AIG Israel Insurance Company Ltd

Interim Financial Report

(Unaudited)

As of March 31, 2025

Contents

Directors' report
AIG Israel Insurance Company Ltd ("the Company")
for the period ended March 31, 2025

The directors' report on the business of the Company as of March 31, 2025 ("**the directors' report**"), reviews the Company and developments in its business in the first quarter of 2025 ("**the reported period**"). The information in this report is as of March 31, 2025 ("**the date of report**") unless otherwise is indicated explicitly.

The Company is an "insurer" as this term is defined in the Supervision of Financial Services Law (Insurance), 1981. Therefore, this report is prepared in accordance with the provisions of the Reports to the Public chapter of the Regulation Codex published by the Commissioner of the Capital Markets, Insurance and Savings Authority in the Israel Ministry of Finance ("the **Commissioner of Insurance**", "**the Commissioner**" and "**the Authority**", respectively). This directors' report was prepared assuming that the user is also holding the Company's 2024 periodic report.

The financial information in this report is in reported amounts. All financial information is in thousand NIS unless otherwise is indicated.

The business of the Company is in fields that require considerable professional knowhow that involves many professional terms that are essential for understanding the business of the Company. To present a description of the corporation that is as clear as possible, those professional terms are used along with an explanation, to the extent possible.

This directors' report is an integral part of the interim financial statements, including all its parts and should be read as one unit.

Forward looking information

This chapter in the periodic report, describing the Company, the development of its business and its fields of operations may contain forward-looking information, as this term is defined in the Israel Securities Law, 1968 ("the Securities Law"). Forward looking information is uncertain information about the future, based on the information available to the Company on report date and includes the subjective assessment of management based on assumptions and estimates of the Company and/or its intentions as of the date of this report. Providing such information is not a commitment for accuracy or completeness, and actual activity and/or results of the Company may be different than those presented in the forward-looking information presented in this report. It is possible in certain cases to detect passages that contain forward looking information by the use of words such as: "the Company assesses", "the Company believes", "it is the intention of the Company", etc., but it is possible to see such information presented using other language or it may be specifically indicated that as a forward-looking information.

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1. Condensed description of the Company:

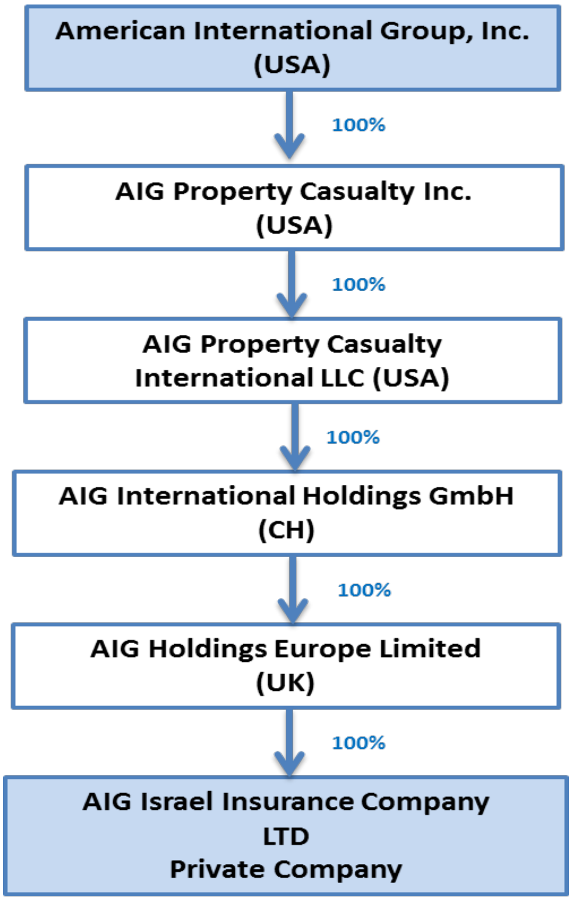
1.1 Organizational structure

AIG Israel Insurance Company Ltd ("**the Company**") was incorporated in Israel on March 27, 1996, as a private limited liability company. The Company began its insurance activity in May 1997. The company does not hold any subsidiaries or related companies. The Company has no activity outside of Israel through branches and associates.

The ultimate parent of the Company is American International Group Inc. (hereinafter: "**the global AIG corporation**", "**AIG**"). The global AIG Corporation is a leading global insurance and financial services corporation, rated BBB+ according to Standard & Poor's (S&P).

The sole shareholder of the Company is AIG Holdings Europe Limited ("**AHEL**"), which holds the entire issued share capital of the Company and which is a company in the global AIG corporation.

The following is the undated holding structure of the Company:



The Company was granted licenses by the Commissioner to practice as an insurer in general insurance and life insurance as follows: motor vehicle insurance, compulsory motor vehicle insurance, comprehensive home insurance, health insurance (personal injury, serious illness, and travel insurance), commercial insurance (property loss, business comprehensive insurance, engineering insurance, employers' liability insurance, third-party liability insurance and product liability insurance), cargo in transit insurance, other risk insurance (limited to crime and fraud damages), comprehensive life insurance (risk only), and foreign business insurance for different insurance types.

The Company is operating in three business divisions (vehicle and home insurance, life and health insurance and commercial insurance), headquarters, and private customers division.

The Company is marketing and selling retail insurance policies directly to customers (without insurance agents) through call centers and digitally. Customers are being serviced mainly through a central service call center. Most business of the Company in commercial insurance, and some of the retail insurance business, is done through mediation of insurance agents. As a result of the above marketing methods, the organizational structure of the Company is based on activity through a head office in Petach Tikva.

