, was certified as a class action lawsuit. Note that a judgment has recently been rendered in a similar matter (hereinafter - the "Barr Affair") against other insurance companies, which stated that "the claim filing date" (within the meaning of Section 28A of the Insurance Contracts Law) on which the 30-day race shall commence, and after which linked interest must be added to the insurance benefits, is the date the insurance company or the insurance agent, whichever is earlier, first received a communication indicating that the policyholder (or a third party or beneficiary) wishes to receive insurance benefits, without needing to attach any document. On May 18, 2021, the defendants in the Barr Affair appealed the judgment before the Supreme Court. At the same time, the District Court certified the lawsuit against Menora Insurance and Shomera on May 26, 2021 (Section 9 below) as a class action lawsuit. Menora Insurance filed its statement of defense on December 14, 2021. On March 13, 2022, the District Court stayed the proceedings in the case, pending a decision on the appeal in the Barr Affair. On November 9, 2022, a ruling was rendered on the Barr Affair, pursuant to which the motion for leave to appeal was denied. Accordingly, the adjudication of the lawsuit in the District Court was resumed.	At least approx. NIS 50 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
5.	09/2015 District Court - Tel Aviv	A holder of insurance policies v. Menora Insurance and against 4 other management companies	Charging inappropriately excessive management fees, because the defendants share the management fees with the agents and because they allegedly put the agents in a conflict of interest when they pay the agents a portion of the management fees they charge, and thus, they are in breach of their fiduciary duty towards the class members. The causes of action: breach of their fiduciary duty pursuant to the Provident Funds Law; acting in a conflict of interest vis-à-vis the agents; breach of the fund's bylaws; negligence and conversion in accordance with the Torts Ordinance; unjust enrichment and bad faith in the fulfillment of a contract. The main remedies being sought: a declaratory relief that states that the defendants must modify the compensation arrangement between them and the agents and adapt it to the law; determining the suitable management fees and the appropriate commission to be paid to the agents, and compelling the defendants to return the excessive management fees they charged.	Planholders of provident funds managed by the defendants, who were charged management fees from which the agents' commission is derived based on the management fees amount.	The lawsuit is at the stage of motion to certify as a class action. Menora Mivtachim Pension and Provident Funds filed a motion for dismissal in limine due to a lack of privity. The counsel for the plaintiffs announced that the motion was filed against Mivtachim Pension and Provident Funds and not against Menora Insurance "due to a slip of the pen and a scribal error". On April 3, 2017, the court held that the lawsuit against Menora Mivtachim Pension and Provident Funds would be stricken out, and Menora Insurance would take its place. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 22, 2022, a judgment was issued in favor of denying the motion to certify. On January 19, 2023, the applicants submitted a statement of appeal on the judgment. On February 8, 2023, the Supreme Court ruled that the respondents shall file a written response to the appeal, which was filed on September 28, 2023.	According to an assessment, approx. NIS 2 billion for all the defendants

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
6.	10/2015 District Court - Tel Aviv	Insurance policyholders v. Shomera Insurance	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 4.	Anyone who received insurance benefits from the defendant in the 7 years prior to filing the lawsuit and/or at least during the 3 years prior to filing the lawsuit, and/or who will have received insurance benefits from the defendant by the time a judgment is rendered in the lawsuit, without the lawful interest being added to the insurance benefits.	The lawsuit was certified as a class action. See details in Section 4 above.	At least approx. NIS 20 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
7.	03/2016 District Court - Central	Motor insurance policyholders v. Menora Insurance.	Deduction from insurance benefits of VAT amounts and/or compensation due to impairment, and alleged underpayment of appraiser's fees, in contravention of the law. The causes of action: breach of statutory duty, unjust enrichment, fraud, breach of the Financial Services Supervision Law (Insurance), 1981, breach of the Supervision of Insurance Business Regulations (Motor Insurance Contract Terms), 1986, and the Supervision of Insurance Business Regulations (Home and Belongings Insurance Contract Terms), 1986, breach of contract, and breach of the duty of good faith. The main remedies being sought: to compel the respondent to return the VAT amounts and the impairment amounts that were not paid to the class members, as well as the appraiser's fees reimbursement amounts that were never paid, in real values plus lawful linkage differences and interest; moreover, to find that the deduction method the respondent employs is unlawful and to order the respondent to cease using it.	Any policyholder, beneficiary, or third party who did not repair the damage to the policyholder's property prior to filing a claim for insurance benefits, and who was paid damages, insurance benefits, and/or indemnity, and/or reimbursements for appraiser's fees, out of which have been unlawfully deducted, including the VAT and/or the impairment amounts or some of them.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The case was referred to mediation. On September 6, 2023, a motion was filed to approve a settlement agreement that is subject to the court's approval.	Was not quantified. Estimated at approx. NIS 60 million per year

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
8.	07/2018 District Court – Central	Motor insurance policyholders v. Menora Insurance	Failure to compensate policyholders who purchased “motor insurance policies for non-private vehicles and commercial vehicles weighing up to 3.5 tons” for impairment damage caused to their vehicles due to an insured accident. The main causes of action are: breach of contract, unjust enrichment, misleading, bad faith and exploitation of distress and an unduly disadvantageous condition in a standard contract. The main remedies being sought: to issue a mandatory injunction/declaratory relief and order the defendant to recognize the impairment damage due to an accident as covered damage under the policy; to compensate its policyholders for impairment damage due to an accident, and to award any other remedy that the Honorable Court deems equitable under the circumstances.	All of the respondent’s policyholders who were insured under a ‘motor insurance policy for non-private vehicles and commercial vehicles weighing up to 3.5 tons,’ and whose vehicles had a traffic accident that resulted in their vehicles suffering impairment damage for which the respondent did not compensate them.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	NIS 63 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
9.	12/2018 District Court - Tel Aviv	A private dwelling insurance policyholder v. Menora Insurance et al.	<p>The lawsuit concerns the claim that superfluous and excessive insurance premiums were charged unlawfully for unnecessary insurance policies that had been issued to structure owners who had taken out a mortgage loan and had been required to insure the structure in favor of the lending bank, despite the fact that there was already a policy in place then they were issued, whether with the same insurer or with another insurer, that insured the same structure for the same period; the above – allegedly in breach of the provisions of the law and while misleading the policyholders.</p> <p>The main causes of action according to the motion are, inter alia: deception, breach of the duty of good faith, negligence, unjust enrichment, and breach of statutory duty.</p> <p>The main remedies the plaintiffs are petitioning for are: a refund of the excessive premium amounts they were unlawfully charged, allegedly, as well as a mandatory injunction compelling the respondents to change their modus operandi.</p>	Anyone who took out a mortgage loan from one or more of Respondents 4-7 and was insured by one or more of Respondents 1-3 under a private dwelling insurance policy that is one of two or more policies in connection with the same structure during the same period.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage. On November 24, 2023, the Court certified the motion to certify the lawsuit as a class action lawsuit.	Approx. NIS 280 million for all defendants

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
10.	11/2019 District Court - Tel Aviv	A health insurance policyholder v. Menora Insurance	The motion concerns the claim that the defendant allegedly raises the insurance premiums in contrast with the insurance premiums variation table in the list of terms attached to the policy, and, furthermore, that it changes the insurance premiums during the insurance period, such that fixed insurance premiums become variable insurance premiums, unilaterally and – allegedly – against the law.	All the defendant's policyholders, including in health, long-term care, and life insurance policies of any kind, for whom the defendant raised the insurance premiums, at times and at rates that are not specified in the policy, in the 7 years prior to filing the lawsuit, and/or policyholders for whom the defendant raised the insurance premiums even though their policies are claimed to have clarified that their insurance premiums are fixed.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure. On March 10, 2021, the applicant announced that the mediation process had ended without reaching a consensus, and the case was returned to the court. On August 2, 2021, there was a pre-trial hearing, in which the parties agreed to hold another mediation process. Further to the unsuccessful mediation and conciliation processes, the lawsuit is in the summation stage. Pursuant to the court hearing, the parties entered an additional mediation proceeding.	At least NIS 25 million
11.	04/2020 District Court - Haifa	Policyholder v. Menora Insurance et al.	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third party insurance policyholders during the "effective period" or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 132 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
12.	04/2020 District Court - Haifa	Policyholder v. Shomera Insurance et al.	The motion concerns the claim that the defendants have been collecting excessive insurance premiums on compulsory motor and property insurance policies, despite the significantly lower risk in light of the dramatic reduction in mileage volumes following the spread of Covid-19.	All compulsory motor insurance or comprehensive or third party motor insurance policyholders during the “effective period” or part thereof, i.e., from March 8, 2020, and until the full and absolute revocation of the movement restrictions imposed on the residents of Israel due to Covid-19.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has yet to submit its response to the motion. The lawsuit is at the summation stage.	NIS 74 million
13.	04/2020 District Court - Central	Policyholder v. Menora Insurance et al.	The motion concerns the claim that the defendants do not reduce and do not refund their compulsory motor insurance and comprehensive and third party motor property insurance policyholders for the allegedly excessive insurance premiums they had paid, in light of the extremely reduced risk level to which the defendants are exposed following the dramatic reduction in economic activity due to Covid-19 outbreak and the reduced volumes of road traffic.	All the defendants’ policyholders who held compulsory motor insurance or comprehensive property and third party motor insurance policies on March 12, 2020, and until the date the lawsuit was filed (hereinafter - the “Relevant Period”) and who did not receive a refund or reduced insurance premiums with respect to this period, at a rate and at an amount that correspond to the reduction in the insurance risk.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 107 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
14.	08/2020 District Court - Central	A planholder v. Menora Insurance et al.	The lawsuit concerns the claim that when stipulating an exclusion in the policy due to the policyholder's medical condition, the defendants allegedly charge an excess premium, because the exclusion is claimed to reduce the insurer's insurance risk, compared with policies with no exclusions.	Anyone who was a policyholder in the period beginning 7 years before the day of filing the claim and ending on the day of its certification as a class action, under an insurance policy for disability, long-term care, life, disability, personal accidents, health (including critical illness, surgeries and transplants in Israel or abroad, medications, ambulatory procedures or any other medical coverage) that contains an exclusion.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	Approx. NIS 1.9 billion for all defendants, of which, an estimated 6% are against Menora Insurance.
15.	12/2020 District Court - Central	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant markets health insurance policies that include riders that are intended to provide the policyholders with medical services, but in practice, allegedly, the medical service is not provided, or it is provided only partially by the defendant or anyone on its behalf. The main causes of action according to the motion are, inter alia: breach of contract, breach of the duty of good faith in fulfilling a contract, unjust enrichment. The main remedies the plaintiffs are petitioning for are: reimbursement of the insurance premiums that were allegedly charged unlawfully, reimbursement of any amount the class members paid for treatment privately, and alternatively, the difference between any amount thus paid and the amount received from the defendant, and reimbursement of deductible amounts; the above – plus linkage differences and interest.	All the defendant's policyholders that have health insurance policies that include riders, to whom the service was not provided by the defendant or anyone on its behalf in practice, in the 3 years prior to filing the lawsuit (regarding payment of insurance benefits), and 7 years prior to filing the lawsuit (regarding the reimbursement of insurance premiums), as applicable.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	NIS 46.4 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
16.	07/2021 District Court - Tel Aviv	Policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that when paying pensions, the defendant reduces the accrued monthly return for the "cash surrender value" balance, at a rate of 2.5% (or any other rate), allegedly without a contractual basis in the policy's terms and in contravention of the law. The main causes of action are, inter alia: breach of contract, breach of statutory duty, breach of duty of disclosure, breach of fiduciary duty and the duty of good faith, and unjust enrichment. The main remedies are, inter alia: to issue a declaratory order stating that deducting the interest from the monthly return is a breach in accordance with the aforementioned causes of action, and to order the recovery of all amounts that were unlawfully withheld, plus linkage differences and interest, as well as to order the defendants to cease deducting interest from the monthly return.	All of the defendant's policyholders who purchased life insurance policies that include savings accrual from the defendant, issued between the years 1991 and 2004, from whom interest was and/or will be deducted at a rate that is not specified in the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	Much higher than NIS 2.5 million
17.	10/21 District Court - Central	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant is conditioning payment of coverage for accident disability under personal accident policies on the disability arising during the insurance period, and in so doing, the defendant is allegedly denying its policyholders compensation in accordance with the provisions of the policy and the law, and in particular, with respect to individuals who are no longer insured under the insurance (whether they terminated the policy at their own initiative or because the policy was terminated due to their age).	Anyone who purchased a personal accident insurance policy from the defendant and suffered an insured event in the past 7 years (hereinafter - the "Represented Class").	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is under a mediation procedure.	Much higher than NIS 31 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Serial No.	Date and court (1)	Parties	Main arguments, causes and reliefs	Represented class (2)	Details	Claim amount (3)
18.	09/22 District Court - Tel Aviv	Policyholder v. Menora Insurance and additional insurance companies	The lawsuit concerns the claim that the defendants violate the terms of the insurance contract between the parties by refusing to cover medical cannabis purchase expenses.	All of the defendants' policyholders who had purchased coverage for pharmaceuticals that are excluded from the Healthcare Services Basket, who were not reimbursed for their medical cannabis expenses.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	NIS 30 million (at least)

C. Other lawsuits:

In addition to the material lawsuits and motions to certify them as class action lawsuits, as detailed above, that were certified or that are pending certification, there are other such lawsuits and motions to certify them as class action lawsuits, for which the claim amount in each of them is immaterial, and therefore, no detailed description of them is included in the financial statements:

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
1.	01/2017 District Court - Central	Policyholder v. Menora Insurance and another company.	Overcharging committed by the defendants, while refraining from treating the policyholders in accordance with the asserted common practice of reducing the insurance premiums when the policyholder crosses a certain age bracket and/or driving experience bracket that entitles the policyholder to reduced insurance premiums.	The lawsuit is at the stage of motion to certify as a class action. Menora Insurance has submitted its response to the motion. The hearing on the lawsuit was consolidated with the hearing on the lawsuit referred to in Section 2 below.	Menora Insurance's relative share was estimated at approx. NIS 12.25 million.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
2.	02/2017 District Court - Central	Policyholder v. Shomera Insurance.	The defendant's failure to initiate disclosure to its policyholders who hold compulsory motor insurance, comprehensive motor insurance, and third-party insurance policies, that they are expected to reach the age brackets and/or driving experience brackets that would entitle them to reduced insurance premiums during the insurance period, in contrast with common practice, as asserted by the plaintiff.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has submitted its response to the motion. The hearing on the lawsuit was consolidated with the hearing on the lawsuit referred to in Section 1 above.	NIS 12.25 million.
3.	05/2019 Regional Labor Court - Tel Aviv	A pension fund planholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that the defendant charged members of the general pension fund it manages – who had joined the fund due to a contribution in the comprehensive pension fund that exceeds the permissible statutory contribution ceiling – the maximum management fees, rather than the reduced management fees they pay in the comprehensive fund, without their consent and without notifying them.	The lawsuit is at the stage of certification as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. On September 29, 2021, the court partially granted the motion. Pursuant to the court's recommendation, the parties entered mediation. On December 20, 2023, the parties submitted a settlement agreement that is subject to the court's approval.	At least NIS 2.5 million.
4.	08/2019 District Court - Central	Israel Consumers Council v. Menora Insurance et al.	The lawsuit concerns the claim that when there is a total loss event following an accident or theft (hereinafter - the "Insured Event"), the defendants do not return the rate of the insurance premiums attributed to the policy's various riders (e.g., roadside repairs, towing, and windshield repair) for the remaining insurance period after the date of the aforementioned Insured Event.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. On December 5, 2023, the Court certified the lawsuit as a class action. On February 1, 2024, Menora Insurance filed a motion to appeal the decision to the Supreme Court.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
5.	08/2019 District Court - Central	Israel Consumers Council v. Shomera et al.	A lawsuit in which the subject matter, causes of action, and main sought remedies are similar to the lawsuit described above in Section 4.	The lawsuit is at the stage of certification as a class action. Shomera has submitted its response to the motion. On December 5, 2023, the Court certified the lawsuit as a class action. on February 1, 2024, Shomera filed a motion to appeal the decision to the Supreme Court.	Not quantified, in the absence of data (the lead plaintiffs estimate that the damage to all class members is measurable in tens of millions of shekels).
6.	05/2020 District Court - Central	Policyholder v. Shomera et al.	The lawsuit concerns the claim that at the occurrence of insured events, the defendants provide customers who are insured under windshield fracture coverage riders with windshields that do not comply with the Israeli standards mark requirements pursuant to the Standards Law, 1953, in contrast with their alleged undertakings in the rider.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has yet to submit its response to the motion. The lawsuit is at the summation stage.	Was not quantified.
7.	05/2020 District Court - Tel Aviv	A planholder v. Menora Mivtachim Pension and Provident Funds and Menora Mivtachim Federation of Engineers et al.	The lawsuit concerns the claim that the defendants erroneously record some of the contributions into study funds as contributions that exceed the qualifying contribution ceiling, and therefore, the gains arising from these contributions are taxed with the capital gains tax.	The lawsuit is at the stage of certification as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The lawsuit is under a mediation procedure.	Was not quantified.
8.	07/2020 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when paying insurance benefits, the defendant allegedly violates the terms of the policy and indemnifies the policyholders for the nominal amount specified in the policies, without linking that amount to the consumer price index and, in particular, to the applicable index as of the date of entering the insurance contract.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	Over NIS 2.5 million (including non-pecuniary damage).

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
9.	02/2021 Lod District Court	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant interprets the provisions of the Supervision of Insurance Business Regulations, according to which only claims submitted by the policyholder and whose amount exceeds 35% of the annual premium paid by the policyholder may be included in the policyholder's claims report, in an arbitrary manner and in bad faith, in that its report also includes cases in which, within the defendant's independent treatment of and investigation into the policyholder's claim, it paid funds to various entities other than the policyholders.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	Was not quantified.
10.	04/2021 District Court - Tel Aviv	Policyholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that when the defendants' customers browsed their personal information section using the digital services on the defendants' website and/or mobile applications, the customers' personal and confidential information was transferred to third parties (without their consent), specifically to Google and its advertising service.	The lawsuit is at the stage of certification as a class action. Menora Mivtachim Pension and Provident Funds has submitted its response to the motion. The mediation proceeding between the parties was unsuccessful and the case was returned to the Court.	More than NIS 2.5 million
11.	04/2022 District Court - Jerusalem	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not recognize a surgery that must be performed as an insured event, arguing that it is a preventive surgery that does not fall under the definition of "surgery" according to the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion. The lawsuit is at the summation stage.	NIS 3 million
12.	09/2022 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly discriminates against the insured men in its health insurance policies' ambulatory services appendix, by refusing to reimburse men for the cost they had incurred in pregnancy-related, childbirth-related and newborn care-related expenses.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
13.	11/2022 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the defendant markets certain motor property insurance plans to its policyholders that include riders as an inherent part, allegedly without presenting the price of the rider to the customers in the marketing process and after it is complete, and without allowing them to waive the rider and in return, be offered a lower price that would reflect the cost of the excluded service, such that purchasing the riders allegedly becomes a condition for the insurance plan.	The lawsuit is at the stage of certification as a class action. Shomera Insurance has submit its response to the motion. The lawsuit is at the summation stage.	More than NIS 2.5 million
14.	12/2022 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant allegedly reduces the insurance benefits its policyholders are entitled to, for policyholders who are considered to suffer from disability, by linking their payments from the 25th month and onward, to the consumer price index, which is lower than the investment profitability index, instead of linking them to the investment profitability index, and in so doing, the defendant is allegedly paying its policyholders lower amounts than the amounts it had committed to pay in accordance with the terms of the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
15.	12/2022 District Court - Central	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when a policyholder who has filed a motor property insurance claim decides to repair their vehicle at an auto-repair shop that is not one of the authorized auto repair shops according to the defendant's arrangement, the defendant offsets various amounts out of the insurance benefits, even though it has confirmed the appraiser's assessment, by claiming that the auto-repair shop can purchase the required spare parts for the repair from the defendant's vendor at a lower price than these spare parts' market price, which is claimed to result in the policyholder who has chosen to repair their vehicles at a non-authorized auto repair shops retrospectively being paid insurance benefits that do not cover the real cost of the damage, as determined by the appraiser, or alternatively, in that policyholder being forced to repair their vehicles at authorized auto repair shops.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
16.	02/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that in a policy with a variable premium mechanism, the defendant apparently raises the insurance premiums after the date on which the premium becomes fixed and is no longer variable, according to the policyholder's age, in an apparent breach of the policy's terms.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
17.	03/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the allegation that the defendant has an improper and illegal practice whereby it partially repays the appraiser's fees to the injured parties, without justification, and without explaining why the fees were reduced. According to the movant, in so doing, the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	More than NIS 2.5 million
18.	03/2023 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the defendant only pays partial appraiser's fees to injured parties in motor insurance claims, without justification and without explaining why the fees were reduced. According to the movant, in so doing, the defendant is in violation of the law, the regulator's position, decided case law, and its obligation under the policy.	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court	Parties	Main arguments	Details	Claim amount
19.	7/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant does not make adequate representations regarding the professional liability policies for lawyers that it has been marketing since it has won the Israel Bar Association's tender in 2016, and that when a policyholder seeks to realize their coverage under the aforementioned policy and/or under any other policy marketed by Menora Insurance and that covers legal expenses and/or defense expenses – Menora Insurance violates its obligations under the policy and acts unlawfully by impairing the policyholder's ability to be defended by an attorney who is not on Menora Insurance's list of service providers, including by limiting the attorney's fees payable to them.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million
20.	8/2023 District Court - Central	Policyholder v. Shomera	The lawsuit concerns the claim that the respondent is attempting to "coerce" its policyholders and/or third-party injured parties to choose the respondent's authorized auto repair shops to repair their vehicles, thus infringing on their discretion to choose any auto-repair shop that would repair their vehicle. In addition, according to the movant, the defendant is attempting to influence its policyholders and/or third-party injured parties to buy spare parts to repair their vehicles from the respondent, thus attempting to influence the purchase of spare parts from a particular source. According to the applicant, in so doing, the respondent is in violation of the law, the regulator's position, and its obligation under the policy.	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
21.	11/2023 District Court - Tel Aviv	Policyholder v. Menora Insurance et al.	The lawsuit concerns the claim that following an extreme event, such as the Iron Swords War, the risk declines dramatically, which is expected to result in a substantial and unplanned profit for insurance companies. That at the time of purchasing the policies the respondents and the class members had purchased, the risk and/or odds of a sudden attack, as had occurred in the Iron Swords War, was not taken into account when the premiums had been set, and that not providing the service and/or full or partial insurance coverage is egregious in light of the substantially reduced risk, especially to those who had been conscripted in an emergency call-up of reservists ("Tzav 8").	The lawsuit is at the stage of certification as a class action. Menora Insurance has submitted its response to the motion.	NIS 10 million.
22.	1/2024 Labor Court - Haifa	Policyholder v. Menora Mivtachim Pension and Provident Funds	The action involves the claim that the pension fund managed by the defendant unlawfully collects insurance coverage costs (insurance premiums), which are higher than those it was entitled to collect, while reducing the accumulation amount, for the following reasons: (a) The calculation of the determinative salary is too high in relation to the correct calculation and therefore the collection of insurance coverage costs are higher than the insurance coverage costs that were supposed to be collected; (b) Collection of insurance coverage costs for a full month in relation to the month in which the member joined the pension fund (instead of only partial collection according to the part of the month in which the member was actually a member and received insurance coverage from the pension fund); (c) Collection of insurance coverage costs for a deposit received from the employer retroactively, even though according to the regulations, a retroactive deposit does not grant the member insurance coverage for the period preceding the date of its receipt.	The lawsuit is at the stage of certification as a class action. Menora Pension and Provident Funds has yet to submit its response to the motion.	More than NIS 2.5 million.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

C. Other lawsuits: (cont.)

Serial					
No.	Date and court (1)	Parties	Main arguments	Details	Claim amount (3)
23.	2/2024 District Court - Tel Aviv	Policyholder v. Shomera	The action involves the claim that the defendant reduces various amounts when paying insurance benefits as part of comprehensive motor insurance policies, based on "reducing variables" or "special variables," which were not specified to policyholders in the pre-contractual phase, contrary to the circular, "Car Insurance (Property) - Insurance Benefits in Case of a Total Loss."	The lawsuit is at the stage of certification as a class action. Shomera has yet to submit its response to the motion.	More than NIS 2.5 million.
24.	5/2024 District Court - Central	Policyholder v. Menora Insurance et al.	The claim alleges that the respondents violate the provision of the Supervision Law and Commissioner's Circulars with respect to marketing and sale of riders for related services in motor comprehensive or third party insurance, such as: repair of windshields and headlights, towing and rescue, etc.	The lawsuit is at the stage of certification as a class action. Menora Insurance has yet to submit its response to the motion.	More than NIS 2.5 million.

D. Concluded lawsuits

Serial					
No.	Date and court	Parties	Main arguments, causes and reliefs	Details	Claim amount
1.	11/2020 Regional Court - Tel Aviv	Policyholder v. Menora Insurance	The lawsuit concerns the claim that when the Company refunds policyholders following the detection of errors in the collection of premiums on savings policies, the company refunds the overcharged amounts to the policyholder's policies, not directly to the policyholder, and does not even inform the policyholder of transferring the funds to the policy.	On January 11, 2024, the court approved the settlement agreement that was filed in the lawsuit, and thus the lawsuit was concluded.	Was not quantified.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

D. Concluded lawsuits (cont.)

Serial No.	Date and court	Parties	Main arguments, causes and reliefs	Details	Claim amount
2.	12/2022 Bat Yam Magistrate Court	Policyholder v. Menora Insurance	The lawsuit concerns the claim that the defendant violated the provisions of the Communications Law by sending "advertisements" without obtaining the recipients' prior consent, by not including the word "advertisement" in the email header, and by not allowing the recipients to be removed from the mailing list using the method using which the advertisement was sent, but by clicking a link at the bottom of the message.	On February 21, 2024, the court granted a motion to withdraw, and thus the lawsuit was concluded.	More than NIS 2.5 million
3.	01/2023 Regional Labor Court - Tel Aviv	Policyholder v. Menora Mivtachim Pension and Provident Funds	The lawsuit concerns the claim that the defendant sent the plaintiff a text message that is claimed to be considered an advertisement, after the plaintiff had requested to transfer his pension fund to another institutional entity, without the plaintiff consenting to receive advertisements, and therefore (it is claimed), this is a violation of the provisions of Section 30A of the Communications Law (Bezeq and Broadcasting), 1982.	On April 2, 2024, the Regional Court granted a motion to withdraw, and thus the lawsuit was concluded.	More than NIS 2.5 million
4.	08/2016 Regional Labor Court - Tel Aviv	A pension fund policyholder v. Menora Mivtachim Pension and Provident Funds.	The claim alleges that charging "investment management expenses" ("direct expenses") out of the total savings amount - in addition to the management fees, in the absence of a contractual provision that allows charging this amount - is in violation of the law and pension fund's bylaws.	On April 15, 2024, the court granted a motion to withdraw, and thus the lawsuit was concluded.	Approx. NIS 478.6 million
5.	01/2017 Regional Labor Court - Tel Aviv	Executive insurance policyholder v. Menora Insurance	The claim alleges that charging "investment management expenses" ("direct expenses") for executive insurance policies marketed by the defendant - in addition to the management fees and/or insurance premium and in the absence of a provision in the policy that allows charging this amount - is in violation of the law.	On April 15, 2024, the court granted a motion to withdraw, and thus the lawsuit was concluded.	Approx. NIS 185 million

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Summary table:

The following table summarizes the amounts claimed in pending motions to certify claims as class actions, claims certified as class actions and other material claims against the Group, as noted by the plaintiffs in the statements of claim filed on their behalf. It is hereby clarified that the amount claimed does not necessarily constitute a quantification of the exposure amount assessed by the Group, since these are assessments on behalf of the plaintiffs which will be litigated as part of the legal proceedings. It is further clarified that the table below does not include proceedings that have been concluded, including proceedings that concluded after a settlement agreement was approved in respect thereof.

	<u>No. of lawsuits</u>	<u>Amount claimed</u> <u>Unaudited</u> <u>NIS thousand</u>
Certified class actions:		
Stated amount attributed to the Group	4	553,000
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	2	328,000
No claim amount was specified	2	-
Pending motions to certify claims as class actions:		
Stated amount attributed to the Group	29	699,900
The lawsuit pertains to a number of companies and no specific amount was attributed to the Group	1	2,000,000
No claim amount was specified	4	-

As of the reporting date, the cumulative provision for lawsuits filed against the Company, as detailed above, totals approx. NIS 162 million (as of March 31, 2023 – NIS 151 million, and as of December 31, 2023 – NIS 159 million).

From time to time, the Commissioner issues position papers, principles for drafting insurance plans, papers on proper and improper practices and other documents or draft documents that are relevant to the Group's areas of operation and which may have an effect on the rights of the policyholder/s and/or planholder/s and may create an exposure for the Group in certain cases with respect to both its period of operation prior to those documents coming into effect and the future.

It is impossible to predict in advance whether and to what extent the Group is exposed to allegations connected to and/or resulting from directives that may arise in part through the procedural mechanism set forth in the Class Actions Law. Similar circulars issued by the Commissioner with a future effective date may have such an effect.

From time to time complaints are filed against the Group, including complaints to the Commissioner with respect to rights of policyholders and/or planholders according to insurance plans and/or funds and/or the law. These complaints are handled regularly by the Group's public complaints department. At times, the Commissioner's decisions (or draft decisions) on these complaints are rendered across the board for a class of policyholders.

Notes to the Consolidated Interim Financial Statements

NOTE 6 - CONTINGENT LIABILITIES (cont.)

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

Furthermore, from time to time, and also following policyholders' complaints, the Commissioner conducts audits on his behalf at the Group's institutional entities and/or sends requests to them to receive information on various issues of management of the institutional entities and management of the rights of the institutional entities' policyholders and planholders, as well as audits to verify the implementation of regulatory directives and/or lessons from previous audits, wherein, among others, demands are received to make changes in various products and instructions are given for implementing circulars and/or guidelines and/or for rectifying deficiencies or for the taking of actions by the institutional entities, including making refunds to policyholders and planholders. On the basis of the audit findings or the information provided, the Commissioner sometimes imposes monetary sanctions pursuant to the Enforcement Authority Law.

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 arrangements inevitably leads to interpretive claims and other claims due to information gaps between the Group and third parties to the insurance contracts in connection with a long list of commercial and regulatory terms. This exposure is expressed mainly in connection with pension savings and long-term insurance products, including health insurance, in which the Group operates, due to them being characterized by a prolonged lifespan and extreme complexity, particularly in view of the legislative arrangements relating both to management of the products and to taxation, including on issues concerning the contributions made by employers and policyholders, separation and attribution of the contributions to the various policy components, investment management, the policyholder's employment status, his contribution payments, etc. These products are managed over years during which there are changes in policy, regulatory requirements and legal trends, including in court rulings. These changes are implemented by automated systems that undergo frequent changes and adjustments. The complexity of these changes and application of changes with respect to many years creates increased operating exposure. Receipt of a new interpretation to insurance policies and long-term pension products may, at times, affect the Group's future profitability with respect to the existing portfolio, in addition to the exposure involved in the demands to compensate customers for past activities. It is impossible to anticipate the types of claims that will be raised in this area or the exposure arising from these and other claims in connection with insurance contracts - claims which are raised through, among other things, the procedural mechanism set forth in the Class Actions Law.

Furthermore, the insurance area in which the Group companies operate is high in detail and circumstances, and has an inherent risk that cannot be quantified as to the occurrence of an error or series of mechanical or human errors, in both structured work processes and when handling a specific customer, and which may cause expansive consequences as to both the effect on a large number of customers or cases and the relevant monetary effect concerning an individual customer. The Group's institutional entities regularly cleanse the rights of policyholders, in all that concerns management of the products at institutional entities, according to gaps that are discovered from time to time.

The Group is exposed to claims and allegations on the level of contract laws and fulfillment of the insurance liabilities in the policy, deficient consultation, breach of fiduciary duty, conflict of interests, duty of care, negligence as part of the professional liability of the professional entities in the Group including the Group's agencies as well as engagements with reinsurers etc., allegations relating to the services provided by the Group companies, and from time to time there are circumstances and events that raise concerns regarding allegations of that type. The Group purchases professional liability insurance policies, including as required by the legislative arrangement, and when necessary it reports to this policy or policies in order to cover an obligation deriving from professional liability that can be protected by purchasing insurance. The amounts of the possible exposure are higher than the amounts covered and there is no certainty that the insurance coverage will actually be received upon the occurrence of an insured event.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

A. Changes in interest and estimates

The Group calculates the life insurance reserves for payment of annuity, the adequacy of the reserve in health insurance, and some of the insurance liabilities in property and casualty insurance, based on a risk-free interest plus an illiquidity premium. Following are the changes as a result of changes in the risk-free interest:

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
<u>Life insurance</u>			
Revision to the supplementary retirement pension reserve due to the change in the discount rate and the illiquidity premium	(32,517)	27,576	62,107
Claims assumption update	-	-	(9,578)
Cancellations assumption update	-	-	3,826
Expenses assumption update	-	-	(1,370)
Total effect on the life insurance segment	(32,517)	27,576	54,986
<u>Health Insurance</u>			
<u>Individual long-term care</u>			
Risk-free interest rate and illiquidity premium	(21,971)	22,090	82,421
Fair value of illiquid debt assets	5,862	(20,327)	(42,733)
Total interest effect	(16,109)	1,763	39,688
Morbidity assumption update	-	-	(75,842)
Cancellations assumption update	-	-	(1,520)
Other updates	(1,767)	-	-
Total update of individual long-term care assumptions	(1,767)	-	(77,363)
Total individual long-term care	(17,876)	1,763	(37,675)
<u>All other health insurance subsegments</u>			
Morbidity assumption update	-	-	(24,218)
Cancellations assumption update	-	-	(1,050)
Other updates	(2,510)	-	13,470
Total update of assumptions in all other health insurance subsegments	(2,510)	-	(11,798)
Total effect on the Health Insurance Segment	(20,386)	1,763	(49,473)
<u>Property and Casualty Insurance</u>			
Risk-free interest rate and illiquidity premium	978	29,717	(5,231)
Fair value protections	9,023	(4,383)	16,961
Total effect on the Property and Casualty Insurance Segment	10,001	25,335	11,729
Total before tax	(42,902)	54,674	17,242
Total after tax	(28,234)	35,981	11,347

Notes to the Consolidated Interim Financial Statements

NOTE 7 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

B. Increase in VAT rate

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 "Ordinance"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the income generated.

The deferred tax balances included in the financial statements as of March 31, 2024 take into account the effects, which arise from the increase in tax rates as described above.

The effect of the amendment on the balances of deferred taxes during the reporting period is an increase of approx. NIS 3,405 thousand as of March 31, 2024, of which approx. NIS 2,776 thousand will be recognized in profit or loss and a total of approx. NIS 629 thousand - in other comprehensive income.

C. Agreement with Maccabi Healthcare Services

In December 2023, an agreement in principle was signed with Maccabi Healthcare Services (hereinafter - "Maccabi"), as from January 1, 2024, for a period of one year, with an extension option subject to meeting the terms and conditions as detailed in the agreement in principle. The agreement in principle shall constitute the basis for a detailed agreement that will be signed between the parties in the forthcoming period, the key points of which are: Operation of the long-term care insurance of Maccabi members without bearing the insurance risk, against a consideration comprising management fees and reimbursement of expenses; dealing with long-term care insurance claims in accordance with the terms and conditions of the policy; management of the investments of the "Policyholders' Fund", all based on the revised legislative arrangement that was published in December 2023 by the Capital Markets Authority regarding collective long-term care insurance to members of health maintenance organizations; and arrangements and agreements regarding other operational and service-related issues, as will be agreed between the parties under the detailed agreement. On December 26, 2023, the Commissioner's approval to operate the health insurance plan was received, thereby fulfilling the conditions precedent for the coming into effect of the agreement in principle.

D. A collective long-term care insurance policy for members of Leumit Health Services

Menora Insurance is the insurer in a collective long-term care insurance policy for members of the Leumit Health Services HMO. On March 26, 2024, the parties signed an addendum to the agreement such that from April 2024, the agreement with Leumit will be converted to an agreement for the operation of long-term care insurance claims for Leumit members in return for management fees as detailed in the addendum to the agreement.

E. Quality's acquisition agreement

In September 2022, a collaboration agreement was signed for the provision of reverse mortgage loans by Menora Insurance to borrowers located by Quality Credit Holdings Ltd. (hereinafter - "Quality" and the "Original Agreement"). On March 7, 2024, an agreement was signed between Menora Finance and Quality regarding an addendum to the original agreement in which it was agreed that Menora will exercise the call option granted to it to purchase shares in Quality at a rate not exceeding 27.5% of the issued and paid up share capital of Quality against payment to Quality of an amount based on a value of approx. NIS 70 million for the Company with respect to Quality Holdings. The transaction was completed subject to approval by the Israel Competition Authority and the Capital Market, Insurance and Savings Authority.

Notes to the Consolidated Interim Financial Statements

NOTE 7 - SIGNIFICANT EVENTS DURING THE REPORTING PERIOD (cont.)