1.2 Areas of activity

The Company mostly provides coverage to individual customers. The main business areas of the Company are as follows:

- General insurance: property vehicle insurance
- General insurance: compulsory vehicle insurance
- General insurance: home insurance
- General insurance: commercial insurance
- Health insurance: health insurance
- Life insurance: Life insurance, risk only

2. Description of business environment:

General

In accordance with data published by the Capital Market Insurance and Savings Authority ("**the Authority**"), there are more than 15 Israeli insurance companies currently active in Israel; most of these companies are engaged in general insurance. In accordance with these data, as of September 30, 2024, insurance fees from the general insurance business amounted to NIS 27,102 million; the share of the 5 largest insurance companies – Harel, Phoenix, Clal, Menorah and Direct Insurance was a total of NIS 15,689 million, or 58% of the total premiums in the Israeli general insurance sectors.

For further details regarding the competition in the different lines of business of the company and regarding the measures taken by the company to face competition in this competitive market, see Sections 2.1.2, 2.2.2, 2.3.2, 2.4.2, 2.5.2 and 2.6.2 in Chapter A (description of company's business) in the Company's 2024 periodic report.

Event or matter outside the ordinary course of the Company's business

1. "Swords of Iron" War

   The "Swords of Iron" war commenced on October 7, 2023, as a result of a surprise attack initiated by terrorist organizations from the Gaza Strip against the State of Israel ("War Event"). The War event had no material effect on the results of the Company in the reported period.

   For additional information on the effects of the War Event in 2024 and the related actions taken by the Company, see Section 1 (c) of the financial statements for 2024.

2. Transaction with interested parties

On May 27, 2025, the Board of Directors of the Company (following the Audit Committee's approval) approved a service agreement between the Company and another company in the AIG Global Corporation. According to the agreement, commencing on January 1, 2025, the Company will pay for insurance and operational services received from the AIG Global Corporation, including: support of profit centers, strategic management services, risk management and strategy guidance, reinsurance management services, marketing and communications support services, administrative services, finance and accounting support services, HR support services, operation and systems (IT) support services, and claims support services. The consideration payable by the Company for the services will be determined based on the model for the allocation of costs between the companies in the AIG Global Corporation that receive those services. The agreement will be submitted to the Commissioner of the Capital Market for approval. The implications of the agreement are material to the Company and an appropriate provision was created in the reported period. In the assessment of the Company, the charges for 2025 are expected to amount to NIS 40 million. The financial statements of the Company for the first quarter of 2025 include a proportionate provision for the reported period.

Developments in the Company's macroeconomic environment

Throughout the first quarter of 2025 and up to the date of this report, the Israeli economy continued to face significant economic challenges, primarily the ongoing War Event and the United States' announcement in April 2025 regarding the imposition of import tariffs, including on exports from Israel. Nevertheless, stability was maintained in certain areas.

While a ceasefire in the Gaza conflict commenced in January 2025, Israeli military operations in Gaza resumed in March 2025, alongside ongoing military activity in other regions, raising concerns about a potential escalation in the security situation and an intensification of the hostilities. Consequently, the geopolitical and economic uncertainty persists.

After reducing the interest by 0.25% in January 2024, the Bank of Israel decided on several occasions to maintain the interest rate at 4.5%.

During the reported period, a shift occurred in the United States' customs policy, leading to heightened tensions, primarily between the U.S. and China and the European Union, regarding mutual trade. As part of this development, the U.S. significantly increased tariff rates on the majority of its imported goods, with the tariff levels varying by country. In response, other countries announced the imposition of tariffs on imports from the U.S. and/or an increase in their rates. However, following these reciprocal tariff announcements, the U.S. declared a suspension of certain tariffs and has engaged in, and continues to conduct, negotiations with various countries aimed at reducing tariff rates. The inconsistency and sharp changes in the U.S.'s customs policy were a primary contributor to the high volatility that characterized global capital markets during the reported period.

According to the most recent forecast of the Bank of Israel[1], GDP growth is expected to reach 3.5% in 2025 and 4% in 2026. In the twelve-month period from March 2024 to March 2025, the Consumer Price Index increased by 3.3%.[2] According to the Bank of Israel's forecast, the inflation rate will reach 2.5% in the four quarters ending in the first quarter of 2026, 2.6% in the year 2025 and 2.2% in the year 2026. The Bank of Israel further anticipates that the average interest rate in the first quarter of 2026 will be 4%. This forecast reflects a gradual decrease in the interest rate from its current level, aimed at supporting the convergence of inflation towards the target, while adjusting aggregate demand to the supply that is expected to recover gradually. The Bank of Israel cautions against higher-than-usual uncertainty stemming from a potential expansion of the fighting and the global trade war. Consequently, the balance of risks for inflation leans upward, and for growth, downward. The Bank notes a risk of impediment of the economic activity and a depreciation of the shekel, as well as a potential negative impact from socio-political tensions within Israel. Nevertheless, Israel possesses relative strengths, particularly in the export of advanced services.

In March 2025, the international rating agency, Fitch, announced the affirmation of Israel's credit rating at 'A' with a negative outlook. In May 2025, the international rating agency, S&P, affirmed Israel's credit rating at 'A' with a negative outlook.

[1] The macroeconomic forecast of the Bank of Israel's Research Division from May 2025 (published on May 12, 2025).

[2] The Central Bureau of Statistics, press release dated April 15, 2025.

During the first quarter of 2025, the shekel depreciated by 2% in relation to the dollar and by 6% in relation to the Euro. Additionally, the shekel depreciated by 3.7% in relation to the currencies of Israel's main trading partners, as weighted by the nominal effective exchange rate index. Since the beginning of the year, the dollar depreciated in relation to most major global currencies, partly due to the uncertainty surrounding the United States' customs policy. Among others, the dollar depreciated by 4.6% in relation to the Japanese Yen and by 3.8% in relation to the Euro[3].