F. Investment in Ampa Capital

In March 2024, the Company's Board of Directors approved an investment in Ampa Capital in the amount of approx. NIS 50 million. The investment was made in two stages, half in April 2024 and the second half on December 31, 2024. The purpose of the investment is to increase the shareholders' equity to support the growth of Ampa Capital's activities. It is noted that the above investment will not materially change the Company's holding rate in Ampa Capital.

G. Share-based payment

Further to Note 34 to the Annual Financial Statements, on March 27, 2024 the Company completed an additional allocation, as detailed below:

Exercise premium per option: NIS 96.85
 Expected volatility of share prices: 36.5%-33.6%
 Risk-free interest rate: 3.93%-4.03%
 Expected life of the options: 4-6 years
 Weighted average of the share prices: NIS 26.52-27.22
 Fair value per option: NIS 26.98
 Total value of options allocated: NIS 530 thousand

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010

Further to that stated in Note 2V to the Consolidated Annual Financial Statements, 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 consolidated insurance companies.

The first-time application date set in IFRS 17 is January 1, 2023; however, in accordance with the requirements of the Commissioner, which were published as part of the "Roadmap for the Adoption of International Financial Reporting Standard (IFRS) 17 - Insurance Contracts" (hereinafter - the "Roadmap"), the first-time application date of IFRS 17 in Israel was postponed to the quarterly and annual periods beginning on January 1, 2025, and the transition date is January 1, 2024.

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

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

A. The consolidated insurance companies' preparations for the application of IFRS 17 and IFRS 9 (hereinafter - the "Companies")

As part of the standards' adoption process, Menora Insurance is in the final stages of the implementation and integration of IT systems, which are necessary for the implementation of the provisions. So far, the Companies complied with all the milestones required in the project in accordance with the Capital Market Authority's Roadmap. In addition, the Companies are testing and mapping the required controls and the flow of information to the financial statements, and making preparations for the execution of the second QIS for assessing the effects of the first-time application of IFRS 17 and IFRS 9, which they are required to file - as per the Roadmap - by July 31, 2024.

For the purpose of the preparations made by insurance companies in Israel for the adoption of IFRS 17, the Commissioner published a draft insurance circular regarding "Professional Issues Pertaining to the Implementation of IFRS 17 in Israel" (hereinafter - the "Professional Issues Circular"). The accounting policies described below are based, among other things, on this circular.

The Companies are in the final stages of formulating the accounting policies in accordance with the standard's provisions, and are assessing the effects of the draft insurance circular regarding "Professional Issues Pertaining to the Implementation of IFRS 17 in Israel", which was published in April 2024. In addition, Menora Insurance completed the acceptance tests of the IT system, and as of the this reporting date, there are a number of topics, which are being addressed by the implementer; Menora Insurance expects that they will be completed by the end of the first half of the year. Furthermore, the Companies mapped the key controls in the new reporting process, and are currently alter the controls based on parallel runs.

B. IFRS 17 - Main changes in the accounting policies

Following are the main requirements and accounting policies, which were selected by the consolidated insurance companies (hereinafter - the "Companies"):

■ 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 issued by the companies;
- b) Reinsurance contracts held by the Companies; and
- c) Investment contracts with discretionary participation features, which the companies issue, provided they 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.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

■ **The measurement model**

The standard includes three models for measuring the liability in respect of insurance contracts:

1. The 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, plus an explicit risk adjustment (RA) in respect of the non-financial risks. The expected income from the insurance contracts, which is derived from such calculations, shall be recognized as a liability (contractual service margin - CSM), which will be recognized in profit and loss over the coverage period. If there is an expected loss, a loss component will arise, and it will be recognized immediately. 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 are recognized immediately under finance expenses in respect of insurance contracts.

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 a reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by it, the companies will recognize immediately an income in respect of the reinsurance contract (loss recovery component) against adjustment of the contractual service margin.

The net cost of a held reinsurance contract, which covers the negative development of insured events, which took place before the contract was entered into, will be recognized as an expense immediately. On the other hand, a net gain of such a reinsurance contract will be recognized in profit and loss over the coverage period.

Menora Insurance is expected to implement the GMM model for all life and health insurance products, which are not sold as part of a contract with a yield-dependent savings component, except for short-term health insurance subsegments, whose coverage period is up to one year. All reinsurance contracts in the Life and Health Insurance Segments will be measured using the GMM model.

2. 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 Insurance Company promises an investment return to the policyholder based on underlying items. That is to say, the contract includes a significant service associated with investments.

IFRS 17 defines an insurance contract with direct participation features as an insurance contract, upon the entering into which:

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

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

■ **The measurement model (cont.)**

The standard includes three models for measuring the liability in respect of insurance contracts: (cont.)

2. The variable fee approach - the VFA model (cont.)

- b) The Insurance Company expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- c) The Insurance 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 Insurance 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.

Reinsurance contracts held by the Companies do not qualify for measurement using the VFA model, in accordance with the standard's provisions.

Based on the mapping of the products with participation features, and the assessment of their components, the type of the charges, and the nature of investment management in respect thereof, Menora Insurance uses the VFA model to measure all policies, which include a yield-dependent savings component.

3. 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 companies 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.

If facts and circumstances indicate that a group of insurance contracts is onerous, the companies measure 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 companies shall increase the liability in respect of the remaining coverage against an immediate recognition of a loss in the statement of profit and loss.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

■ **The measurement model (cont.)**

The standard includes three models for measuring the liability in respect of insurance contracts: (cont.)

3. The Premium Allocation Approach - the PAA model (cont.)

If a reinsurance contract exists upon recognition of a loss component in respect of a group of insurance contracts covered by it, the companies 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.

An insurance 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 companies reasonably expect that such simplification would produce a measurement of the liability for the remaining coverage period provided by the group that would not differ materially from the measurement that would result from applying the general measurement model.

The companies 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 Companies apply the premium allocation model (PAA) for all products (issued insurance contracts and held reinsurance contracts) in property and casualty insurance and short-term health insurance, excluding certain cases in which the Companies assess the effects on financial reporting as part of PAA eligibility tests, mainly due to issues of contract boundaries, and their effect on the measurement in terms of recognition of income from products where the release of the risk margin varies materially from the passage of time. For those cases, the Companies conduct an individual test of, among other things, the revenue recognition basis and its effect.

■ **Aggregation level**

IFRS 17 requires the aggregation of insurance contract into groups for recognition and measurement purposes. The companies will determine the groups upon initial recognition and will not change the composition of the groups at a later date.

Initially, the companies are required to identify portfolios of insurance contracts. A portfolio comprises contracts subject to similar risks and managed together. Once it identified a portfolio, the companies 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.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

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

In addition, in certain cases the companies contract the same policyholder (or a related party thereof) in a set or a series of insurance policies. Normally, each policy in a set or a series shall be recognized as a separate insurance contract. In certain cases, the set or series of policies reflects the economic substance of a single insurance contract. In such cases, the companies 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 companies' practical ability to set a different price or level of benefits for policyholders with different characteristics. The companies' proportionate share in compulsory motor insurance policies issued through the Pool meets this requirement; therefore, the companies opted to include its proportionate share in these policies in the same group as the ordinary compulsory motor insurance policies sold by the companies.

■ **Contract boundaries**

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations which exist during the reporting period in which the companies can compel the policyholder to pay the premiums or in which they have a substantive obligation to provide the policyholder with services. A substantive obligation to provide services ends when the companies has the practical ability to reassess the risks of the particular policyholder (single policyholder) or the insurance contracts portfolio. At this point, the companies have 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 companies' 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 companies from setting the same price they would for a new contract with the same characteristics as the existing contract.

When determining the contract boundaries of insurance contracts, the companies assess each contract separately and weigh 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 companies are compelled to pay amounts to the reinsurer or have 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.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

As part of the analysis of the discrepancies between the current contract boundaries approach and the standard's requirements, no material discrepancies were identified.

■ Risk adjustment (RA) in respect of non-financial risk

The RA reflects the compensation, which the companies demand 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 companies include when setting the compensation it claims for bearing that risk; and
- Both favorable and unfavorable outcomes, in a way which reflects the companies' degree of risk aversion.

The companies adjust the estimated present value of the future cash flows in respect of this amount, which is reflected separately in the companies' total liabilities. IFRS 17 does not specify the estimation techniques used to determine the risk adjustment for non-financial risk. As noted above, in view of the publication of the Professional Issues Circular by the Capital Market Authority on April 15, 2024, the Companies are still assessing the manner by which they will determine the risk adjustment (RA) in respect of non-financial risk, and the rate of confidence interval, which will be taken into account.

■ The 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.

Menora Insurance will determine the discount rate curves for IFRS 17 purposes using the bottom up approach, which is the default approach according to the Capital Market Authority's draft.

■ The coverage units and the manner of releasing the contractual service margin (CSM)

The CSM represents the liability in respect of the unearned income 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 companies 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.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

■ Cash flows 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 companies 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.

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 should be noted that consequently in the GMM/VFA model the insurance acquisition cash flows will be recognized in the companies' 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.

■ Presentation

Under IFRS 17, the companies will disaggregate the amounts recognized in the statement profit or loss and other comprehensive income into:

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

The above disaggregation shall increase transparency as to the companies' sources of income.

Insurance service results

Total income from insurance contracts for a group of insurance contracts is the consideration for the contracts adjusted to reflect finance effects.

Income 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 companies 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.

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 companies in respect of the service, and its refund does not constitute part of the companies' expenses.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

The key investment components which were identified are in products which included a savings component. Following the above, the companies expect that its income and expenses 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 companies shall make an accounting policy choice between:

- a) including insurance finance income or expenses for the period in profit or loss; or
- b) Disaggregating insurance finance income or 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.

■ **Transitional Provisions**

IFRS 17 should be applied retrospectively (hereinafter - "Full Retrospective Application"), unless this is impractical.

In applying the Full Retrospective Application, the companies shall identify, recognize and measure each group of insurance contracts and any assets with respect to insurance acquisition cash flows as if IFRS 17 is applied retrospectively. Furthermore, the companies shall derecognize any existing balances, which would not exist had IFRS 17 always applied. Any resulting net difference will be recognized in equity. The transition date is January 1, 2024, such that upon initial application the companies 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 companies shall apply one of the following approaches:

- a) The modified retrospective approach - to achieve the closest outcome to Full Retrospective Application possible using reasonable and supportable information available without undue cost or effort; or
- b) The fair value approach (FVA) - in this approach the company determines 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 fulfillment cash flows measured at that date.

The Companies will implement the retrospective application approach for the property and casualty insurance portfolios.

Menora Insurance is of the opinion that it is impractical to apply IFRS 17 retrospectively to groups of life and health insurance contracts.

Notes to the Consolidated Interim Financial Statements

NOTE 8 - APPLICATION OF IFRS 17 AND IFRS 9 IN SUBSIDIARIES WHICH MEET THE DEFINITION OF AN INSURER IN ACCORDANCE WITH SECURITIES REGULATIONS (PREPARATION OF ANNUAL FINANCIAL STATEMENTS), 2010 (cont.)

B. IFRS 17 - Main changes in the accounting policies (cont.)

■ Classification and measurement

Financial assets

In implementing IFRS 9, the companies 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 Company's business model for managing financial assets, and the characteristics of the projected cash flow from 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 according to 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 companies 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.

C. IFRS 9 - Main changes in the accounting policies

■ Impairment model of financial assets

At each reporting date, the companies 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 companies shall differentiate between two situations of recognition of a provision for loss:

- a) Debt instruments with no significant impairment in credit quality since their 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 their 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 companies shall apply the expedient provided by the Standard, under the assumption 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.

Appendix to the Consolidated Interim Financial Statements

Details of other financial investments of Consolidated Insurance Companies

A. Other financial investments

		As of March 31, 2024			
		Measured at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
		Unaudited			
		NIS thousand			
	Details in section				
Liquid debt assets	B	23,597	3,956,317	-	3,979,914
Illiquid debt assets	C	-	-	7,979,334	7,979,334
Shares	D	6,145	1,183,852	-	1,189,997
Other	E	7,877	3,081,659	-	3,089,536
Total		37,619	8,221,828	7,979,334	16,238,781

		As of March 31, 2023			
		Measured at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
		Unaudited			
		NIS thousand			
	Details in section				
Liquid debt assets	B	40,965	3,708,726	-	3,749,691
Illiquid debt assets	C	-	-	7,826,308	7,826,308
Shares	D	19,178	1,131,910	-	1,151,088
Other	E	16,108	2,860,259	-	2,876,367
Total		76,251	7,700,895	7,826,308	15,603,454

		As of December 31, 2023			
		Measured at fair value through profit and loss	Available-for-sale	Loans and receivables	Total
		Audited			
		NIS thousand			
	Details in section				
Liquid debt assets	B	28,789	4,039,165	-	4,067,954
Illiquid debt assets	C	-	-	7,848,008	7,848,008
Shares	D	6,542	1,176,047	-	1,182,589
Other	E	68,647	3,054,584	-	3,123,231
Total		103,978	8,269,796	7,848,008	16,221,782

Appendix to the Consolidated Interim Financial Statements

Details of other financial investments of Consolidated Insurance Companies (cont.)

B. Liquid debt assets

	As of March 31, 2024	
	Carrying amount	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	2,193,068	2,222,398
<u>Other debt assets:</u>		
Other non-convertible debt assets	1,765,680	1,808,060
Other convertible debt assets	21,166	22,965
Total liquid debt assets	<u>3,979,914</u>	<u>4,053,423</u>
Regular impairments carried to profit and loss (cumulative)	<u>25,478</u>	

	As of March 31, 2023	
	Carrying amount	Amortized cost
	Unaudited	
	NIS thousand	
Government bonds	1,435,940	1,439,280
<u>Other debt assets:</u>		
Other non-convertible debt assets	2,276,321	2,508,241
Other convertible debt assets	37,430	34,783
Total liquid debt assets	<u>3,749,691</u>	<u>3,982,304</u>
Regular impairments carried to profit and loss (cumulative)	<u>41,696</u>	

	As of December 31, 2023	
	Carrying amount	Amortized cost
	Audited	
	NIS thousand	
Government bonds	2,018,287	2,005,567
<u>Other debt assets:</u>		
Other non-convertible debt assets	2,023,495	2,102,832
Other convertible debt assets	26,172	28,236
Total liquid debt assets	<u>4,067,954</u>	<u>4,136,635</u>
Regular impairments carried to profit and loss (cumulative)	<u>29,769</u>	

Appendix to the Consolidated Interim Financial Statements

Details of other financial investments of Consolidated Insurance Companies (cont.)

C. Illiquid debt assets

	As of March 31, 2024	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	2,614,075	3,102,364
<u>Other debt assets:</u>		
Non-convertible	5,365,259	5,325,891
Total illiquid debt assets	7,979,334	8,428,255
Regular impairments carried to profit and loss (cumulative)	87,070	
	As of March 31, 2023	
	Carrying amount	Fair value
	Unaudited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	2,699,658	3,342,961
<u>Other debt assets:</u>		
Non-convertible	5,126,650	4,937,668
Total illiquid debt assets	7,826,308	8,280,629
Regular impairments carried to profit and loss (cumulative)	90,505	
	As of December 31, 2023	
	Carrying amount	Fair value
	Audited	
	NIS thousand	
<u>Government bonds</u>		
Designated bonds	2,574,482	3,106,021
<u>Other debt assets:</u>		
Non-convertible	5,273,526	5,195,055
Total illiquid debt assets	7,848,008	8,301,076
Regular impairments carried to profit and loss (cumulative)	86,917	

Appendix to the Consolidated Interim Financial Statements

Details of other financial investments of Consolidated Insurance Companies (cont.)

D. Shares

	As of March 31, 2024	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Liquid shares	768,534	670,989
Illiquid shares	421,463	332,331
Total shares	<u>1,189,997</u>	<u>1,003,320</u>
Regular impairments carried to profit and loss (cumulative)	<u>31,210</u>	

	As of March 31, 2023	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Liquid shares	725,405	657,268
Illiquid shares	425,683	316,023
Total shares	<u>1,151,088</u>	<u>973,291</u>
Regular impairments carried to profit and loss (cumulative)	<u>95,696</u>	

	As of December 31, 2023	
	Carrying amount	Cost
	Audited	
	NIS thousand	
Liquid shares	775,057	687,107
Illiquid shares	407,532	324,680
Total shares	<u>1,182,589</u>	<u>1,011,787</u>
Regular impairments carried to profit and loss (cumulative)	<u>55,362</u>	

Appendix to the Consolidated Interim Financial Statements

Details of other financial investments of Consolidated Insurance Companies (cont.)

E. Other financial investments

	As of March 31, 2024	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Other liquid financial investments	161,721	142,543
Other illiquid financial investments	2,927,815	2,599,507
Total other financial investments	<u>3,089,536</u>	<u>2,742,050</u>
Regular impairments carried to profit and loss (cumulative)	<u>112,454</u>	

	As of March 31, 2023	
	Carrying amount	Cost
	Unaudited	
	NIS thousand	
Other liquid financial investments	289,307	280,984
Other illiquid financial investments	2,587,060	2,231,877
Total other financial investments	<u>2,876,367</u>	<u>2,512,861</u>
Regular impairments carried to profit and loss (cumulative)	<u>83,135</u>	

	As of December 31, 2023	
	Carrying amount	Cost
	Audited	
	NIS thousand	
Other liquid financial investments	200,428	185,061
Other illiquid financial investments	2,922,803	2,523,756
Total other financial investments	<u>3,123,231</u>	<u>2,708,817</u>
Regular impairments carried to profit and loss (cumulative)	<u>112,920</u>	

Financial investments classified as “other” mainly include investments in ETFs, participation certificates in mutual funds, investment funds, financial derivatives, futures, options and structured products.



Chapter D

Data from the Financial Statements Attributed to the Company

Data from the Consolidated Interim Financial Statements Attributed to the Company

As of March 31, 2024

Unaudited

Regulation 38D

Menora Mivtachim Holdings Ltd.

Data from the Consolidated Interim Financial Statements Attributed to the Company as of March 31, 2024

Unaudited

Regulation 38D

Table of Contents

	<u>Page</u>
Independent Auditors' Special Review Report on the Separate Interim Financial Information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970	2
Financial data from the consolidated statements of financial position	3
Financial data from the consolidated statements of profit or loss	4
Financial data from the consolidated statements of comprehensive income	5
Financial data from the consolidated statements of cash flows	6-7
Additional Information	8

To:
the Shareholders of Menora Mivtachim Holdings Ltd.

Re: Special Review Report of the Independent Auditor on the Separate Interim Financial Information pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970

Introduction

We have audited the Interim Separate Financial Information disclosed in accordance with Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970 of Menora Mivtachim Holdings Ltd. (hereinafter – "the Company") as of March 31, 2024 and for the three-month period ended on that date. The Interim Separate Financial Information is the responsibility of the Company's Board of Directors and management. Our responsibility is to express a conclusion regarding the Interim Separate Financial Information for this interim period based on our review.