The Company invests a significant portion of its investment portfolio in the capital market; therefore, the capital market yields in the various channels have a material effect on the profit of the Company. The following are data on the changes in the marketable securities indexes in the Tel Aviv Stock Exchange Ltd.:

	Jan-March 2025	Jan-March 2024	2024
Government bonds indexes			
General government bonds	0.3%	(0.5%)	2.7%
Linked government bonds	(0.6%)	(0.5%)	2.3%
NIS government bonds	0.9%)	(0.5%)	3.0%
Corporate bonds indexes			
Tel Bond 60	0.3%	1.6%	5.9%
Tel Bond NIS	0.4%	1.1%	6.1%
Share indexes			
Tel-Aviv 125	0.8%	8.3%	28.6%
S&P 500	(4.6%)	10.2%	23.3%

During the first quarter of 2025, against the backdrop of the ceasefire in Gaza, the Israeli capital market exhibited price gains and excess returns relative to global capital markets. However, following Israel's resuming of military operations in Gaza, price drops were recorded across all leading indices on the Israeli exchange, along with underperformance compared to global capital markets. Concurrently, the U.S. capital markets were characterized by high volatility due to concerns regarding the implications of the customs policies implemented by the U.S. administration, elevated inflation, and economic downturn. Consequently, negative trends were recorded in the leading U.S. equity indices in the quarter.

For information regarding the composition of the Company's investments see financial investment asset list in note 6 to the condensed interim financial information.

For information on general trends in the insurance sector and their effect on company's business, see Section 4.3 in Chapter A (description of company's business) in the Company's 2024 periodic report.

3 Bank of Israel, Foreign Exchange Market Trading in the First Quarter of 2025 (press release dated May 5, 2025).

The impact of new laws, regulations and directives on the business of the Company in the reported period and financial statements information

The following is a summary of major regulatory changes and the key issues that are relevant to the activity of the Company, as published by the Commissioner in circulars and drafts during the reported period until shortly before the date of issuing this report, which were not described in previous periodic reports of the Company:

Circulars

- In May 2025, the Capital Market Authority published an update to the Consolidated Circular concerning Reports to the Commissioner – IFRS 17-Compliant Ancillary Reports. The objective of the update is to establish the required information in the ancillary reports attached to the financial statements of insurance companies (reporting forms). These reports will include, inter alia, information on the company's portfolios of issued insurance contracts and held reinsurance contracts, and will be reported commencing on the date of the Standard's implementation. Notwithstanding the aforesaid, the aforementioned publication includes transitional provisions that incorporate concessions in relation to the ancillary reports as at March 31, 2025 (first quarter), June 30, 2025 (second quarter), and September 30, 2025 (third quarter). The update to the Circular constitutes a continuation of the roadmap published by the Authority regarding the implementation of IFRS 17.
- In May 2025, the Capital Market Authority issued a public letter to the heads of public institutions, announcing the replacement of the current provider of valuation services for the public institutions' non-marketable debt assets, Fair Spread Ltd., with Ness Fair Value Ltd. ("the New Provider"). The New Provider will value all non-marketable debt assets, both domestically and internationally issued, including complex debt assets (previously, according to the aforementioned announcement, valuation was limited to non-complex, non-marketable debt assets issued in Israel). Furthermore, the New Provider will be responsible for providing individual prices for investment instruments traded on the institutional trading system (TASE-UP platform). As part of the New Provider's preparation process, public institutions are required to furnish information to the New Provider on their assets that are to be valued.
- In April 2025, the Capital Market Authority issued Directives for Financial Information Service Providers and Basic Payment Initiation Service Providers – Amendment, which Introduces provisions concerning the activities of institutional entities seeking to operate as basic payment initiators, in accordance with the Regulation of the Engagement in Payment and Payment Initiation Services Law, 2023. The aforementioned amendment includes provisions concerning the procedure for submitting an application to the Commissioner for authorization to operate as a basic payment initiator, including the presentation of required documentation for obtaining the authorization. It also contains directives for public institutions operating as basic payment initiators, including directives for the use of digital signature certificates, directives regarding disclosures to customers, and document retention directives.
- In April 2025, the Capital Market Authority issued a letter to the heads of insurance companies, updating the calculation method for the deduction during the phase-in period under the Economic Solvency Regime in accordance with International Financial Reporting Standard 17 (IFRS 17). An insurance company, having received prior approval from the Commissioner, may include a deduction during the phase-in period in the calculation of insurance reserves, as defined in the directives of the Consolidated Circular "Economic Solvency Regime", until the end of 2032. With the implementation of IFRS 17, an update to the deduction calculation method is required to eliminate reliance on financial statement data that includes the calculation of insurance liabilities under IFRS 4. A company may continue to include a deduction in its reports even after the implementation of IFRS 17, subject to the Commissioner's approval. The deduction rates submitted by the company and approved by the Commissioner will remain fixed for the remaining phase-in period for each homogeneous risk group and will be used to calculate the maximum deduction starting from the solvency ratio calculation as at June 30, 2025. The calculation of the deduction based on the approved rates will serve as an estimate for positive differences. The Commissioner may limit the amount of the deduction if it does not coincide with the expected growth rate of the solvency ratio without the deduction, or if it leads to an unreasonable reduction in insurance reserves. The publication of the Solvency Ratio Report for December 31, 2024, is the final date for approving the implementation of the deduction.

Drafts

- In April 2025, the Capital Market Authority published a preliminary ruling draft concerning indemnification for diagnostic tests. According to the draft, the Commissioner will instruct insurance companies that reimbursement for a diagnostic test will be based on the test's price at the performing institution, subject to the policy terms. The insurance company may elect not to indemnify the policyholder for ancillary expenses related to a diagnostic test, including fees paid to brokerage firms for appointment scheduling, unless explicitly stated otherwise in the insurance policy. If an outpatient plan that includes coverage for diagnostic tests does not contain this clarification, the insurance company shall send the policyholder a disclosure regarding the claims settlement process within 30 business days of the date of the ruling, while documenting the policyholder's receipt of the notification. The draft further stipulates that with respect to insurance events occurring prior to the publication date of the ruling, for which the claim has been settled, the insurance company will not initiate a re-evaluation of these claims.
- In April 2025, the Capital Market Authority published a draft update to the directives of the consolidated circular, regarding “Public Reporting” and “Reports to the Capital Market Commissioner” - Deadline of the Economic Solvency Ratio Report and the Solvency Reporting File. The draft proposes that, in light of the implementation of International Financial Reporting Standard (IFRS) 17, the publication of the Economic Solvency Ratio Report and the submission of the Solvency reporting files to the Commissioner be brought forward to coincide with the financial statements' date.
- In March 2025, the Capital Market Authority published a draft of the Supervision of Financial Services Directives (Insurance) (Terms of Compulsory Motor Vehicle Insurance Contract), 2025. The draft proposes textual amendments to the standard policy clauses and the insurance certificate (including the addendum), as well as provisions regarding the use of a motor vehicle for driving instruction and the insurer's obligation to provide insurance coverage for this purpose.

3. Financial information on the Company's lines of business

Following are principal balance sheet data (NIS thousands):

	March 31, 2025	March 31, 2024	December 31, 2024
Other assets	563,816	472,777	513,583
Deferred acquisition expenses	229,831	213,647	213,231
Financial investments and cash	2,873,294	2,543,754	2,794,730
Reinsurance assets	835,446	752,971	827,476
Total assets	**4,502,387**	**3,983,149**	**4,349,020**
Equity	1,028,996	900,033	993,374
Liabilities in respect of insurance contracts	2,941,780	2,640,711	2,842,235
Other liabilities	531,611	442,405	513,411
Total equity and liabilities	**4,502,387**	**3,983,149**	**4,349,020**

Following are principal comprehensive income data (NIS thousands)

	Jan-March 2025	Jan-March 2024	Jan-December 2024
Gross earned premiums	474,148	420,838	1,805,498
Premiums earned by reinsurers	(70,992)	(61,022)	(241,855)
Premiums earned in retention	**403,226**	**359,816**	**1,563,643**
Gains on investments, net and financing income	22,549	30,964	113,360
Income from commissions	15,917	17,500	58,688
Total revenue	**441,692**	**408,280**	**1,735,691**
Payments and change in liability for insurance contracts, in retention	(280,523)	(259,001)	(1,119,859)
Total other expenses	(106,662)	(97,408)	(415,258)
Profit (loss) before taxes on income	**54,507**	**51,871**	**200,574**
Taxes on income	(18,885)	(18,042)	(73,404)
Profit for the period and total comprehensive income for the period	**35,622**	**33,829**	**127,170**

Capital and capital requirements

As at March 31, 2025, equity amounted to NIS 1,029 million, as compared to NIS 993 million as at December 31, 2024. The change in equity in the reported period is due to a comprehensive income of NIS 35.6 million for the period.

To the best of the Company's knowledge, as at the date of the report no events have taken place that might indicate financial difficulties or a deficiency in the required minimum capital. In addition, the Company believes that in the coming year it will not be required to raise funds for the purpose of meeting the minimum capital requirement.

Solvency-II-based economic solvency regime in insurance companies

In July 2019, the Company made a full transition to an economic solvency ratio regime. For details regarding the regulation applicable to the implementation of a Solvency-II-based economic solvency regime in insurance companies, see section 3 of the Board of Directors' Report for 2024.

Presented below are data concerning solvency ratio and MCR:

Solvency ratio (NIS thousands):

	December 31, 2024	December 31, 2023
Equity for purposes of solvency capital requirement	1,039,246	954,963
Solvency capital requirement	930,077	750,829
Surplus	**109,169**	**204,134**
Economic solvency ratio (%)	112%	127%

No equity transactions or material events with a direct effect on the Company's economic solvency ratio took place in the reported period. In the assessment of the Company, as at the publication date, the War Event has no material effect on the Company's solvency ratio. The Company believes that in the coming year it would not be required to raise sources for compliance with the statutory solvency ratio and with the solvency ratio target set by the Board of Directors of the Company.

Minimum capital requirement (MCR) (in NIS thousands):

	December 31, 2024	December 31, 2023
Minimum capital requirement (MCR)	232,519	276,465
Equity for purposes of MCR	1,039,246	954,963

In accordance with the directives of the Commissioner, an insurance company may only distribute a dividend if, after the distribution, the company maintains a minimum solvency ratio of 100%, calculated without the transitional provisions and subject to the solvency ratio target determined by the company's Board of Directors. In addition, requirements for related reports to the Commissioner have been prescribed. In accordance with the Company's capital management policy, as approved by the Company's Board of Directors, which includes a policy for the distribution of dividends, the Company may distribute a dividend to its shareholders if its solvency ratio exceeds 130%, subject to certain conditions, as set out in the Company's procedure.

Solvency ratio excluding the transitional provisions for the phase-in period and without share-scenario adjustment

	December 31, 2024	December 31, 2023
Equity for purposes of solvency capital requirement	1,039,246	954,963
Solvency capital requirement	930,077	790,346
Surplus	**109,169**	**164,617**
Economic solvency ratio (%)	112%	121%
Surplus (deficiency) in relation to the Board of Directors' target		
Board of Directors' economic solvency ratio target (%)	130%	130%
Deficiency in relation to target	**(169,854)**	**(72,487)**

The calculations performed by the Company as at December 31, 2024 and December 31, 2023 have been audited by the independent auditors of the Company in accordance with the principles of ISAE 3400. For additional information on the solvency ratio, see the Company's economic solvency ratio report as at December 31, 2024 posted on the Company's website: https://www.aig.co.il/about/repayment-ratio.

The information presented in this section above, including the eligible own funds and the solvency capital requirement, constitutes forward-looking information, as defined in the Securities Law, 1968, which is based, inter alia, on forecasts, assessments, and estimates regarding future events, the realization of which is uncertain and beyond the Company's control. Actual results may differ from the estimated results, including materially from that predicted above, as a result of all or part of these forecasts, assessments, and estimates not being realized, or being realized other than predicted. This refers, inter alia, to actuarial assumptions (including rates of mortality, morbidity, recovery, cancellations, expenses and the underwriting profit margin), risk-free interest rates, capital market yields, future income and damages in catastrophic scenarios. For additional information on the estimates and the causes of deviations therein, see the Solvency Report as at December 31, 2024.