Neither did we audit the condensed interim financial information of equity-accounted companies, the investment in which amounted to NIS 331,216 thousand as of March 31, 2024, and the Company's share in the income of which amounted to NIS 13,470 thousand for the three-month period then ended. The condensed interim financial information of the above companies was audited by other independent auditors, whose review reports have been furnished to us, and our conclusion, insofar as it relates to financial information in respect of these companies, is based on the review reports of the other independent auditors.

Scope of the Review

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

Conclusion

Based on our review and the review reports of other independent auditors, nothing has come to our attention that causes us to believe that the abovementioned Interim Separate Financial Information does not comply, in all material respects, with the disclosure provisions of Chapter 38D of the Israel Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv
May 29, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Financial data from the consolidated statements of financial position

	As of March 31		As of
	2024	2023	December 31
	Unaudited		2023
			Audited
	NIS thousand		
<u>Current assets</u>			
Cash and cash equivalents	279,715	38,274	15,780
Financial investments	325,316	421,459	339,730
Current tax assets	4,757	-	-
Receivables and debit balances	831	1,132	2,501
Current balances with investees	15,315	12,328	12,704
Total current assets	625,934	473,193	370,715
<u>Non-current assets</u>			
Loans and receivables	33,217	58,374	31,213
Investments in investees	5,981,262	5,374,486	5,957,611
Loans to investees	350,084	628,538	398,039
Assets for employee benefits	11,931	10,924	11,565
Property, plant & equipment	1,579	1,872	1,694
Deferred taxes	16,734	19,071	18,022
Total non-current assets	6,394,807	6,093,265	6,418,144
	7,020,741	6,566,458	6,788,859
<u>Current liabilities</u>			
Current maturities of financial liabilities	53,324	53,311	53,322
Current tax liabilities	-	7,740	1,805
Futures	-	4,210	800
Payables and credit balances	185,337	109,521	9,211
Current balances with investees	1,865	2,814	1,886
Total current liabilities	240,526	177,596	67,024
<u>Non-current liabilities</u>			
Financial liabilities	271,440	318,647	269,968
Liabilities for employee benefits	21,226	20,310	21,030
Excess loss over investments in investees	-	98,555	-
Total non-current liabilities	292,666	437,512	290,998
<u>Equity attributable to the Company's shareholders</u>			
Share capital	99,429	99,429	99,429
Share premium	332,215	332,985	332,985
Treasury shares	(95,207)	(100,200)	(100,200)
Capital reserves	814,508	709,463	828,474
Retained earnings	5,336,604	4,909,673	5,270,149
Total equity capital	6,487,549	5,951,350	6,430,837
	7,020,740	6,566,458	6,788,859
May 29, 2024			
Approval date of the financial statements	Eran Griffel Chairman of the Board	Ari Kalman CEO	Ran Kalmi CFO

Financial data from the consolidated statements of profit or loss

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
<u>Income</u>			
Income from investees	233,456	74,743	501,436
Investment and financing income (losses)	9,241	(4,579)	3,963
Finance income for loans to investees	3,379	13,027	24,953
Management fees from investees	3,068	2,817	10,896
Total income	<u>249,144</u>	<u>86,008</u>	<u>541,248</u>
<u>Expenses</u>			
Finance expenses	1,106	1,481	5,723
General and administrative expenses	4,246	4,496	18,466
Total expenses	<u>5,352</u>	<u>5,977</u>	<u>24,189</u>
Income before taxes on income	243,792	80,031	517,059
Taxes on income	2,028	794	2,679
Net income	<u>241,764</u>	<u>79,237</u>	<u>514,380</u>

Financial data from the consolidated statements of comprehensive income

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
Net income attributable to the Company	241,764	79,237	514,380
<u>Other comprehensive income (loss) that, subsequent to initial recognition in comprehensive income, was or will be carried to profit and loss</u>			
Other comprehensive income (loss) attributable to the investees, net	(10,803)	72,768	150,539
<u>Other comprehensive income (loss) not transferred to profit and loss</u>			
Gain on remeasurement of defined benefit plans	(45)	45	(281)
Taxes on income	(10)	10	(65)
	(35)	35	(216)
Other comprehensive income (loss) attributable to the investees, net	(274)	1,456	44,155
Total other comprehensive income (loss) not transferred to profit and loss	(309)	1,491	43,939
Total other comprehensive income (loss), net	(11,112)	74,259	194,478
Total comprehensive income attributable to the Company	230,652	153,496	708,858

Financial data from the consolidated statements of cash flows

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
<u>Cash flows from operating activities</u>			
Net income	241,764	79,237	514,380
Adjustments required to present cash flows from operating activities:			
Adjustments to profit and loss line items:			
Losses (income) from investments and financing, net	(10,019)	3,523	(7,233)
Depreciation	117	184	550
Cost of share-based payment	120	280	187
Income from investees	(233,456)	(74,743)	(501,436)
Taxes on income	2,028	794	2,679
	<u>(241,210)</u>	<u>(69,962)</u>	<u>(505,253)</u>
Changes in assets and liabilities line items:			
Change in liabilities for employee benefits	(214)	109	(139)
Decrease in receivables and debit balances	5,896	3,765	(34,734)
Decrease in payables and credit balances	(45)	(268)	(1,633)
	<u>5,637</u>	<u>3,606</u>	<u>(36,506)</u>
Cash paid and received during the period:			
Interest paid	-	-	(6,279)
Interest received	3,544	2,869	16,364
Taxes paid	(7,327)	(92)	(8,928)
Taxes received	-	-	1,813
Dividend received	250,380	465	51,576
	<u>246,597</u>	<u>3,242</u>	<u>54,546</u>
Net cash provided by operating activities attributable to the Company as a parent company	252,788	16,123	27,167
Net cash used for operating activities for transactions with investees	<u>(3,815)</u>	<u>(9,154)</u>	<u>(8,719)</u>
Net cash provided by operating activities	<u>248,973</u>	<u>6,969</u>	<u>18,448</u>

Financial data from the consolidated statements of cash flows (cont.)

	For the 3 months ending March 31		For the year ended December 31
	2024	2023	2023
	Unaudited		Audited
	NIS thousand		
<u>Cash flows provided by investing activities</u>			
Purchase of property, plant and equipment	-	(4)	(9)
Proceeds from realization (purchases) of securities measured at fair value through profit and loss, net	19,258	(19,099)	150,066
Repayment (provision) of long-term loans	(222)	(7,881)	13,578
Net cash provided by (used for) investing activities attributable to the Company as a parent company	19,036	(26,984)	163,635
Net cash provided by (used for) operating activities for transactions with investees	(4,075)	18,741	21,966
Net cash provided by (used for) investing activities	14,961	(8,243)	185,601
<u>Cash flows provided by financing activities</u>			
Share buyback by the Company	-	-	(53,346)
Repayment of bonds	(41)	(46)	-
Dividend paid to the Company's shareholders	-	-	(175,000)
Net cash used for financing activities	(41)	(46)	(228,346)
Exchange rate differences in respect of cash and cash equivalent balances	42	(41)	442
Increase (decrease) in cash and cash equivalents	263,935	(1,361)	(23,855)
Balance of cash and cash equivalents as of the beginning of period	15,780	39,635	39,635
Balance of cash and cash equivalents as of the end of period	279,715	38,274	15,780
<u>Noncash activity</u>			
Conversion of loans granted to consolidated companies for capital notes	-	-	244,608
Financial investments received as dividend	-	-	45,000
Dividend distributed against payables and credit balances	175,000	100,000	-

Additional Information

1. Significant Accounting Policies

This Interim Separate Financial Information is prepared in condensed format, in accordance with Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 and does not include all the information required under Regulation 9C and the Tenth Addendum to the Securities Regulation (Periodic and Immediate Reports), 1970. This financial information should be read in conjunction with the Separate Financial Information as of December 31, 2023 and for the year then ended and the accompanying notes.

The accounting policy applied to preparing this separate financial information is consistent with the one applied in preparing the separate financial information as of December 31, 2023.

2. Events during to the reporting period and thereafter

- A. For details regarding the dividend distributed by the Company during the reporting period, see Note 5G to the Consolidated Financial Statements.
- B. For details regarding the dividends distributed by the consolidated companies during the reporting period and thereafter, see Note 5, Subsections E, H-I to the Consolidated Financial Statements.
- C. For details regarding additional investment made by the Company in Ampa Capital during the reporting period, see Note 7E.



Chapter E

Appendices

Economic Solvency Ratio Report
Menora Mivtachim Insurance Ltd.
As of December 31, 2023

Table of Contents

Economic Solvency Ratio Report of Menora Mivtachim Insurance Ltd.

As of December 31, 2023

Special Report of the Independent Auditors.....	4
Section 1 - General	6
Section 2 - Economic solvency ratio and minimum capital requirement (MCR)	12
Section 3 - Economic Balance Sheet.....	13
Section 4 - Shareholders equity in respect of SCR.....	21
Section 5 - Solvency capital requirement (SCR)	23
Section 6 - Minimum capital requirement (MCR)	24
Section 7 - Effect of the application of the directives for the Transitional Period.....	25
Section 8 - Changes in Capital Surplus.....	26
Section 9 - Sensitivity Tests	27
Section 10 - Dividend Distribution Restrictions.....	27

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To:
The Board of Directors of Menora Mivtachim Insurance Ltd.

Dear Sir/Madam,

Re: Examination of the Application of Certain Instructions of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of Menora Mivtachim Insurance Ltd. (hereinafter - the “Company”) as of December 31, 2023

We examined the capital required to maintain the solvency capital requirement (hereinafter - “SCR”) and the economic capital of Menora Mivtachim Insurance Ltd. as of December 31, 2023 (hereinafter - the “Information”), included in the Company’s Economic Solvency Ratio Report attached hereby (hereinafter - the “Report”).

The Company’s Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the “Commissioner”) regarding Solvency II-based economic SCR (hereinafter - the “Directives”) of an insurance company as included the Commissioner’s Circular 2020-1-15 dated October 14, 2020, and in accordance with the Commissioner’s Directives regarding principles for calculation of Deduction during the Transitional Period in a Solvency II-based Economic Solvency Regime dated October 15, 2020 (hereinafter - the “Directives”).

The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management.

We conducted our examination in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's Directives, as included in Appendix B of the Commissioner’s Circular 2017-1-20 of December 3 2017, which provides guidance as to audit of Economic Solvency Ratio Report.

We did not examine the appropriateness of the Deduction During the Transitional Period as of December 31, 2023, as presented in Section 2 to the Report, except for verifying that the Deduction amount does not exceed the expected discounted amount of the risk margin and the solvency capital requirement in respect of life and health insurance risks arising from existing businesses during the Transitional Period in accordance with the pattern of future development of the required capital, which affects both the calculation of the expected capital release and the release of the expected risk margin as described in the provisions on calculation of risk margin.

Except for the abovementioned in connection with the appropriateness of the Deduction during the Transitional Period, based on the examination of the evidence supporting the calculations, the forecasts and the assumptions, as referred to below, which were used by the Company’s Board of Directors and management in the preparation of the information nothing came to our attention which caused us to believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information in accordance with the Directives. Furthermore, in our opinion, the information, including the method employed to determine the assumptions and forecasts, was prepared and presented in all material respects in accordance with the Directives.

Kost Forer Gabbay & Kasierer

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It should be emphasized that the projections and assumptions are based mainly on past experience, as arising from actuarial studies conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The information is sometimes based on assumptions regarding future events and steps taken by management, and the pattern of the future development of the risk margin, which will not necessarily materialize or will materialize in a manner different than the assumptions used in the information. Furthermore, actual results may materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

We draw attention to Section D(2) - comments and clarifications in the solvency ratio report, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 29, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Section 1 - General

A. Overview and disclosure requirements

Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Solvency Circular"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as recently revised in Circular 2022-1-18 (hereinafter - the "Disclosure Provisions").

The Solvency Circular sets a standard model for calculating existing shareholders' equity and the regulatory solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's existing shareholder's equity and its regulatory solvency capital requirement. The existing shareholders' equity shall be composed of Tier 1 capital and Tier 2 capital. Tier 1 Capital includes equity calculated through assessing the value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 Capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (during the Transitional Period, as described below - 50% of the solvency capital requirement).

The existing capital should be compared to the capital requirement when there are two levels of capital requirements:

- The capital requirement to maintain an insurance company's solvency (hereinafter - "SCR"). The SCR is risk-sensitive and is based on a forward-looking calculation of the effect of the various scenarios' materialization, while taking into account the correlation of the various risk factors, all based on the application guidance of the New Solvency Regime. This requirement aims to guarantee the precise and timely involvement of the regulatory authorities.
- Minimum capital requirement (hereinafter "MCR" or "Minimum Capital Requirement"). In accordance with the Solvency Circular, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

The existing capital and the capital requirement are calculated using data and models for calculating the economic solvency ratio, which are based, among other things, on forecasts and assumptions that rely mainly on past experience. The calculations performed as part of the economic capital calculation and the economic capital requirement are highly complex.

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

A. Selecting on of the following alternatives:

- 1) Gradual transition to the capital requirement until 2024 (hereinafter - the “Transitional Period”), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The capital requirement as of December 31, 2023 - 95% of the SCR amount (as of December 31, 2022 - 90%)
- 2) Increasing the economic capital by deducting from the insurance reserves an amount that will be calculated as detailed below. The deduction will decrease gradually until 2032 (hereinafter - the “Deduction During the Transitional Period”).

Starting from the calculation as of December 31, 2022, the Company chose the second alternative, after obtaining the Commissioner’s approval, in accordance with the directives for managers of the insurance companies in the letter dated October 15, 2020, which sets out the principles for calculating the Deduction and the procedures required for its approval.

- B. A reduced capital requirement, which will increase gradually until 2023, in respect of certain investment types.

Forward-looking information

The data included in this Economic Solvency Ratio Report, including the eligible and the solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company’s control, and which should be considered as “forward-looking information” as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from the results reflected in this Economic Solvency Ratio Report, if such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including cancellations, expenses, and underwriting income rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

B. Definitions

Company	- Menora Mivtachim Insurance Ltd.
The Commissioner	- The Commissioner of the Capital Market, Insurance and Savings in the Ministry of Finance.
Best estimate	- Expected future cash flows from insurance contracts and insurance contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Long-term health insurance (similar to life techniques - SLT)	- Similar to Life Techniques. Health insurance that is conducted similarly to life insurance.
Short-term health insurance (non-similar to life techniques - NSLT)	- Non-Similar to Life Technique. Health insurance that is conducted similarly to P&C insurance.
Basic solvency capital requirement (BSCR)	- Basic Solvency Capital Requirement. The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions

	of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, and loss absorption adjustment due to deferred tax.
Solvency capital requirement (SCR)	- Solvency Capital Requirement. The total capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Eligible shareholders' equity	- Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Solvency Circular.
Basic Tier 1 capital	- Accounting equity plus the change in the excess assets over liabilities stemming from discrepancies between the manner of assessing the value of assets and liabilities as part of the transition to economic balance sheet, net of unrecognized assets and dividend declared subsequent to report date and has yet to be published for the first time.
Additional Tier 1 capital	- Perpetual capital note, non-performing preferred shares, Restricted Tier 1 capital instrument, Additional Tier 1 capital instrument.
Tier 2 capital	- Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Effect of diversification of risk-weighted components Solvency ratio	- Effect of the partial correlation between different risks in the model on their amounts. The greater the diversification between operating segments in the portfolio and the diversification between risks, the greater is the effect of the correlation, which reduces the overall risk. - The ratio between the eligible shareholders' equity and the regulatory solvency capital requirement of the insurance company.
Symmetric Adjustment (SA)	Symmetric Adjustment. Addition to the rate of capital requirements in the equity component based on the calculation set out in the Solvency Circular. The addition has an upper and lower band of $\pm 10\%$.
Stock scenario adjustment	- Reduced capital requirement for certain types of investments that will gradually increase until 2023 when the capital requirement for these investments reaches its full rate.
Economic balance sheet	- The Company's balance sheet when the value of the assets and liabilities is adjusted in accordance with the provisions of Part A in the appendix to the Solvency Circular.
Risk margin (RM)	- Risk Margin. An amount in addition to the best estimate which reflects the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
Volatility Adjustment (VA)	- Volatility Adjustment. An anti-cyclical component that reflects the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
Minimum capital requirement (MCR)	- Minimum Capital Requirement. The minimum capital requirement from an insurance company.
Expected profits in future premiums (EPIFP)	- Expected Profit in Future Premium; the future profit from liabilities in respect of existing life and health insurance contracts.
Deduction during the Transitional Period	- Increasing the economic capital by deducting from the insurance reserves an amount that will be calculated as detailed in Section c below. The Deduction will decrease gradually until 2032.
UFR	- Ultimate Forward Rate. The latest forward interest rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.

C. Calculation methodology

The Economic Solvency Ratio Report as of December 31, 2023 was calculated and prepared in accordance with the Commissioner's Directives for the economic solvency of a Solvency II-based insurance company (hereinafter - the "Directives") as set out in the Solvency Circular. Following are the main provisions and changes thereto:

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's standalone financial statements plus investees, whose main occupation is holding rights in real estate properties. The economic balance sheet attributes zero value to deferred acquisition costs and intangible assets (other than the investment in InsurTech as defined in the Solvency Circular for which the Company obtained the Commissioner's approval, as required).

Increasing economic capital according to the Transitional Provisions

As aforesaid, as of the solvency ratio calculation as of December 31, 2022, the Company opted for the current alternative provided by the Transitional Provisions, whereby the economic capital may be increased by gradually deducting from the insurance reserves until 2032 (hereinafter - the "Deduction During the Transitional Period" or the "Deduction"). With regard to the Deduction during the Transitional Period, a letter was addressed to insurance companies managers titled "Principles for calculating Deduction during the Transitional Period in the Solvency II-based Economic Solvency Regime" (hereinafter - the "Letter of Principles"). Pursuant to the Letter of Principles, the Deduction during the Transitional Period shall be calculated by dividing insurance policies issued through December 31, 2016 into homogeneous risk groups. The aforesaid deduction shall be calculated as the difference between insurance reserves (retention) as per the economic balance sheet including the risk margin attributed thereto (without adjusting the fair value of designated bonds) and the insurance reserves (retention) as per the Financial Statements. This difference shall be deducted on a linear basis until December 31, 2032.

The Company should ensure that the deduction balance at each reporting date (hereinafter - the "Deduction Value During the Transitional Period") shall be proportionate to the expected increase in the solvency ratio calculated excluding expedients during the Transitional Period.

The Deduction during the Transitional Period shall be recalculated in subsequent periods in the following instances:

- (a) Every two years, after obtaining the Commissioner's approval;

- (b) If a material change occurred in the risk profile or the business structure of the insurance company;
- (c) At the request of the Commissioner, if he/she believed that circumstances have changed since approval was given.

Regarding the Deduction Value during the Transitional Period as of December 31, 2023 - see Section 3A below.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity's exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: life insurance risks, health insurance risks, property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk component is carried out based on a defined scenario set out in the Provisions of the Economic Solvency Regime. The determination of the solvency capital requirement is based on the sum of the capital requirements in respect of the risk-weighted components and risk-weighted sub-components and the sub-risk weighted components, as stated above, net of the effect of the risk diversification in the Company in accordance with the correlations assigned to them under the Directives, and net of the loss absorption adjustment due to deferred tax, as detailed in the Provisions of the Economic Solvency Regime. Furthermore, the calculation of the solvency capital requirement includes components of capital required in respect of operational risk and in respect of management companies.

The capital requirement in respect of each of the risks is calculated in accordance with the Company's exposure to that risk, taking into account the parameters set in the Directives. In accordance with the Directives, the capital requirement represents the scope of equity that will allow the insurance company to absorb unexpected losses in the forthcoming year and meet its obligations to policyholders and beneficiaries on time, with a 99.5% certainty level.

The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The Company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.
- Future income will arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) health insurance.

D. Comments and clarifications

1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's periodic report as of as of December 31, 2023.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the annual report as of December 31, 2023. It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to reliably assess the effect of the reform and the changes.

The calculation is sometimes based on assumptions regarding future events and steps taken by management, which will not necessarily materialize or will materialize in a manner different than the assumptions to be used in the calculation. Furthermore, actual results may materially vary from the calculation, since combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

The model, in its present form, is highly sensitive to changes in market variable and other variables; therefore, the status of capital reflected therefrom may be very volatile.

2. Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities

A. In recent years the field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory directives. In this respect see Section 4.1 in Part A (Description of the Corporation's Business) in the Periodic Report for 2023 and in the Report of the Board of Directors for the period ended March 31, 2024. Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

The calculation of the solvency ratio does not reflect all potential effects of the aforesaid legislation and regulatory measures and of other developments that are not yet reflected in practice in the data; this is since to date the Company is unable to assess their entire effect on its business results and solvency ratio.

B. In accordance with the Solvency Circular, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described in Note 36 to the Financial Statements for 2023 and Note 3A to the financial statements as of March 31, 2024, including the effect of such an exposure on the Company's future profitability and solvency ratio.

C. In March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Ordinance"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated. The change did not apply to the calculation of the economic solvency ratio for 2023 and is forecast to have a non-material adverse effect on the Company's capital surplus.

Section 2 - Economic solvency ratio and minimum capital requirement (MCR)

A. Economic solvency ratio

	As of December 31, 2023	As of December 31, 2022
	Audited *)	
	NIS thousand	
Shareholders equity in respect of SCR - see Section 4	7,524,516	7,200,874
Solvency capital requirement (SCR) - see Section 5	4,306,029	4,207,916
Surplus	3,218,487	2,992,957
Economic solvency ratio (in %)	174.7%	171.1%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Raising of capital instruments	-	-
Shareholders' equity in respect of SCR	7,524,516	7,200,873
Surplus	3,218,487	2,992,957
Economic solvency ratio (in %)	174.7%	171.1%

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

Following are the main changes in the economic solvency ratio compared to last year:

- Implications of the Iron Swords War: On the financial level, the Iron Swords War triggered slumps in capital markets in Israel (in share prices) and in bonds, which moderated in November 2023 and even changed course to hikes during December 2023. Thus, as of the Report approval date, the effect of the changes in the capital market due to the War on profitability in the Company’s investments portfolio, on the insurance liability and the capital requirements is immaterial. In addition, on the insurance level too there were no material effects on the capital surplus. However, as this involves an ongoing incident characterized by a considerable degree of uncertainty, and as of the Report approval date the Company has no information concerning its duration, intensity and impact on the economy, the Company is unable to reliably evaluate the full future impact of the War on the Company’s economic solvency ratio.
- In April 2024, subsequent to the report date, the Company distributed a dividend of approx. NIS 200 million that were deducted from the eligible capital pursuant to the directives of the Solvency Circular.
- In September 2023, the Company raised Tier 2 capital by way of issuing a new series (Series H) in the amount of approx. NIS 300 million recognized as Tier 2 capital. The capital raising contributed to the increase in the capital surplus.
- An increase in real returns combined with the increase in interest recorded by the Company during this period had a material effect on the improvement in capital surplus. On the other hand, the increase in the CPI almost offset the positive contribution to the capital surplus, mainly due to the increase in capital requirements.
- During the period, the Company revised demographic assumptions, which had an overall negative effect on the Company's capital surplus. The principal effects resulted from the revised morbidity assumptions and cancellations. In addition, actual departures from the demographic assumptions had a negative impact on capital surplus.

- In June 2023, updates to the relevant circulars that regulate the reform in plans to insure medical expenses were published by the Commissioner, such that the reform’s effective date is October 1, 2023, concurrently with the effective date of the legislative amendments pursuant to the Economic Plan Law. In view of the abovementioned, the Company revised a number of assumptions in the actuarial models that are expected to reflect the effect of the reform. The revision had an immaterial adverse effect on capital surplus.
- In the life and health segment, the release of the capital requirements and the risk margin from existing business due to the passage of time for December 31, 2022 generated a substantial positive contribution to the capital surplus.
- Additionally, the Company recorded an increase in its capital surplus due to current profitability recorded in property and casualty insurance underwriting activity, alongside a positive contribution to capital surplus from new life and health insurance segment business activity during the period.
- The Company recalculated the value of the Deduction as of December 31, 2023 subsequent to the previous update as of June 30, 2023, among other things, due to the continuing rise in the interest rate curve. The Deduction Amount during 2023 was reduced by approx. NIS 396 million mainly due to the recalculation, but also due to shortening the remaining duration of the Deduction. The post-deduction balance reflecting a future period of 9 years amounts to approx. NIS 491 million, compared with a deductible balance in the amount of NIS 887 million in December 2022 based on a future amortization period of 10 years.

For details regarding the economic solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 10 below.

B. Minimum capital requirement (MCR)

	<u>As of December 31, 2023</u>	<u>As of December 31, 2022</u>
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 6.A	1,315,136	1,267,822
Shareholders' equity for MCR - see Section 6B	5,839,516	5,797,315

Section 3 - Economic Balance Sheet

For explanations regarding main changes in Tier 1 capital and significant effects on the economic solvency ratio’s components, see Section 1A above. In addition, see the comment in Section D1 above regarding the change in accounting policy.

Section 3A - Information about economic balance sheet

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter dealing with measurement of assets and liabilities for financial statements purposes in the Consolidated Circular (Code of Regulations), except for items for which other provisions apply as per the Solvency Circular, as follows:

Information about economic balance sheet	As of December 31, 2023		As of December 31, 2022	
	Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
Audited				
NIS thousand				
Assets:				
Intangible assets (2)	666,008	228,288	602,770	188,871
Deferred acquisition costs (3)	1,482,429	-	1,396,406	-
Property, plant & equipment	703,959	703,959	683,461	683,461
Investments in investees that are not insurance companies:	(4)			
Other investees	90,200	90,200	85,437	85,437
Total investments in investees that are not insurance companies	90,200	90,200	85,437	85,437
Investment property in respect of yield-dependent contracts	102,961	102,961	93,958	93,958
Investment property - other	712,024	712,024	568,366	568,366
Reinsurance assets	3,149,302	2,338,213	2,865,356	1,787,531
Receivables and debit balances	1,907,804	1,907,804	1,666,354	1,654,203
Financial investments in respect of yield-dependent contracts	31,077,288	31,101,263	29,344,230	29,381,610
Other financial investments:				
Liquid debt assets	3,279,008	3,279,008	3,406,874	3,406,874
Illiquid debt assets, excluding designated bonds (5)	4,775,432	4,683,866	4,380,486	4,298,583
Designated bonds (6)	2,574,482	3,325,546	2,637,809	3,599,091
Shares	1,046,110	1,046,110	1,116,500	1,116,500
Other	2,787,468	2,787,468	2,337,010	2,337,010
Total other financial investments	14,462,500	15,121,998	13,878,679	14,758,058
Cash and cash equivalents in respect of yield-dependent contracts	1,981,685	1,981,685	2,499,532	2,499,532
Other cash and cash equivalents	693,144	693,144	599,170	599,170
Total assets	57,029,304	54,981,539	54,283,719	52,300,199
Total assets in respect of yield-dependent contracts	33,462,871	33,640,309	32,501,198	32,544,353
EQUITY				
Basic Tier 1 capital	3,078,374	5,521,482	2,625,256	5,302,628
Total equity (1)	3,078,374	5,521,482	2,625,256	5,302,628
Liabilities:				
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts (1)	15,728,485	8,143,822	14,836,108	7,025,330
Liabilities in respect of insurance contracts and yield-dependent investment contracts	33,069,656	32,014,172	31,804,849	30,624,771
Risk margin (RM) (1)	-	3,631,754	-	4,101,846
Deduction during the Transitional Period (10)	-	(490,864)	-	(887,228)
Liabilities in respect of deferred taxes, net (7)	443,657	1,713,588	312,832	1,704,716
Payables and credit balances (8)	2,018,510	1,922,402	2,082,835	1,957,569
Financial liabilities (9)	2,690,622	2,525,179	2,621,839	2,470,565
Total liabilities	53,950,930	49,460,053	51,658,463	46,997,569
Total equity and liabilities	57,029,304	54,981,535	54,283,719	52,300,197

(1) **Liabilities in respect to insurance contracts, risk margin (RM) and investment contracts and reinsurance assets**

Liabilities in respect of insurance contracts and investment contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereafter - "BE" or "Best Estimate") on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. As a rule, in calculating the life and Health SLT liabilities, the Company applied the embedded value (EV) calculation methodology in Israel, and calculated property and casualty insurance liabilities on the basis of the BE measurement section in the Consolidated Circular entitled "Best Practice for Calculation of Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes".

The measurement of the insurance liabilities in the economic balance sheet is carried out by discounting the projected cash flows, including future profit, by a risk-free interest plus VAT and taking the UFR into consideration, on the basis of a best estimate that does not include conservatism margins, where the risk is reflected in the RM component, which is a separate liability. This measurement differs from the measurement applied in the financial statements, where insurance liabilities are estimated with conservatism margins using the discounting methods and rates described in Note 36 to the Annual Financial Statements.

The calculation of the liabilities in respect of life insurance contracts and long-term health insurance (SLT) contracts was carried out by discounting the Company's projected cash flows using a model applied to information available in the Company's operational systems as to insurance coverages, and to many demographic, economic and behavioral assumptions. The projected cash flows include, for example, projected premiums in view of the expected cancellation rates, net of the expenses that the Company will incur in respect of the coverages, including fees and commissions to agents, expected claims, etc.

This cash flow is discounted based on an interest rate curve set by the Commissioner which is based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to a fixed rate of 2.6% (UFR) plus a margin (VA) that was set by the Commissioner.

The calculation of the liabilities does not include cash flows in respect of future sales; however, it does include an assumption that the Company will continue receiving premiums from existing businesses (excluding in respect of policies without an insurance risk, including investment contracts). Furthermore, the calculation assumes that the Company shall continue as a going concern, i.e., that the Company's structure will not change, and therefore, some of the fixed expenses in the future shall not be allocated to the current portfolio, but rather to a new business which is expected to be sold in the future.

It is likely that the actual cash flows will vary to some degree on another from the estimates made on a best estimate basis, even if the underlying parameters of the calculation will not change in any way. See also Section D1 above - comments and clarifications.

Limitations and qualifications with regard to calculation of the best estimate

- Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events.

Accordingly, such events were not taken into account in the determination of the models' underlying assumptions.

- Since the Company did not have sufficient data, when calculating the BE it did not check the level of correlation between demographic and operational assumptions (such as the rate of cancellations) and assumptions pertaining to market conditions (such as the interest rate), which may materially affect the BE.
- The determination of the BE is supposed to be based on an estimation of the distribution of the potential BEs. With no available significant statistical data that can be used to evaluate the distribution of BE for all demographic and operational factors in life and health SLT, the Company used real assumptions of each and every parameter, according to the expected value of each relevant factor, without taking into account any correlation or dependency between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment levels in Israel.
- In many cases, the future cash flows refer to periods of tens of years into the future. The studies on which the underlying cash flow assumptions rely are based on management's best knowledge, mainly recent years' experience. It is highly uncertain whether the underlying cash flow assumptions will, indeed, materialize.

Limitations and qualifications with regard to calculation of the risk margin (RM)

The risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses. This calculation method was defined by the Commissioner and does not necessarily reflect the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.

In that context, it should be emphasized that the stress scenario calculated as part of the solvency model (capital requirements) are based on a set of scenarios and assumptions defined by the Commissioner, and which do not reflect any actual experience of the Company. Furthermore, the set of correlations on which the solvency model is based for the capital requirements was defined by the Commissioner and does not reflect the Company's actual experience.

Assumptions underlying the insurance liabilities calculation

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant demographic and operational factors and reflect the Company's expectations as to the future in respect of these factors. The demographic assumptions included in the calculation were taken from Company's internal studies, if any, and are based on relevant experience and/or the integration of information received from external sources, such as information from reinsurers and mortality and morbidity tables published by the Commissioner. The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current

management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums and assets, etc.).

Set forth below are the key assumptions on which the Company relied in the calculations:

A. Economic assumptions

- 1) Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to a fixed rate of 2.6% (UFR) plus a margin (VA) - all as set by the Commissioner.
- 2) The yield on the assets backing the yield-dependent life insurance products is identical to the discount rate.
- 3) Designated bonds - estimated in accordance with their fair value, which takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them.
- 4) The inflation rate is set as the difference between the yield to maturity curve on NIS government bonds and the yield to maturity curve on linked government bonds. It should be noted that the inflation assumption is relevant to products with amounts of insurance, premiums, and/or CPI-linked interest rates, and to expenses for claims and/or premiums that the Company assumes will change according to the rate of the CPI or another CPI-linked rate.

B. Operational assumptions (for life and health insurance)

General and administrative expenses - the Company analyzed the expenses allocated in the financial statements to the relevant insurance segments and allocated them to various products and coverage types and to various activities such as current operating of the coverages, investment management, handling claims, payment of pensions and more. The expenses study is revised periodically and the different types of expenses are carried to the future cash flow in relation to the relevant factors, such as the number of coverages, premiums, reserves or claims. The determination of the future expenses and their allocation to future cash flows include many assessments and judgments by the Company, which affect the amount of the liabilities.

C. Demographic assumptions

- Cancellations (discontinuation of premium payment, settlement of policies, payment of redemption value) - in accordance with Company's experience with the different products as observed in periodic cancellation studies, while making adjustments in accordance with the Company's estimates in cases where past experience does not faithfully represent the Company's expectations as to future changes.
- Mortality of pensioners - in accordance with the appendixes and the life expectancy increase assumption as published by the Commissioner in the Consolidated Circular Section 5, Part 2, Chapter 1 - Measurement Appendix C - Measurement of Liabilities, including the amendment of the provisions of the Circular Provisions on Measuring Liabilities - Updating the Demographic Assumptions in Life Insurance and Updating the Mortality Improvements Model for Insurance Companies and Pension Funds of June 30, 2022. It was also assumed, in accordance with the default assumption in that circular, that the effect of the selection

of pensioners that do not have to take out an annuity shall be equal to a 3% increase in the value of the paid pension.

- Active mortality - based on data from reinsurers that prepared a mortality study in Israel, adjusted according to the Company's claims history based on mortality studies for the relevant products that are carried out periodically.
- Morbidity (claims' rate and duration) in relation to long-term care, income protection, disability and health insurance products - based on the Company's claims history to the relevant products, in accordance with periodic claims studies, and/or in accordance with reinsurance tariffs applicable to the relevant products.
- Pension uptake rates, annuity uptake age, and pension tracks - in accordance with the Company's experience as observed in periodic studies, the different policy types and funds.

D. Estimate of insurance liabilities in property and casualty insurance

The estimate of the insurance liabilities in the different subsegments in respect of policies earned is based on the provision for the December 2023 balance sheet. The estimate includes Unallocated Loss Adjustment Expenses (ULAE) and does not include RM and other non-specific margins that were taken into account for reserve adequacy testing for the said balance sheet. In respect of the unearned portion, the cost is based on the balance sheet calculation, taking into account the unearned portion of the contingent claims; (these are also deducted from risk margins and other non-specific margins).

In June 2023, a P&C loss portfolio transfer (LPT) agreement was signed between the Company and Shomera Insurance Company Ltd., a sister company of the Company, the main purpose of which is to provide reinsurance coverage to Shomera by way of acquisition of Shomera's contingent claims portfolio in the compulsory motor subsegment for 2011 to 2021 (inclusive) in consideration for insurance premiums as agreed on between the parties. The effect of the transaction is not material to the capital surplus. For further details, see Note 3A to the financial statements as at December 31, 2023.

Other assets and liabilities:

- (2) **Intangible assets** - in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of intangible assets at zero, excluding the investment in Insurtech, as defined in the Solvency Circular and after obtaining the Commissioner's approval. Due to lack of materiality and based on the Commissioner's Directives regarding materiality in the semi-annual calculation, the amortized amount in the value of the on-balance sheet assets was revised in the calculation as of December 31, 2023 in accordance with the Commissioner's approval.
- (3) **Deferred acquisition expenses**- in accordance with Part A Chapter 2 Appendix A, an insurance company shall assess the value of acquisition costs at zero. It should be noted that the value of the future profits implicit in existing insurance contracts was taken into account in the liability in respect of insurance contracts item.
- (4) **Investment in investees which are not insurance companies** - in accordance with Part A Chapter 2 Appendix B, the calculation was carried out using the adjusted equity method, in accordance with the circular on investees which are not insurance companies. In accordance with this method, the

Company's stake in investees was included based on its relative share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular's provisions, based on their financial statements after writing-off intangible assets. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount. The economic value of the investees does not include the profits implicit in those companies.