4. Results of operations

The Company's total gross premiums amounted to NIS 567.1 million in the reported period, as compared to NIS 517.0 million in the corresponding period in 2024, an increase of 9.7%. The increase in gross premiums in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

Total premiums in retention amounted to NIS 492.9 million in the reported period, as compared to NIS 462.4 million in the corresponding period in 2024, an increase of 6.6%. The increase in premiums in retention in the reported period stems mainly from the vehicle property insurance and compulsory vehicle insurance sectors.

Premiums by principal operating segments (NIS thousands):

Jan-March 2025	Life insurance	Health insurance	General insurance	Total
Gross	43,859	43,911	479,320	567,090
In retention	34,304	31,161	427,454	492,919
% of total gross	7.7	7.7	84.6	100.0
% of retention	7.0	6.3	86.7	100.0

Jan-March 2024	Life insurance	Health insurance	General insurance	Total
Gross	41,153	39,126	436,711	516,990
In retention	32,166	38,100	392,161	462,427
% of total gross	8.0	7.6	84.4	100.0
% of retention	7.0	8.2	84.8	100.0

Jan-December 2024	Life insurance	Health insurance	General insurance	Total
Gross	168,681	179,735	1,561,311	1,909,727
In retention	134,371	173,122	1,350,862	1,658,355
% of total gross	8.8	9.3	81.9	100.0
% of retention	8.1	10.3	81.6	100.0

Principal comprehensive income data by main operating segments (NIS thousands):

	Jan-March 2025	Jan-March 2024	Jan-Dec 2024
Income (loss) from compulsory vehicle insurance	12,607	4,075	(9,239)
Income from vehicle property insurance	33,390	28,891	134,609
Income (loss) from home insurance	(4,169)	(4,781)	4,744
Income (loss) from health insurance	3,600	(6,779)	(10,084)
Income (loss) from life insurance	(1,384)	5,604	15,191
Income from commercial insurance	1,913	7,847	17,780
Other - Income not allocated to any segment	8,550	17,014	47,573
Income before taxes on income	**54,507**	**51,871**	**200,574**
Income tax expense	(18,885)	(18,042)	(73,404)
Income for the period and total comprehensive income for the period	**35,622**	**33,829**	**127,170**

For additional information on key segments – see note 4 to the condensed financial statements.

Following are the explanations of the Company's Board of Directors on developments in some of the data presented above:

a. The comprehensive income of the Company amounted to NIS 35.6 million in the reported period, as compared to a comprehensive income of NIS 33.8 million in the corresponding period in 2024. Pre-tax profit in the reported period amounted to NIS 54.5 million, as compared to a profit of NIS 51.9 million in the corresponding period in 2024. The main contributors to the profit in the reported period are net investment gains of NIS 22.5 million and an underwriting profit of NIS 33.3 million, deriving mainly from the underwriting profit in the vehicle property insurance sector.

b. Net investment gains amounted to NIS 22.5 million in the reporting period, as compared to investment gains of NIS 31.0 million in the corresponding period in 2024. The net investment gains in the reported period derived mainly from price hikes on the financial markets, in Israel and globally, and in particular in the Israeli corporate bonds market. For additional information, see Section 2 above.

c. The profit of the Company from vehicle property insurance in the reporting period was NIS 33.4 million, as compared to profit of NIS 28.9 million in the corresponding period in 2024. The underwriting profit of the Company from vehicle property insurance in the reporting period was NIS 29.7 million, as compared to profit of NIS 25.1 million in the corresponding period in 2024. The transition to underwriting profit in the reported period was due to a significant reduction in the claims' ratio, mainly as a result of ongoing actions taken by the Company, consisting primarily of the raising of tariffs, in order to regain profitability in the sector. Following the improvement in the underwriting results, in the reported period the Company released NIS 9.2 million from the provision for premium deficiency. The balance of the provision totalled NIS 18 million as at the reporting date. The increase in the underwriting profit in the reported period was due to the reduced claims' ratio and an increase in the earned premiums.

d. The profit of the Company from compulsory vehicle insurance amounted to NIS 12.6 million in the reported period, as compared to a profit of NIS 4.1 million in the corresponding period in 2024. The increase in profit in the reported period was due to a reduction in the claims' ratio and the expenses' ratio and an increase in earned premiums. The pool losses, excluding the effect of the interest curve, amounted to NIS 3.6 million in the reported period, as compared to NIS 3.8 million in the corresponding period last year.

e. The loss of the Company from home insurance amounted to NIS 4.2 million in the reported period, as compared to a loss of NIS 4.8 million in the corresponding period in 2024. The underwriting loss of the Company from home insurance amounted to NIS 5.1 million in the reporting period, as compared to an underwriting loss of NIS 5.9 million in the corresponding period in 2024.

f. The profit of the Company from health insurance amounted to NIS 3.6 million in the reported period, as compared to loss of NIS 6.8 million in the corresponding period in 2024. The underwriting profit from health insurance amounted to NIS 2.8 million in the reported period, as compared to loss of NIS 7.5 million in the corresponding period in 2024. The transition to underwriting profit in the reported period was due mainly to a reduction in the claims' ratio and the expenses' ratio, primarily in the overseas travel sector, as a result of an increase in premiums in the reported period, influenced by the War Event in the corresponding period (see section 2 above).

g. The loss of the Company from life insurance in the reported period was NIS 1.4 million, as compared to profit of NIS 5.6 million in the corresponding period in 2024. The transition to loss in the reported period was due to an increase in the claims' ratio and the expenses' ratio.

h. The profit of the Company from professional liability insurance in the reported period was NIS 1.4 million, as compared to a profit of NIS 6.2 million in the corresponding period in 2024. The underwriting profit from professional liability insurance totaled NIS 0.3 million in the reported period, compared to a profit of NIS 4.9 million in the corresponding period. The reduction in the underwriting profit in the reported period was due mainly to the increase in the claims' ratio.

i. The profit of the Company from other property insurance sectors in the reported period was NIS 0.8 million, as compared to a loss of NIS 0.4 million in the corresponding period in 2024.

j. The loss of the Company from other liability insurance sectors amounted to NIS 0.3 million in the reported period, as compared to a profit of NIS 2.1 million in the corresponding period in 2024. The transition to loss in the reported period was due mainly to an increase in the claims' ratio.