- (5) **Non-marketable debt assets** - in accordance with Part A, Chapter 1, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.
- (6) **Designated bonds** - in accordance with Part A Chapter 2 Appendix E, the insurance company adjusts the value of designated bonds to their value as per the economic balance sheet in accordance with their economic value that takes into account their interest rate and the best estimate as to the Company's future entitlement to purchase them, based on estimates used for calculating the BE of the insurance liabilities for which the Company is entitled to designated bonds.
- (7) **Liabilities in respect of deferred taxes, net** - in accordance with Part A Chapter 2 Appendix C, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company shall meet the criteria included in the Solvency Circular, in addition to the criteria included in the above-mentioned accounting standard.
- (8) **Payables and credit balances** - in accordance with Part A Chapter 1, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.
- (9) **Financial liabilities** - in accordance with the general principles set in the Solvency Circular and subject to the guidance in Part A Chapter 3, whereby changes in the Company's credit risk may only taken into account in respect of changes in risk-free interest. That is to say, the discount rate is a risk-free interest plus the margin on issuance date.
- (10) **Deduction Value during the Transitional Period as of December 31, 2023**: The Deduction During the Transitional Period (hereinafter - the "Deduction Amount") was calculated in accordance with the provisions included in the Solvency Circular and in the letter to insurance companies managers: "Principles for Calculating Deduction During the Transitional Period in the Solvency II-based Economic Solvency Regime" of October 15 2020 (hereinafter - the "Letter of Principles").

The Company recalculated the value of the Deduction as of December 31, 2023 subsequent to the previous update as of June 30, 2023, among other things, due to the continuing rise in the interest rate curve. Total Deduction during 2023 was reduced by approx. NIS 396 million mainly due to the recalculation, but also due to shortening the remaining duration of the Deduction. The post-deduction balance reflecting a future period of 9 years amounts to approx. NIS 491 million, compared with a deductible balance in the amount of NIS 887 million in December 2022 based on a future amortization period of 10 years.

Section 3B - Composition of liabilities in respect to insurance contracts and investment contracts

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	3,106,695	613,641	2,493,054
NSLT property & casualty insurance and health insurance contracts	5,037,127	1,570,318	3,466,810
Total liabilities for insurance contracts and non-yield-dependent investment contracts	8,143,822	2,183,958	5,959,864
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	32,014,172	154,254	31,859,918
Total liabilities in respect of insurance contracts and investment contracts	40,157,994	2,338,213	37,819,782
	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	Audited		
	NIS thousand		
Liabilities in respect of insurance contracts and non-yield-dependent investment contracts:			
SLT life insurance and long-term health insurance contracts	2,361,981	272,461	2,089,520
NSLT property & casualty insurance and health insurance contracts	4,663,349	1,428,441	3,234,908
Total liabilities for insurance contracts and non-yield-dependent investment contracts	7,025,330	1,700,902	5,324,428
Liabilities in respect of insurance contracts and yield-dependent investment contracts - SLT life insurance and long-term health insurance contracts	30,624,771	86,629	30,538,142
Total liabilities in respect of insurance contracts and investment contracts	37,650,101	1,787,531	35,862,570

Following are the key changes compared with the comparative figures:

The increase in total liabilities for insurance contracts and non-yield dependent investment contracts is mainly due to the effects of the increase in the CPI, revised demographic assumptions, and an increase in the new business. This effect was partially offset by the increase in the interest rate curve.

The increase in total liabilities in respect of insurance and yield dependent investment contracts stems mainly from positive returns beyond the discount rate as well as current contributions into planholders' portfolios in respect of yield dependent insurance and investment contracts.

The increase in total P&C insurance liabilities is due to the loss portfolio transfer (LPT) agreement signed in June 2023 between the Company and Shomera Insurance Company Ltd., a sister company of the Company, see Section 3A above.

Section 4 - Shareholders equity in respect of SCR

	As of December 31, 2023			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Unaudited			
	NIS thousand			
Shareholders' equity	5,521,482	287,582	1,948,027	7,757,090
Deductions from Tier 1 capital (a)	(232,575)			(232,575)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Shareholders' equity in respect of SCR (d)	<u>5,288,907</u>	<u>287,582</u>	<u>1,948,027</u>	<u>7,524,515</u>
Of which - expected profits in future premiums (EPIFP) after tax	4,759,755			4,759,755
	As of December 31, 2022			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
	Audited			
	NIS thousand			
Shareholders' equity	5,302,628	275,693	1,657,123	7,235,444
Deductions from Tier 1 capital (a)	(34,570)			(34,570)
Deductions (b)	-	-	-	-
Deviation from quantitative limitations (c)	-	-	-	-
Shareholders' equity in respect of SCR (d)	<u>5,268,058</u>	<u>275,693</u>	<u>1,657,123</u>	<u>7,200,874</u>
Of which - expected profits in future premiums (EPIFP) after tax	5,115,798			5,115,798

Main Changes in relation to previous year:

For information about changes affecting basic Tier 1 capital, see Section 2A above.

Tier 2 Capital was mainly affected by raising a total of NIS 300 million during 2023.

- (a) Amounts deducted from Tier 1 capital - in accordance with the definitions of "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - "the Economic Solvency Regime Appendix"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance and investment contracts in breach of the investment rules regulations, amount invested by the Company in purchasing Company ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication date of the report, as stated in Section 2A above. Subsequent to the balance sheet date, the Company distributed a dividend of NIS 200 million.
- (b) Deductions - in accordance with the provisions of Chapter 6 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(c) Deviation from quantitative limitations - in accordance with the provisions of Chapter 2 in Part B - "Directives regarding Insurance Companies' Shareholders' Equity" to the Economic Solvency Regime Appendix.

(d) Composition of shareholders equity in respect of SCR

	<u>As of December 31, 2023</u>	<u>As of December 31, 2022</u>
	Audited	Audited
	NIS thousand	NIS thousand
<u>Tier 1 capital:</u>		
Basic Tier 1 capital	5,288,907	5,268,058
<u>Additional Tier 1 capital:</u>		
Restricted Tier 1 capital instruments	287,582	275,693
<u>Additional Tier 1 capital</u>	<u>287,582</u>	<u>275,693</u>
<u>Total Tier 1 capital</u>	<u>5,576,489</u>	<u>5,543,751</u>
<u>Tier 2 capital:</u>		
Tier 2 capital instruments	1,298,598	1,007,818
Hybrid Tier 2 capital instruments	348,675	351,713
Hybrid Tier 3 capital instruments	300,754	297,591
<u>Total Tier 2 capital</u>	<u>1,948,027</u>	<u>1,657,122</u>
<u>Total shareholders' equity in respect of SCR</u>	<u>7,524,516</u>	<u>7,200,873</u>

For further details, see Section 2A above.

Section 5 - Solvency capital requirement (SCR)

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital requirement in respect of market risk component	2,473,482	2,210,426
Capital requirement in respect of counterparty risk component	332,453	280,959
Capital requirement in respect of underwriting risk component in life insurance	1,582,025	1,587,697
Capital requirement in respect of underwriting risk component in health insurance (SLT+NSLT)	3,649,867	3,912,138
Capital requirement in respect of underwriting risk component in P&C insurance	1,028,671	884,828
Total	9,066,498	8,876,048
Effect of diversification of risk-weighted components	(3,119,756)	(2,954,289)
Capital requirement in respect of the intangible assets risk component	114,144	94,437
Total basic solvency capital requirement (BSCR)	6,060,886	6,016,196
Capital requirement in respect of operational risk	256,839	191,768
Loss absorption adjustment due to deferred tax asset	(2,011,697)	(2,000,048)
Total solvency capital requirement (SCR), taking into account the stock scenario adjustment	4,306,028	4,207,916

Following are key changes in solvency capital requirement versus the comparative figures:

- The increase in the capital requirement for the P&C insurance underwriting risk is mainly due to a reinsurance transaction in the compulsory motor subsegment with Shomera (see Section 3B). After the effect of the correlation, this risk is immaterial. In addition, the transaction also had an effect on the increase in counterparty risk.
- There are opposing effects on the capital requirements in respect of underwriting risk in long-term life and health insurance, as on the one hand the requirements increased mainly due to the increase in the CPI and an additional requirement in respect of new business in the relevant products; on the other hand, there is an even greater impact on the decrease in requirements in respect of the decrease of the risk in existing insurance products, the effect of the changes in demographic assumptions, as well as the increase in interest.
- The increase in market risks is mainly due to the increase in exposure and the end of the share distribution period.

For information about solvency capital requirement without applying the Transitional Provisions to the Transitional Period and without applying a stock scenario adjustment, see Section 10 "Restrictions on dividend distribution", below.

Section 6 - Minimum capital requirement (MCR)A. Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
MCR based on the formula (MCR linear)	1,315,136	1,267,822
Lower band (25% of solvency capital requirement in the Transitional Period)	1,076,507	1,051,979
Upper band (45% of solvency capital requirement in the Transitional Period)	1,937,713	1,893,562
MCR	<u>1,315,136</u>	<u>1,267,822</u>

B. Shareholders' equity for MCR

	As of December 31, 2023			As of December 31, 2022		
	Tier 1 capital	Tier 2 capital	Total	Tier 1 capital	Tier 2 capital	Total
	Audited			Audited		
	NIS thousand			NIS thousand		
Shareholders' equity in respect of SCR according to Section 4	5,576,489	1,948,027	7,524,516	5,543,751	1,657,123	7,200,873
Deviation from quantitative limitations due to minimum capital requirement (*)		(1,684,999)	(1,684,999)		(1,403,558)	(1,403,558)
Shareholders' equity for MCR	<u>5,576,489</u>	<u>263,028</u>	<u>5,839,517</u>	<u>5,543,751</u>	<u>253,565</u>	<u>5,797,315</u>

(*) In accordance with the provisions of Chapter 3 in Part B to the Economic Solvency Regime Appendix, Tier 2 capital shall not exceed 20% of MCR.

Section 7 - Effect of the application of the directives for the Transitional Period

Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	Unaudited NIS thousand				
Total insurance liabilities, including risk margin (RM)	43,298,885	(490,864)	-	-	43,789,749
Basic Tier 1 capital	5,288,907	323,037	-	-	4,965,870
Shareholders' equity in respect of SCR	7,524,515	323,037	-	158,484	7,042,994
Solvency capital requirement (SCR)	4,306,029	(167,826)	-	-	4,473,855
Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of Deduction during the Transitional Period	Effect of stock scenario adjustment	Effect of a 50% rate Tier 2 capital during the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
	Unaudited NIS thousand				
Total insurance liabilities, including risk margin (RM)	40,864,719	(887,228)	-	-	41,751,947
Basic Tier 1 capital	5,268,058	583,885	-	-	4,684,173
Shareholders' equity in respect of SCR	7,200,874	583,885	-	-	6,616,988
Solvency capital requirement (SCR)	4,207,916	(299,783)	(71,210)	-	4,578,909

Section 8 - Changes in Capital Surplus

	Shareholders' equity in respect of SCR	Solvency capital requirement (SCR)	Capital surplus (deficit)
	NIS thousand	NIS thousand	NIS thousand
As at January 1, 2023	7,200,873	4,207,916	2,992,957
Adjusting the Transitional Provisions for the Transitional Period and adjusting the stock scenario (in the negative)	(583,885)	370,993	(954,878)
As of January 1, 2023, excluding applying the transitional Provisions for the Transitional Period and adjusting the stock scenario	6,616,988	4,578,909	2,038,079
The effect of operating activities (a)	(6,052)	(323,347)	317,295
Effect of economic activity (b)	125,410	(46,546)	171,956
New businesses (c)	502,794	404,484	98,311
Effect of the issuance of capital instruments (net of redemptions) and a declared dividend (d)	100,000	-	100,000
Effect of changes in deferred tax, Additional Tier 1 capital and Tier 2 capital (e)	(296,140)	(139,629)	(156,511)
As of December 31, 2023, total without applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	7,043,000	4,473,870	2,569,130
Effect of the Transitional Provisions for the Transitional Period and adjusting the stock scenario	481,522	(167,826)	649,348
As of December 31, 2023	7,524,522	4,306,044	3,218,478

(a) This section includes the following operational effects:

- The projected cash flow that was embedded in the opening balance and which was expected to be released in the reporting year;
- Deviations from demographic and operating assumptions in the reporting year;
- Changes in regulatory rules;
- Changes in demographic and operating assumptions compared with those used on the date of the previous report;
- Model updates;
- New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year;
- Investment in intangible assets;
- Other changes not included in the other items.

(b) This section includes the effect of the current operating activity, including:

- Effect of changes in the risk-free interest rate curve on solvency;
- Changes in the value of investment assets;
- Changes in capital requirement in respect of market risk component, including change in the symmetric adjustment component (SA);
- Effect of inflation;

(c) This item includes new insurance contracts (SLT life and health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year, excluding their effect on market risks, counterparty risk and operational risk.

(d) This item includes Tier 2 capital issues carried out until the Report date as detailed in Section 1(a) above, as well as a dividend that was distributed subsequent to the balance sheet date.

(e) This item includes the change in deferred tax as well as revaluation in respect of the equity instruments both due to changes in the risk-free interest rate curve and also due to the change in the CPI as applicable.

Section 9 - Sensitivity Tests

Following is a sensitivity analysis of the economic solvency ratio to various risk factors as of the report date. This analysis will reflect the effects of various risk factors both on equity, including the quantitative restrictions that apply to equity, and on the solvency capital requirement purposes. The sensitivity tests only reflect direct effects, holding all other risk factors constant, and do not include secondary effects or derived changes on other risk factors.

It should be noted that the sensitivities are not necessarily linear, such that the sensitivities at other rates are not necessarily a simple extrapolation of the sensitivity tests presented.

	As of December 31, 2023
	Effect on the economic solvency ratio (in %)
A 50-basis point decrease in risk-free interest	(14.7%)
A 25% decrease in the value of equity assets	(18.0%)
A 5% decrease in mortality rates	(4.8%)
A 5% increase in morbidity rate	(11.3%)

Note: the sensitivity tests are portrayed in a calculation that includes the Transitional Provisions for the Transitional Period without revision of the Deduction Amount.

- **Sensitivity to interest** – the sensitivity to interest test estimates the effect of a 50 basis-point decrease in the interest rate curve up to the Last Liquidity Point (LLP), and thereafter, changes in the curve are calculated using the Smith-Wilson extrapolation method in relation to the Ultimate Forward Rate (UFR), which is set in the circular (2.6%).
- **Sensitivity to changes in equity assets** – the sensitivity test estimates the impact on equity due to a negative shock in the rate of 25% of the Company’s exposure to equity assets. On the other hand, due to the adverse impact on the exposure level the capital requirement decreased, while due to the decline in the symmetric adjustment component (SA) in the standard model, there was a decrease in the level of the capital requirement scenario.
- **5% morbidity scenario** - the sensitivity test estimates the impact of an increase in morbidity assumptions on all the relevant products.
- **5% decline in mortality scenario** - the sensitivity test estimates the impact of the decline in mortality (increase in life expectancy) on all the relevant products.
- **The Company examined a sensitivity test for a 10% increase in the cancellation rates** of all the products and it was found to be non-material; therefore, it was not presented.

Section 10 - Dividend Distribution Restrictions

The Company's policy is to hold a solid capital base to ensure its solvency and its ability to meet its obligations to policyholders and allow flexibility in its business activities to generate a return for its

shareholders. The Company is subject to the capital requirements and regulation set for dividend distribution. Therefore, according to the letter published by the Commissioner, in October 2017, (hereinafter - the "Letter") an Insurance Company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors; the Company approved a capital management plan which includes capital targets.

In February 2018, the Company's Board of Directors resolved to set a "target capital" for dividend distribution. The target capital is an addition to the equity capital and over and above the solvency capital requirement (SCR). The Company set the target capital at a rate of 115%, which will increase linearly until the end of 2024. Due to the transition to the Transitional Period until 2032, as set out in Section 1C above, in November 2023, the Company's Board of Directors revised the target capital for dividend distribution starting from 2024 onwards, such that it will gradually increase linearly to a rate of 130% at the end of 2032. As of December 31, 2023, the target capital that was set amounted to 114.3% of the total capital requirements.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The ratio is higher than the solvency ratio required by the letter.

Without applying the Transitional Provisions for the Transitional Period, and without adjusting the shares scenario

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Shareholders' equity in respect of SCR	7,042,994	6,616,988
Solvency capital requirement (SCR)	4,473,864	4,578,909
Retained earnings	2,569,130	2,038,079
Economic solvency ratio (in %)	157.4%	144.5%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Raising of capital instruments	-	-
Shareholders' equity in respect of SCR	7,042,994	6,616,988
Surplus	2,569,130	2,038,079
Economic solvency ratio (%)	157.4%	144.5%
Capital surplus after equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report, compared with the Board of Directors' target		
Target of the Board of Directors for the period (in percent)	114.3%	113.6%
Capital surplus over target	1,930,007	1,416,655

Material changes from the previous year:

- For an explanation about changes in the recognized capital, capital requirement, and surplus capital in the Transitional Period, see Section 2A.
- For an explanation about changes in the eligible shareholders' equity see Section 4 above.
- For an explanation about changes in the capital requirements in the Transitional Period, see Section 5.

Date	Yehuda Ben Assayag Chairman of the Board of Directors	Michael Kalman CEO	Shai Kompel Deputy CEO	Ruty Yehudayoff Cohen EVP, Chief Risk Officer
May 29, 2024				

Economic Solvency Ratio Report
Shomera Insurance Company Ltd.
As of December 31, 2023

Table of Contents

Economic Solvency Ratio Report

Shomera Insurance Company Ltd.

As of December 31, 2023

Section 1 - General.....	4
Section 2 - Economic solvency ratio and minimum capital requirement (MCR)	10
Section 3 - Economic Balance Sheet	12
Section 4 - Shareholders equity in respect of SCR	16
Section 5 - Solvency capital requirement (SCR)	17
Section 6 - Minimum capital requirement (MCR).....	18
Section 7 - Effect of the application of the directives for the Transitional Period	19
Section 8 - Changes in Capital Surplus	20
Section 9 - Sensitivity Tests.....	21
Section 10 - Dividend Distribution Restrictions	21

To:

The Board of Directors of Shomera Insurance Company Ltd.

Dear Sir/Madam,

Re: Examination of the Application of Certain Instructions of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-Based Economic Solvency Requirement of Shomera Insurance Company Ltd. (hereinafter - the "Company") as of December 31, 2023

We examined the capital required to maintain the solvency capital requirement (hereinafter - "SCR") and the economic capital of the Company as of December 31, 2023 (hereinafter - the "Information"), included in the Company's Economic Solvency Ratio Report attached hereby (hereinafter - the "Report"). The Company's Board of Directors and management bear the responsibility for the preparation and presentation of the Information drawn up in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") regarding Solvency II-based economic SCR (hereinafter - the "Directives") of an insurance company as included the Commissioner's Circular 2020-1-15 dated October 14, 2020.

The calculations, forecasts and assumptions on which the preparation of the Information was based fall under the responsibility of the Board of Directors and management.

We conducted our examination in accordance with International Standard on Assurance Engagements No. 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's Directives, as included in Appendix B of the Commissioner's Circular 2017-1-20 of December 3 2017, which provides guidance as to audit of Economic Solvency Ratio Report.