Presented below is an analysis of operating results in property insurance sectors:

a. Underwriting profit (loss) (NIS thousands):

	Jan-March 2025	**Jan- March 2024**	**Jan-Dec 2024**
Vehicle property	29,745	25,128	115,467
Home	(5,145)	(5,870)	67
Other property sectors	754	(539)	(960)

b. Principal data regarding the claims' ratio[4] (Loss Ratio "LR") and the claims' and expenses' ratio (Combined Ratio "CR"):

	Jan-March 2025		Jan- March 2024		Jan-Dec 2024	
	LR%	CR%	LR%	CR%	LR%	CR%
Vehicle property:						
Gross	69%	87%	70%	87%	68%	86%
In retention	69%	87%	70%	87%	68%	86%
Property[5]:						
Gross	56%	84%	58%	89%	44%	73%
In retention *	80%	126%	79%	120%	60%	110%

5. Cash flows and liquidity

Net cash provided by operating activities in the reported period was NIS 44.9 million, compared to NIS 64.0 million provided by operating activities in the corresponding period in 2024.

Net cash used in investing activities in the reported period amounted to NIS 7.6 million, compared to NIS 5.8 million in the corresponding period in 2024.

Net cash used in financing activities in the reported period amounted to NIS 1.4 million, similarly to the corresponding period in 2024.

As a result of the above, the balance of cash and cash equivalents in the reported period increased by NIS 35.5 million and amounted to NIS 130.4 million as at March 31, 2025.

6. Sources of funding

All of the Company's operations are funded using its own resources and capital. As of the date of approving this report, the Company does not use any external funding sources.

7. Material events after the date of the statement of financial position

No material events took place after the date of the statement of financial position.

8. CEO and CFO Disclosure regarding the effectiveness of controls and procedures applied to company's disclosures

Controls and procedures applied to disclosure

The Company's management, with the collaboration of the Company's CEO and CFO, assessed as of the end of the period covered by this report the effectiveness of the controls and procedures with respect to the Company's disclosure. Based on this assessment, the Company's CEO and CFO concluded that as of the end of this period the controls and procedures with respect to the Company's disclosure are effective in order to record, process, summarize and report the information that the Company is required to disclose in the quarterly report pursuant to the provisions of the law and the reporting provisions issued by the Commissioner of Capital Markets, Insurance and Savings, and on the date set in these provisions.

Internal controls over financial reporting

In the course of the quarter ending on March 31, 2025, no change has occurred in the internal control of the Company over financial reporting that materially affected or is reasonably expected to materially affect the Company's internal control on financial reporting.

For purposes of this paragraph, "the covered period" is the reported financial quarter.

[4] For the gross data, the claims' ratio and the expenses' ratio are calculated for gross earned premiums. For the data in retention, the claims' ratio and the expenses' ratio are calculated for premiums earned in retention.

[5] Home and other property sectors.

Management's statements as to the adequacy of the financial data presented in the Company's financial statements and the existence and effectiveness of internal controls relating to the financial statements are attached hereunder.

The Board of Directors wishes to thank the Company’s employees and management for their contribution to its business achievements.

________________	________________
Roberto Nard	Yfat Reiter
Chairman of the Board of Directors	CEO

May 27, 2025

Declaration

I, Yfat Reiter hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended March 31, 2025 (hereafter – "the report").

2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.

3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.

4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure[1] and internal controls over financial reporting of the insurance company; and -

   (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;

   (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.

   (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and

   (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

[1] As defined in the provisions of the Institutional Bodies Circular regarding internal controls over financial reporting – declarations, reports and disclosures.

material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

5. The insurance company's other certifying officers and I have disclosed to the insurance company's auditors, the insurance company's board of directors and its audit committee, based on our most recent evaluation of internal controls over financial reporting, the following:

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the insurance company's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether material or not, that involves management or other employees who have a significant role in the insurance company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of any other person, pursuant to any law.

____
Yfat Reiter - CEO

May 27, 2025

Declaration

I, Usher Gray hereby declare that:

1. I reviewed the interim report of AIG Israel Insurance Company Ltd. (hereafter – "the insurance company") for the quarter ended March 31, 2025 (hereafter – "the report").

2. Based on my knowledge, the report does not include any misstatement of a material fact or omit to disclose a material fact the presentation of which in the report is necessary for the purpose of ensuring that under the circumstances in which those presentations are included, they will not be misleading regarding the period covered by the report.

3. Based on my knowledge, the quarterly financial statements and other financial information included in the report reflect fairly, in all material respects, the financial position, results of operations, changes in shareholders' equity and cash flows of the insurance company for the date and periods covered by the report.

4. The Company's other certifying officers and I are responsible for establishing and maintaining controls and procedures relating to disclosure[1] and internal controls over financial reporting of the insurance company; and -

   (a) Accordingly, we have designed such disclosure controls and procedures, or have had such disclosure controls and procedures established under our charge, designed to ensure that material information relating to the insurance company is made known to us by others in the insurance company particularly during the period in which the reports were prepared;

   (b) We designed internal controls over financial reporting, or supervised the design of such internal controls designed to provide a reasonable assurance regarding the reliability of the financial reporting and assurance to the effect that the financial statements are drawn up in accordance with International Financial Reporting Standards (IFRS) and in accordance with the directives of the Supervisor of Insurance.