Based on the examination of the evidence supporting the calculations, forecasts and assumptions, as referred to below, which were used by the Company's Board of Directors and management in the preparation of the information nothing came to our attention which caused us to believe that the forecasts and assumptions, as a whole, do not constitute a reasonable basis for the information in accordance with the Directives. Furthermore, in our opinion, the information, including the method employed to determine the assumptions and forecasts, were prepared in all material respects in accordance with the Directives, and were also presented in all material respects in accordance with the Directives.

It should be emphasized that the projections and assumptions are based mainly on past experience, as arising from actuarial analyses conducted from time to time. In view of the reforms in the capital market, insurance and savings, and the changes in the economic environment, past data do not necessarily reflect future results. The information is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize differently than the assumptions used in the as a basis for the information. Furthermore, actual results may materially vary from the information, since the combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the information.

We draw attention to Section 1(c)(2) - comments and clarifications in the solvency ratio report, the uncertainty derived from regulatory changes and exposure to contingent liabilities, the effect of which on the solvency ratio cannot be estimated.

Tel Aviv,
May 23, 2024

Kost Forer Gabbay & Kasierer
Certified Public Accountants

Section 1 - General

A. Overview and disclosure requirements

1. Solvency II-based Economic Solvency Regime

The information provided below was calculated in accordance with the provisions of Circular 2020-1-15 of the Commissioner of the Capital Market, Insurance and Savings (hereinafter - the "Commissioner") - "Amendment to the Consolidated Circular concerning Implementation of a Solvency II-Based Economic Solvency Regime for Insurance Companies" (hereinafter - the "Solvency Circular"), was prepared and presented in accordance with Chapter 1, Part 4 Section 5 of the Consolidated Circular as recently revised in Circular 2020-1-17 (hereinafter - the "Disclosure Provisions").

The Solvency Circular sets a standard model for calculating existing shareholders' equity and the solvency capital requirement, aiming to bring insurance companies to a situation where they have the capacity to absorb losses arising from the materialization of unexpected risks to which they are exposed. The solvency ratio is the ratio between an insurance company's existing shareholder's equity and its regulatory solvency capital requirement. The existing shareholders' equity shall be composed of Tier 1 capital and Tier 2 capital. Tier 1 Capital includes shareholders' equity calculated through assessing the value of an insurance company's assets and liabilities in accordance with the circular's provisions, and Additional Tier 1 Capital. Additional Tier 1 capital and Tier 2 capital include equity instruments with loss absorption mechanisms, including Subordinated Tier 2 capital, Hybrid Tier 2 capital and Tier 3 capital, which were issued prior to the circular's effective date. The circular includes restrictions on the composition of shareholders' equity for SCR purposes (see below), such that the rate of components included in Tier 2 Capital shall not exceed 40% of the SCR (during the Transitional Period, as described below - 50% of the SCR in the Transitional Period).

The existing capital should be compared to the capital requirement when there are two levels of capital requirement:

- The capital requirement to maintain an insurance company's solvency (hereinafter - "SCR") is risk-sensitive and is based on a forward-looking calculation of the effect of the various scenarios' materialization, while taking into account the correlation of the various risk factors, based on the application guidance of the New Solvency Regime. This requirement aims to guarantee the precise and timely involvement of the regulatory authorities.
- Minimum capital requirement (hereinafter "MCR" or "Minimum Capital Requirement"). In accordance with the Solvency Circular, the minimum capital requirement shall be equal to the highest of the amount of the minimum Tier 1 capital requirement under the "Requirements of the Previous Capital Regime" and an amount derived from insurance reserves and premiums (as defined in the Solvency Circular), with a floor of 25% and a cap of 45% of the SCR.

The existing capital is calculated using data and models for calculating the economic solvency ratio, which are based, among other things, on forecasts and assumptions that rely mainly on past experience. The calculations performed as part of the economic capital calculation and the economic capital requirement are highly complex.

2. Provisions during the Transitional Period

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

A. Selecting on of the following alternatives:

1. Gradual transition to the capital requirement until 2024 (hereinafter - the "Transitional Period"), such that the capital requirement shall increase gradually by 5% per year, starting with 60% of the SCR up to the full SCR amount. The solvency capital requirement of an insurance company during the Transitional Period, to be calculated based on data as of December 31, 2023 will not fall below 95% of the SCR (as of December 31, 2022 - 90%).
2. Increasing the economic capital by deducting from the insurance reserves an amount calculated in accordance with the Solvency Circular (hereinafter - the "Deduction"). The Deduction will decrease gradually until 2032. (hereinafter - "Deduction during the Transitional Period").

In that context, it should be noted that the Company does not hold liabilities in the life and health insurance segments, and therefore option 2 above becomes redundant, i.e., the Company implements the first option regarding the Transitional Period.

B. Reduced capital requirement, that will increase gradually until the end of 2023, in respect of certain investment types, held by an insurer at each reporting date, until the capital requirement in respect of those investments reaches its full rate.

Forward-looking information

The data contained in this Economic Solvency Ratio Report, including the eligible shareholders' equity and solvency capital requirement are based, among other things, on forecasts, assessments, and estimates of future events, the materialization of which is uncertain and is not under the Company's control, and which should be considered as "forward-looking information" as the term is defined in Section 32A to the Securities Law, 1968. Actual results may differ from the results reflected in this Economic Solvency Ratio Report, if such forecasts, assessments and estimates, either in whole or in part, fail to materialize or materialize in a manner different than anticipated, including, among other things, with respect to actuarial assumptions (including cancellations, expenses, and underwriting income rate), assumptions regarding future management actions, risk-free interest rates, capital market returns, future revenue, and damage in catastrophe scenarios.

3. Disclosure and Reporting Provisions in connection with Economic Solvency Ratio Report

The disclosure provisions stipulate, among other things, that the Economic Solvency Ratio Report will be posted on the Company's website and will be included in the first periodic report published after the calculation date. The Economic Solvency Ratio Report in respect of December 31 of each year shall be audited by the Company's independent auditor, and the semi-annual report shall be reviewed by the independent auditor. In addition, the disclosure provisions include provisions regarding the structure of the Economic Solvency Ratio Report, its approval by the relevant organs in the Company, the requirement that it will be audited by the Company's independent auditor, and the disclosure requirements in respect thereof.

In accordance with the Commissioner's letter to insurance companies' managers of March 14, 2022 regarding "Reporting and Publication of Economic Solvency Ratio Report as of December 31, 2021 and June 30, 2021", an insurance company is required to include, on a gradual basis, information regarding the implementation of sensitivity tests of the economic solvency ratio to various risk factors, which are material for the Company. In addition, as from the Economic Solvency Ratio Report as of December 31, 2022, insurance companies are also required to include quantitative information regarding changes in relation to the economic solvency ratio, that will provide the details of the key causes for changes in the capital surplus compared to the previous year.

B. Definitions

Best estimate	- Expected future cash flows from insurance contracts throughout their term, without conservatism margins and discounted by an adjusted risk-free interest.
Short-term health insurance (non-similar to life techniques - NSLT)	- Health insurance that is conducted similarly to P&C insurance.
Basic solvency capital requirement (BSCR)	- The capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Provisions of the Economic Solvency Regime Directives, without taking into account the capital requirement due to operational risk, and loss absorption adjustment due to deferred tax.
Solvency capital requirement (SCR)	- The total capital requirement from an insurance company to maintain its solvency, calculated in accordance with the Provisions of the Economic Solvency Regime.
Eligible shareholders' equity	- Total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and amortization in accordance with the provisions of Part B of the Solvency Circular.
Basic Tier 1 capital	- Accounting equity plus the change in the excess assets over liabilities stemming from discrepancies between the manner of assessing the value of assets and liabilities as part of the transition to economic balance sheet, net of unrecognized assets and dividend declared subsequent to balance sheet date and until the report publication date.
Additional Tier 1 capital	- Perpetual capital note, non-performing preferred shares, Restricted Tier 1 capital instrument, additional Tier 1 capital instrument.
Tier 2 capital	- Tier 2 capital instruments, Subordinated Tier 2 Capital, Hybrid Tier 2, and Hybrid Tier 3 Capital - valued in accordance with the provisions of Part A of the Appendix to the Solvency Circular.
Effect of diversification of risk-weighted components	- Correlation between the various risks of the model - The greater the diversification between operating segments in the portfolio and the diversification between risks, the greater the effect of the correlation, which reduces the overall risk.
Solvency ratio	- The ratio between the eligible shareholders' equity and the solvency capital requirement of an insurance company.
Stock scenario adjustment	- Reduced capital requirement for certain types of investments that will gradually increase until 2023 when the capital requirement for these investments reaches its full rate.
Economic balance sheet	- The Company's balance sheet when the value of the assets and liabilities is adjusted in accordance with the provisions of Part A in the appendix to the Solvency Circular.
Risk margin (RM)	- An amount in addition to the best estimate which reflects the overall cost of capital that is expected to be required from another insurance company or reinsurer in order to assume the Company's insurance liabilities.
Minimum capital requirement (MCR)	- The minimum capital requirement from an insurance company.
Transitional Period	- As part of the transitional provisions for the implementation of the economic solvency regime, from 2017 to 2024, the solvency capital requirement (SCR) of

the insurance company will increase gradually from 60% in 2017 to full compliance with the solvency capital requirement (100%) in 2024.

UFR - The ultimate forward rate derived from the expected long-term real interest rate and the long-term inflation expectations to which the adjusted interest rate curve converges, in accordance with the Provisions of the Economic Solvency Regime.

The Commissioner - Commissioner of the Capital Market, Insurance and Savings Authority of the Ministry of Finance.

C. Calculation methodology

The Economic Solvency Ratio Report as of December 31, 2023 was calculated and prepared in accordance with the directives for the economic solvency of a Solvency II-based insurance company (hereinafter - the "Directives") as set out in the Solvency Circular. Set forth below are the key points of the provisions:

Economic balance sheet

The economic balance sheet is calculated in accordance with the detailed rules and directives published by the Commissioner, which are based on the European Solvency II rules, with adjustments to reflect the characteristics of the economic environment and products in Israel. The purpose of the rules is to reflect the economic value of the balance sheet items in accordance with the Commissioner's approach. In accordance with the Directives, the insurance liabilities are calculated based on the best estimate of all expected future cash flows from existing businesses, without conservatism margins and plus a risk margin, which represents the addition to the insurance liabilities that is expected to be required from another insurance company to assume the insurance company's insurance liabilities. In accordance with the Directives, the risk margin is calculated using the cost of capital method, at a rate of 6% per year of the expected capital requirement in respect of insurance risks over the life of the existing businesses as described below. The economic balance sheet is prepared based on the Company's separate financial statements and include an investee, which constitutes a real estate arm. The economic balance sheet does not include the economic value of insurance agencies under the insurance company and also attributes zero value to intangible assets and deferred acquisition costs.

Solvency capital requirement (SCR)

The calculation of the solvency capital requirement is based on an assessment of the economic shareholders' equity's exposure to the following risk-weighted components set in the Provisions of the Economic Solvency Regime: property and casualty insurance risks, market risks and counter-party default risks. These risk-weighted components include sub-risk-weighted components with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic shareholders' equity to each sub-risk component is carried out based on a defined scenario set out in

the guidance. The determination of the solvency capital requirement is based on the sum of the capital requirement in respect of the risk-weighted components and risk-weighted sub-components, as stated above, net of the effect of the Company's risk diversification in accordance with the correlations assigned to them under the Directives. The calculation of the solvency capital requirement also includes calculation of the capital requirement for operational risk, net of the loss absorption adjustment due to deferred tax, as detailed by the Provisions of the Economic Solvency Regime.

The loss absorption adjustment with respect to deferred tax assets beyond the balance of the deferred tax reserve as per the economic balance sheet is limited to 5% of the basic solvency capital requirement (BSCR), provided that the following conditions are met:

- The insurance company is able to demonstrate to the Commissioner that it is probable that it will have future taxable income against which the tax assets may be utilized.
- Future income will arise only from property and casualty insurance or from Not Similar to Life Techniques (NSLT) health insurance.

The capital requirement in respect of each of the risks are calculated in accordance with the Company's exposures to that risk, taking into account the parameters set in the Directives. In accordance with the Directives, the amount of shareholders' equity requirement represents the scope of equity that will allow the insurance company to absorb unexpected losses in the forthcoming year and meet its obligations to policyholders and beneficiaries on time, with a 99.5% certainty level.

It should be emphasized that the results of the models used in the calculation of the eligible shareholders' equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions included therein, as well as to the manner by which the Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.

D. Comments and clarifications

1. General

The Economic Solvency Ratio Report includes, among other things, forecasts based on assumptions and parameters based on past experience, as they arise from actuarial studies conducted from time to time, and on Company's assessments regarding the future, to the extent that it has relevant and concrete information which can be relied upon. The information and studies are similar to those used as the basis for the Company's annual report as of as of December 31, 2023. In addition, any information or studies obtained or completed after the publication date of the parent company's annual report were not taken into account.

This Solvency Ratio Report was prepared based on the conditions and the best estimate as they were known to the Company on the publication date of the annual report as of December 31, 2023. It should be emphasized that in view of the reforms in the capital, insurance and savings market and the changes in the economic environment, past data are not necessarily indicative of future results, and the Company is unable to accurately assess the effect of the reform and the changes.

The calculation is sometimes based on assumptions regarding future events and steps taken by management, that will not necessarily materialize or will materialize in a manner different than the assumptions to be used in the calculation. Furthermore, actual results may materially vary from the calculation, since combined scenarios of events may materialize in a manner that is materially different than the assumptions made in the calculation.

The model, in its present form, is highly sensitive to changes in market variable and other variables; therefore, the status of capital reflected therefrom may be very volatile.

2. Future effects of legislation and regulatory measures known as of the report's publication date and exposure to contingent liabilities

- a) In recent years the field of insurance has been subject to frequent changes in relevant legislation and frequent regulatory directives. See Section 4.1 in Chapter A (Description of the Corporation's Business) in the 2023 Periodic Report, and in Section 4 "Minimum Capital Required from Insurer" to the Report of the Board of Directors for the period ended December 31, 2023. Legislation and regulatory measures affect the Company's profitability and its cash flows and consequently - its economic solvency ratio.

The calculation of the solvency ratio does not reflect all potential effects of the aforesaid legislation and regulatory measures and of other developments that are not yet reflected in practice in the data; this is since to date the Company is unable to assess their entire effect on its business results and solvency ratio.

- b) In accordance with the Solvency Circular, the value of contingent liabilities in the economic balance sheet is determined based on their value in the accounting balance sheet in accordance with the provisions of IAS 37; this measurement does not reflect their economic value. It is impossible to assess the effect of the uncertainty arising from the exposure to contingent liabilities described in Note 31 to the Consolidated Financial Statements as of December 31, 2023, including the effect of such an exposure on the Company's future profitability and solvency ratio.

Section 2 - Economic solvency ratio and minimum capital requirement (MCR)

A Economic solvency ratio and minimum capital requirement (MCR)

	<u>As of December 31, 2023</u>	<u>As of December 31, 2022</u>
	<u>Audited^(*)</u>	
	<u>NIS thousand</u>	
Shareholders equity in respect of SCR - see Section 4 (in NIS thousand)	627,488	629,276
Solvency capital requirement (SCR) - see Section 5 (in NIS thousand)	438,908	420,253
Surplus (in NIS thousand)	188,580	209,023
Economic solvency ratio (in %)	143.0%	149.7%

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

Following are the main changes in the economic solvency ratio compared to December 31, 2022:

Reinsurance transaction in respect of contingent claims in the compulsory motor subsegment

In June 2023, the Company and Menora Mivtachim Insurance Ltd. (a sister company) entered into a transaction in which the Company purchased reinsurance in respect of contingent claims (retention) in the compulsory motor subsegment, for the underwriting years 2011 to 2021 in effect as of December 31, 2022. The transaction contributed to a material reduction in the Company’s insurance capital requirements, which is reflected in a substantial increase in capital surplus. For further details, See Note 33 to the Consolidated Financial Statements as of December 31, 2023.

Dividend distributed subsequent to the balance sheet date

In March 2024, the Company Board of Directors approved a dividend distribution of NIS 50 million. In accordance with the Solvency Circular Directives, dividends distributed subsequent to the balance sheet date and up to the Report publication date are deducted from the Company’s eligible capital.

Business activity

- An increase in underwriting income had a positive effect on capital surplus. On the other hand, an increase in the premiums anticipated in the motor property subsegment and the reserves of the compulsory motor subsegment for underwriting years that were not transferred as part of the LPT transaction as abovementioned, increased the insurance capital requirements and offset the positive effect of the income. Furthermore, during the year, the Company acquired 60% of the shares of Ishai Agencies Ltd. (hereinafter: Ishai Agencies). The acquisition led to a decrease in eligible capital due to write-off of the intangible assets in the Company's economic value in accordance with the Solvency Directives. These aggregate effects had an overall negative impact on the capital surplus.
- Material positive effect on capital surplus, mainly due to the increase in real returns.

Implication of the Iron Swords War – the ramifications of the war at this stage are immaterial.

On the financial level, the Iron Swords War triggered slumps in capital markets in Israel (in share prices) and in bonds, which moderated in November 2023 and even changed course to hikes during December 2023. Thus, as of the Report approval date, the effect of the changes in the capital market due to the War on the profitability of the Company's investments portfolio, on the insurance liability and the capital requirements is immaterial. As this involves an ongoing incident characterized by a considerable degree of uncertainty, and as of the Report approval date the Company has no information concerning its duration, intensity and impact on the economy, the Company is unable to reliably evaluate the full future impact of the War on the Company's economic solvency ratio.

Material changes subsequent to the calculation date

In March 2024 an amendment was approved by the Knesset plenum to the Value Added Tax Ordinance (Tax Rate for Non-Profit Organizations and Financial Institutions), 2024 (hereinafter - the "Ordinance"), which prescribes that as from January 1, 2025 the rate of payroll tax applicable to financial institutions will stand at 18% of the wage paid for work, and the profit tax shall stand at 18% of the profit generated. The change did not apply to the calculation of the economic solvency ratio for 2023 and is not forecast to have a material effect on the Company's capital surplus.

For details regarding the economic solvency ratio without applying the Transitional Provisions for the Transitional Period, and without adjusting the stock scenario, and regarding the target economic solvency ratio and restrictions applicable to the Company in connection with dividend distribution, see Section 10.