   (c) We assessed the effectiveness of controls and procedures regarding the disclosure of the insurance company and presented our conclusions regarding the effectiveness of disclosure controls and procedures as of the end of the period covered in the report, based on our estimate; and

   (d) We disclosed in the report any change in the insurance company's internal controls over financial reporting which took place in this quarter and had a

[1] As defined in the provisions of the Institutional Bodies Circular regarding internal controls over financial reporting – declarations, reports and disclosures.

material effect or is expected to have a material effect on the insurance company's internal controls over financial reporting; and

5. The insurance company's other certifying officers and I have disclosed to the insurance company's auditors, the insurance company's board of directors and its audit committee, based on our most recent evaluation of internal controls over financial reporting, the following:

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the insurance company's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether material or not, that involves management or other employees who have a significant role in the insurance company's internal controls over financial reporting.

There is nothing in the aforesaid to derogate from my responsibility or the responsibility of any other person, pursuant to any law.

____

Usher Gray - CFO

May 27, 2025

Directors and Management's Report Regarding Internal Controls over Financial Reporting

Management, with the supervision of the Board of Directors of AIG Insurance Company Ltd. (hereafter the "the Insurance Company") are responsible for setting and maintaining effective internal control over financial reporting. The internal controls system of the insurance company was planned in order to provide reasonable assurance to management and Board of Directors to the effect that the financial statements are prepared and presented fairly in accordance with International Financial Reporting Standards and in accordance with the directives of the Supervisor of Insurance.

All internal controls have inherent limitations regardless of the quality of planning. Therefore, even if it is determined that these controls are effective they can only provide a reasonable measure of assurance regarding the preparation and presentation of financial statements.

Management, supervised by the Board of Directors, maintains a comprehensive control system designed to ensure that transactions are carried out in accordance with management's authorization, assets are protected, and accounting records are reliable. In addition, management with the Board of Directors' supervision takes measures in order to ensure that the information and communications channels are effective and monitor implementation, including implementation of the internal control procedures.

The Insurance Company's management with the supervision of its Board of Directors evaluates the effectiveness of the internal control of the Insurance Company over financial reporting as at March 31, 2025, based on criteria set in the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation management believes that as at March 31, 2025 the internal control of the Insurance Company over financial reporting is effective.

Usher Gray **CFO**	**Yifat Reiter** **CEO**	**Roberto Nard** **Chairman of the Board of Directors**

Date of approval of financial statements: May 27, 2025

AIG Israel Insurance Company Ltd.

Condensed Interim Financial Statements
(Unaudited)
As at March 31, 2025

Condensed Interim Financial Statements as at March 31, 2023 (Unaudited)

Contents

Auditors' review report to shareholders of AIG Israel Insurance Company Ltd.

Introduction

We have reviewed the attached financial information of AIG Israel Insurance Company Ltd (“the Company”), which is comprised of the condensed statement of financial position as of March 31, 2025 and the condensed statements of profit or loss and other comprehensive income, changes in equity and cash flows for the three-month period ended on that date. The Board of Directors and management are responsible for the preparation and presentation of the financial information for this interim period in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981, as described in Note 2. Our responsibility is to express a conclusion with respect to the financial information for this interim period, based on our review.

Scope of review

Our review was conducted in accordance with the provisions of Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, ‘Review of financial information for interim period undertaken by the entity's auditor.’ A review of financial information for an interim period consists of the making of enquiries, in particular, of those officials responsible for financial and accounting matters, and of the application of analytical and other review procedures. A review is substantially lesser in scope than an audit conducted in accordance with auditing standards generally accepted in Israel and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, no matter has come to our attention that causes us to believe that the above financial information is not prepared, in all material respects, in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings Authority in accordance with the Supervision of Financial Services (Insurance) Law, 1981, as described in Note 2 to the financial information.

Emphasis of a matter

Without qualifying our conclusion, as above, we draw attention to the stated in Note 7 to the financial information referred to above concerning the exposure to contingent liabilities.

Somekh Chaikin
Certified Public Accountants (Isr.)

May 27, 2025

Condensed Interim Statements of Financial Position as at

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Intangible assets	**43,361**	31,222	41,086
Deferred acquisition costs	**229,831**	213,647	213,231
Property and equipment	**39,759**	16,130	41,770
Reinsurance assets	**835,446**	752,971	827,476
Premiums collectible	**398,440**	350,563	355,750
Current tax assets	**-**	2,214	-
Other receivables	**82,256**	72,648	74,977
	1,629,093	1,439,395	1,554,290
Financial investments			
Marketable debt instruments	**2,463,141**	2,085,554	2,422,676
Non-marketable debt instruments	**127,043**	115,255	129,933
Other	**152,729**	143,155	147,221
Total financial investments	**2,742,913**	2,343,964	2,699,830
Cash and cash equivalents	**130,381**	199,790	94,900
Total assets	**4,502,387**	3,983,149	4,349,020

Roberto Nard	**Yfat Reiter**	**Usher Gray**
Chairman of the Board of Directors	**C.E.O**	**C.F.O**

Date of approval of the interim financial statements:
May 27, 2025

Condensed Interim Statements of Financial Position as at

	March 31, 2025	March 31, 2024	December 31, 2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Equity and liabilities			
Equity			
Share capital	**6**	6	6
Share premium	**250,601**	250,601	250,601
Other reserves	**15,708**	15,708	15,708
Retained earning	**762,681**	633,718	727,059
Total equity attributable to equity holders of the Company	**1,028,996**	900,033	993,374
Liabilities			
Liabilities in respect of insurance contracts that are not yield dependent	**2,941,780**	2,640,711	2,842,235
Liabilities in respect of deferred taxes, net	**24,837**	10,141	25,476
Retirement benefit obligation, net	**3,788**	2,830	3,788
Liabilities to reinsurers	**324,130**	296,115	322,729
Liabilities in respect of current taxes	**7,730**	-	9,107
Other payables	**171,126**	133,319	152,311
Total liabilities	**3,473,391**	3,083,116	3,355,646
Total equity and liabilities	**4,502,387**	3,983,149	4,349,020