B Minimum capital requirement (MCR)

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Minimum capital requirement (MCR) - see Section 6.A.	138,093	165,648
Shareholders' equity for MCR - see Section 6B	627,488	629,276

Section 3 - Economic Balance Sheet

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter dealing with measurement of assets and liabilities for financial statements purposes. In the Consolidated Circular (Chapter 1, Part 2 of Section 5) (hereinafter - the "Measurement Chapter in the Consolidated Circular), except for items for which it was provided otherwise in the Provisions of the Economic Solvency Regime, as follows:

Information about the economic balance sheet	As of December 31, 2023		As of December 31, 2022	
	Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
	Audited			
	NIS thousand			
Assets:				
Intangible assets (2)	1,708	-	1,809	-
Deferred acquisition costs (3)	98,879	-	89,426	-
Property, plant & equipment	37,698	37,698	38,431	38,431
Other investees	69,879	25,747	64,186	38,570
Total investments in investees that are not insurance companies	69,879	25,747	64,186	38,570
Investment property	22,739	22,739	10,863	10,863
Reinsurance assets	943,342	838,831	571,637	492,926
Receivables and debit balances	379,862	379,862	321,420	321,420
Financial investments:				
Liquid debt assets	786,330	786,330	648,621	648,621
Illiquid debt assets (5)	643,228	628,549	672,506	656,530
Shares	130,082	130,082	140,502	140,502
Other	337,522	337,522	299,471	299,471
Total financial investments	1,897,162	1,882,483	1,761,100	1,745,124
Other cash and cash equivalents	246,867	246,867	184,709	184,709
Total assets	3,698,136	3,434,227	3,043,581	2,832,043
EQUITY				
Basic Tier 1 capital	661,928	678,672	584,010	630,252
Total equity (1)	661,928	678,672	584,010	630,252
Liabilities:				
Total liabilities in respect of insurance contracts (1)	2,105,757	1,788,495	2,009,578	1,686,260
Risk margin (RM) (6)	-	61,044	-	68,471
Liabilities in respect of deferred taxes, net	10,435	42,061	6,991	38,667
Payables and credit balances	73,581	73,581	67,536	67,536
Financial liabilities	1,903	1,903	9,828	9,828
Other liabilities	844,532	788,471	365,638	331,029
Total liabilities	3,036,208	2,755,555	2,459,571	2,201,791
Total equity and liabilities	3,698,136	3,434,227	3,043,581	2,832,043

A. Information about the economic balance sheet

The fair value of assets and liabilities in the economic balance sheet was calculated in accordance with the provisions included in the chapter dealing with measurement of assets and liabilities for financial statements purposes in the Consolidated Circular (Code of Regulations), except for items for which other provisions apply as per the Solvency Circular, as follows:

(1) Liabilities in respect of insurance contracts

Liabilities in respect of insurance contracts are calculated in accordance with Part A Chapter 4 of the Solvency Circular based on a best estimate (hereinafter - "BE" or "Best Estimate") on the basis of assumptions that are mainly a result of projecting to the future existing experience relating to past events, within the environment in which the Company operates, and without conservatism factors. In addition, in accordance the part referring to BE in the "Commissioner's Position - Best Practice for Calculation of Insurance Reserves in Property and Casualty Insurance for Financial Reporting Purposes", it is likely that the actual cash flows will vary to some extent from the estimates made on a "best estimate" basis. For further details, See Note 14 to the Consolidated Financial Statements as of December 31, 2023.

Limitations and qualifications with regard to calculation of the best estimate

Generally, the underlying assumptions of the models were formulated mainly on the basis of studies and analyses which are based on Company's experience over the past few years, which did not include extreme events. Although there is low probability that extreme events will occur, the Company is unable to estimate this probability or the extent of the effect of those events. Accordingly, such events were not taken into account in the determination of the models' underlying assumptions.

Assumptions underlying the insurance liabilities calculation - manner of determining the assumptions

The calculation's underlying assumptions were set in accordance with the Company's best estimates of relevant operational factors and reflect the Company's expectations as to the future in respect of these factors. The operational assumptions (general and administrative expenses) were calculated in accordance with the results of the Company's internal pricing model applied to expenses relating to the relevant insurance liabilities, including: allocation of expenses to the different segments and activities (issuance, current management, investments, claims management, etc.) and assumptions regarding their future development (in accordance with the CPI, scope of premiums, assets under management, etc.).

Set forth below are the key assumptions on which the Company relied in the calculations:

a) Economic assumptions

Discount rate - risk-free interest rate curve based on the yield to maturity of bonds of the Government of Israel ("risk-free interest"), with convergence in the long-term to a fixed rate of 2.6% (UFR) plus a margin (VA) - all as set by the Commissioner.

b) Assumptions underlying property and casualty insurance

The cost of claims in respect of future damages and damages that had already occurred but claims for which have not yet been paid, were estimated based on the Company's past experience in the different subsegments in connection with the rate of claims, the amounts of claims, and the rate of payment of claims in the different insurance subsegments.

The cost of claims in the different subsegments is based on an assessment of the reserves that were recorded in the consolidated financial statements as of December 31, 2023, minus the risk margins and other non-specific margins.

(2) Intangible assets

In accordance with principles set in the Solvency Circular - Part A Chapter 2 Appendix A, an insurance company shall assess the value of intangible assets (including goodwill) at zero.

(3) Deferred acquisition costs

In accordance with principles set in the Solvency Circular - Part A Chapter 4, Appendix C, Sub-Appendix 3, the deferred acquisition costs are taken into account in the best estimate calculation.

(4) Investment in investees that are not insurance companies

In accordance with Part A Chapter 2 Appendix B, the calculation was carried out using the adjusted equity method, in accordance with the circular on investees which are not insurance companies. In accordance with this method, the Company's stake in investees was included based on its relative share in the excess of their assets over their liabilities, calculated in accordance with the economic value of the assets and liabilities in accordance with the circular's provisions. In investees where the economic balance sheet reflects an excess of liabilities over assets, the value of the investment will be zero rather than a negative amount, when its value in the accounting balance sheet is a positive amount. The economic value of the investees does not include the profits implicit in those companies.

(5) Illiquid debt assets

In accordance with Part A, Chapter 1, the fair value of non-marketable debt assets is calculated on the basis of a discounted cash flow model; the discount rates are determined by a company providing price and interest rate quotes for institutional entities.

(6) Liabilities in respect of deferred taxes, net

In accordance with Part A Chapter 2 Appendix C, the calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet and the value attributed to those assets and liabilities for tax purposes, in accordance with the recognition, measurement and presentation provisions of IAS 12. Deferred tax assets may be recognized only if the Company shall meet the criteria included in the Solvency Circular, in addition to the criteria included in the above-mentioned accounting standard.

(7) Other liabilities

In accordance with Part A Chapter 1, some of the balances in this item were calculated in accordance with the general principles regarding the economic balance sheet.

B. Composition of liabilities in respect of insurance contracts

	As of December 31, 2023		
	Best estimate (BE) of liabilities		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Retention</u>
	<u>Audited</u>		
	<u>NIS thousand</u>		
Liabilities in respect of insurance contracts:			
NSLT property & casualty insurance and health insurance contracts	1,788,495	838,831)*	949,664
Total liabilities in respect of insurance contracts	<u>1,788,495</u>	<u>838,831</u>	<u>949,664</u>

*) For further details, see Section 2A above.

	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	<u>Gross</u>	<u>Reinsurance</u>	<u>Retention</u>
	<u>Audited</u>		
	<u>NIS thousand</u>		
Liabilities in respect of insurance contracts:			
NSLT property & casualty insurance and health insurance contracts	1,686,260	492,926	1,193,334
Total liabilities in respect of insurance contracts	<u>1,686,260</u>	<u>492,926</u>	<u>1,193,334</u>

Material changes compared with comparative figures in a previous period:

The increase in gross liabilities in the reporting period arises mainly from an increase in production.

Most of the decrease in the amount of insurance liabilities (retention) arises from a reinsurance transaction between the Company and a sister company, as part of which the Company transferred all of the risks arising from contingent claims (reserves) (retention) in the compulsory motor subsegment for the 2011-2021 underwriting years. For further details, see Section 2 and Note 1 to the Consolidated Financial Statements as of December 31, 2023.

Section 4 - Shareholders equity in respect of SCR

A. Shareholders' equity in respect of SCR

	As of December 31, 2023			
	Tier 1 capital		Tier 2 capital	Total
	Basic Tier 1 capital	Additional		
	Audited			
NIS thousand				
Shareholders' equity	678,672	-	-	678,672
Deductions from Tier 1 capital (a)	(51,184)	-	-	(51,184)
Shareholders' equity in respect of SCR (d)	627,488	-	-	627,488

	As of December 31, 2022			
	Tier 1 capital		Tier 2 capital	Total
	Basic Tier 1 capital	Additional		
	Audited			
NIS thousand				
Shareholders' equity	630,252	-	-	630,252
Deductions from Tier 1 capital (a)	(976)	-	-	(976)
Shareholders' equity in respect of SCR (b)	629,276	-	-	629,276

(a) Deductions from Tier 1 capital - Amounts deducted from Tier 1 capital - in accordance with the definitions of "Basic Tier 1 capital" in Appendix B, Chapter 2, Part 2 of Section 5 in the Consolidated Circular - "Economic Solvency Regime" (hereinafter - the "Economic Solvency Regime Appendix"), these deductions include the amount of assets held against liabilities in respect of non-yield dependent insurance contracts in breach of the Investment Rules Regulations, amount invested by the Company in buyback of ordinary shares, and the amount of dividend declared subsequent to the report date and through the publication date of the report for the first time. **As stated in Section 2 above, the Company distributed a NIS 50 million dividend in March 2024.**

(b) Composition of shareholders equity in respect of SCR

	As of December 31, 2023	As of December 31, 2022
	Audited	
NIS thousand		
Tier 1 capital:		
Basic Tier 1 capital	627,488	629,276
Total Tier 1 capital	627,488	629,276
Total shareholders' equity in respect of SCR	627,488	629,276

The main changes in shareholders' equity for the purpose of the solvency capital requirement stemmed

from the positive impact of the increase in returns in the financial portfolio, and from underwriting income in the insurance portfolio, which were almost entirely offset following the dividend distribution subsequent to the balance sheet date and the acquisition of Ishai Agencies commencing from July 2023 (for further details see Note 7 in the Consolidated Financial Statements for December 31, 2023).

For details about shareholders' equity for purposes of solvency capital requirement without applying the Transitional Provisions to the Transitional Period and without applying a stock scenario adjustment, see Section 7 - "Effect of Application of Directives for the Transitional Period", below.

Section 5 - Solvency capital requirement (SCR)

A Solvency capital requirement (SCR)

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Basic solvency capital requirement (BSCR)		
Capital requirement in respect of market risk component (*)	248,846	226,623
Capital requirement in respect of counterparty risk component	45,665	45,753
Capital requirement in respect of underwriting risk component in health insurance (SLT+NSLT)	17,582	152
Capital requirement in respect of underwriting risk component in P&C insurance	314,248	341,286
Total	626,341	613,814
Effect of diversification of risk-weighted components	(152,220)	(134,838)
Total basic solvency capital requirement (BSCR)	474,121	478,976
Capital requirement in respect of operational risk	53,656	50,588
Loss absorption adjustment due to deferred tax asset (minus)	(65,768)	(62,616)
Total solvency capital requirement (SCR), taking into account the stock scenario adjustment	462,009	466,949
The rate of solvency capital requirement in the Transitional Period of SCR (in percentages)	95%	90%
Total solvency capital requirement (SCR)	438,908	420,253

*) With a stock scenario adjustment for 2022 alone, as this relief ended in the calculation for the end of 2023 as abovementioned.

B Key changes in solvency capital requirement compared to December 31, 2022:

The reinsurance transaction described above contributed to a material reduction in the Company's insurance capital requirements and improved the effect of the diversification of the portfolio's risks. The increase in health risks arises from the revision of operating subsegment classification. The increase in market risks arises from a slight increase in the internal exposure mix in the equity risk, from positive returns and also from the expiry of the relief of the stock scenario as part of the Transitional Provisions.

For details about shareholders' equity for purposes of solvency capital requirement without applying the

Provisions for the Transitional Period to the Transitional Period and without applying a stock scenario adjustment, see Section 10 - "Effect of Application of Directives for the Transitional Period", below.

Section 6 - Minimum capital requirement (MCR)

A. Minimum capital requirement (MCR)	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
MCR based on the formula (MCR linear)	138,093	165,648
Lower band (25% of solvency capital requirement in the Transitional Period)	109,727	105,063
Upper band (45% of solvency capital requirement in the Transitional Period)	197,509	189,114
MCR	<u>138,093</u>	<u>165,648</u>

Shareholders' equity for MCR	As of December 31, 2023			As of December 31, 2022		
	Tier 1 capital	Tier 2 capital	Total	Tier 1 capital	Tier 2 capital	Total
	Audited			Audited		
	NIS thousand			NIS thousand		
Shareholders' equity in respect of SCR according to Section 4	627,488	-	627,488	629,276	-	629,276
Shareholders' equity for MCR	627,488	-	627,488	629,276	-	629,276

*) In accordance with the provisions of Chapter 3 in Part B2 to the Economic Solvency Regime Appendix, Tier 2 capital shall not exceed 20% of MCR.

Section 7 - Effect of the application of the directives for the Transitional Period

As of December 31, 2023

Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of stock scenario adjustment	Effect of a gradual increase in the solvency capital requirement in the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
NIS thousand				
Total insurance liabilities, including risk margin (RM)	1,849,539	-	-	1,849,539
Basic Tier 1 capital	627,488	-	-	627,488
Shareholders' equity in respect of SCR	627,488	-	-	627,488
Solvency capital requirement (SCR)	438,908	-	(23,101)	462,009

As of December 31, 2022

Effect of the application of the directives for the Transitional Period	Including applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	Effect of stock scenario adjustment	Effect of a gradual increase in the solvency capital requirement in the Transitional Period	Excluding applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario
NIS thousand				
Total insurance liabilities, including risk margin (RM)	1,754,731	-	-	1,754,731
Basic Tier 1 capital	629,276	-	-	629,276
Shareholders' equity in respect of SCR	629,276	-	-	629,276
Solvency capital requirement (SCR)	420,253	(9,027)	(46,695)	475,975

Section 8 - Changes in Capital Surplus

	Shareholders' equity in respect of SCR	Solvency capital requirement (SCR)	Excess capital
	NIS thousand	NIS thousand	NIS thousand
As at January 1, 2023	629,276	420,253	209,022
Adjusting the Transitional Provisions for the Transitional Period and adjusting the stock scenario (in the negative)	-	55,722	(55,722)
As of January 1, 2023, excluding applying the transitional Provisions for the Transitional Period and adjusting the stock scenario	629,277	475,975	153,300
The effect of operating activities (a)	(13,605)	(51,409)	37,804
Effect of economic activity (b)	65,211	40,832	24,379
Effect of dividend declared (c)	(50,000)	-	(50,000)
Effect of changes in deferred tax	(3,394)	(3,394)	-
As of December 31, 2023, total without applying the Transitional Provisions for the Transitional Period and adjusting the stock scenario	627,489	462,005	165,485
Effect of the Transitional Provisions for the Transitional Period and adjusting the stock scenario	-	(23,100)	23,100
As of December 31, 2023	627,489	438,904	188,585

A. This section includes the effect of:

- New insurance contracts (P&C Insurance and NSLT health insurance) signed in the reporting year, and insurance portfolios in those subsegments, purchased or sold in the reporting year.
- Investment in investees.
- The LPT Transaction.
- Other changes not included in the other line items.

B. This section includes the effect of the current operating activity, including:

- Changes in the value of investment assets.
- Changes in capital requirement in respect of market risk component, including change in the symmetric adjustment component (SA).
- Effect of inflation.
- Effect of changes in the risk-free interest rate curve on solvency.

C. This item includes the effect of the NIS 50 million dividend that was announced subsequent to the balance sheet date as stated in Section 1 above.

Section 9 - Sensitivity Tests

The Company conducted an estimate of the sensitivity to a 25% decrease in the value of equity assets. In addition, the Company examined a scenario of a 0.5% change in the interest rate curves, and this scenario was found to be immaterial for the Company. Below is the sensitivity test that was found to be material:

	<u>As of December 31, 2023</u>
	Effect on the economic solvency ratio (in %)
A 25% decrease in the value of equity assets ⁽¹⁾	<u>(17.2%)</u>

Section 10 - Dividend Distribution Restrictions

The Company's policy is to hold a solid capital base to ensure its solvency and its ability to meet its obligations to policyholders and allow flexibility in its business activities to generate a return for its shareholders. The Company is subject to the capital requirements and regulation set for dividend distribution. Therefore, according to the letter published by the Commissioner, in October 2017, (hereinafter - the "Letter") an Insurance Company shall be entitled to distribute a dividend only if, following the distribution, the company has a solvency ratio (according to the Solvency Circular) of at least 100%, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors; the Company approved a capital management plan which includes capital adequacy targets.

Solvency ratio target set by the Board of Directors

In March 2018, the Company's Board of Directors set an annual capital target of 102%, where the "buffer" increases by approx. 0.86% every year, up to 108% at the end of 2024. In October 2020, the Company revised the capital target for the purpose of dividend distribution to 110%. In June 2021, the Company once again revised the capital target for the purpose of dividend distribution, such that it will increase gradually to 113% at the end of the adjustment period in 2024, instead of 110%.

The following are data on the Company's economic solvency ratio, calculated without taking into account the Transitional Provisions and subject to the solvency ratio target set by the Company's Board of Directors. The ratio is higher than the solvency ratio required by the letter.

¹All shares accounted for in the shares sub-risk component. In addition, the calculation includes adjustment of the symmetric adjustment (SA) component.

	As of December 31, 2023	As of December 31, 2022
	Audited	
	NIS thousand	
Without applying the Transitional Provisions for the Transitional Period, and without adjusting the shares scenario		
Shareholders' equity in respect of SCR (in NIS thousand)	627,488	629,276
Solvency capital requirement (SCR) (in NIS thousand)	462,009	475,975
Surplus (in NIS thousand)	165,479	153,301
Economic solvency ratio (in %)	135.8%	132.2%
Effect of material equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report		
Shareholders' equity in respect of SCR	627,488	629,276
Surplus	165,479	153,301
Economic solvency ratio (%)	135.8%	132.2%
Capital surplus after equity transactions taken in the period between the calculation date and the publication date of the Solvency Ratio Report, compared with the Board of Directors' target		
Target of the Board of Directors for the period (in percent)	110.9%	108.8%
Excess capital over target (in NIS thousand)	115,186	111,551

Material changes compared with December 31, 2022:

- For an explanation regarding changes in key items in the eligible capital compared to last year's comparative figure, see Section 2A.
For an explanation regarding changes in key items in the solvency capital requirement compared to last year's comparative figures, see Section 2A and 5B.

May 23, 2024

Approval date
of the report

Ari Kalman,
Chairman of the
Board of Directors

Dani Izhaki,
CEO

Ruty Yehudayoff
Cohen,
Chief Risk Officer