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Profit or Loss and Other Comprehensive Income

	Three-month period ended March 31		Year ended December 31,
	2025	2024	2024
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Gross earned premiums	**474,148**	420,838	1,805,498
Premiums earned by reinsurers	**(70,922)**	(61,022)	(241,855)
Premiums earned in retention	**403,226**	359,816	1,563,643
Gains on investments, net and financing income	**22,549**	30,964	113,360
Commission income	**15,917**	17,500	58,688
Total income	**441,692**	408,280	1,735,691
Payments and change in liabilities with respect to insurance contracts, gross	**(312,149)**	(286,924)	(1,271,637)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	**31,626**	27,923	151,778
Payments and change in liabilities with respect to insurance contracts, in retention	**(280,523)**	(259,001)	(1,119,859)
Commissions, marketing expenses and other acquisition costs	**(78,524)**	(69,923)	(322,179)
General and administrative expenses	**(26,807)**	(27,303)	(96,182)
Financing income (expenses), net	**(1,331)**	(182)	3,103
Total expenses	**(387,185)**	(356,409)	(1,535,117)
Profit before taxes on income	**54,507**	51,871	200,574
Income tax expense	**(18,885)**	(18,042)	(73,404)
Profit for the period and total comprehensive income for the period	**35,622**	33,829	127,170
Basic earnings per share:			
Basic earnings per share	**6.22**	5.90	22.19
Number of shares used in calculating basic earnings per share	**5,730**	5,730	5,730

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Changes in Equity

	Share capital	Share premium	Other reserves	Retained earnings	Total
			NIS thousands		
Three-month period ended March 31, 2025					
Balance as at January 1, 2025 (audited)	**6**	**250,601**	**15,708**	**727,059**	**993,374**
Total comprehensive income for the period				**35,622**	**35,622**
Balance as at March 31, 2025 (unaudited)	**6**	**250,601**	**15,708**	**762,681**	**1,028,996**
Three-month period ended March 31, 2024					
Balance as at January 1, 2024 (audited)	6	250,601	15,708	599,889	866,204
Total comprehensive income for the period				33,829	33,829
Balance as at March 31, 2024 (unaudited)	6	250,601	15,708	633,718	900,033
Year ended December 31, 2024					
Balance as at January 1, 2024 (audited)	6	250,601	15,708	599,889	866,204
Total comprehensive income for the year				127,170	127,170
Balance as at December 31, 2024 (unaudited)	6	250,601	15,708	727,059	993,374

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Cash Flows

	Three-month period ended March 31		Year ended December 31,
	2025	**2024**	**2024**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Cash flows from operations:			
Net cash provided by (used in) operations (Appendix A)	**52,698**	(2,983)	(77,665)
Interest paid	**(145)**	(26)	(62)
Interest received	**13,153**	8,937	39,145
Income taxes paid	**(25,635)**	(7,235)	(36,071)
Income taxes received	**4,814**	65,315	65,315
Net cash provided by (used in) operating activities	**44,885**	64,008	(9,338)
Cash flows from investing activities:			
Investment in property and equipment	**(695)**	(114)	(4,747)
Investment in intangible assets	**(6,905)**	(5,678)	(28,467)
Cash used in investing activities	**(7,600)**	(5,792)	(33,214)
Cash flows from financing activities:			
Repayment of principal of lease liabilities	**(1,382)**	(1,421)	(5,727)
Cash used in financing activities	**(1,382)**	(1,421)	(5,727)
Impact of exchange rate fluctuations on cash and cash equivalent balances	**(422)**	(620)	(436)
Increase (decrease) in cash and cash equivalents	**35,481**	56,175	(48,715)
Cash and cash equivalents at beginning of period	**94,900**	143,615	143,615
Cash and cash equivalents at end of period	**130,381**	199,790	94,900

The accompanying notes are an integral part of these condensed interim financial statements.

Condensed Interim Statements of Cash Flows

	Three-month period ended March 31		Year ended December 31,
	2025	**2024**	**2024**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Appendix A - cash flows from operations:			
Profit for the period	**35,622**	33,829	127,170
Adjustments for -			
Income and expenses not involving cash flows:			
Change in liabilities for insurance contracts that are not yield dependent	**99,545**	140,666	342,190
Change in reinsurance assets	**(7,970)**	8,397	(66,108)
Change in deferred acquisition costs	**(16,600)**	(11,680)	(11,264)
Income tax expense	**18,885**	18,042	73,404
Change in retirement benefit obligations, net	**-**	-	958
Depreciation of property and equipment	**2,706**	2,607	10,589
Amortization of intangible assets	**4,630**	4,079	17,004
Gains, net, on financial investments:			
Marketable debt instruments	**(3,421)**	(9,437)	(55,484)
Non-marketable debt instruments	**2,721**	1,542	(15,336)
Marketable exchange traded notes	**(5,508)**	(11,784)	(15,850)
Impact of fluctuation in exchange rate on cash and cash equivalents	**422**	620	436
	143,052	143,052	142,087
Changes in assets and liabilities:			
Liabilities to reinsurers	**1,401**	(16,231)	10,383
Investments in financial assets, net	**(36,875)**	(86,592)	(375,466)
Premiums collectible	**(42,690)**	(48,631)	(53,818)
Other receivables	**(7,279)**	(5,332)	(7,661)
Other payables	**(20,117)**	(14,167)	(19,729)
	(65,326)	(170,953)	(446,291)
Adjustments for interest and dividend:			
Interest paid	**145**	26	62
Interest received	**(13,153)**	(8,937)	(39,145)
	(13,008)	(8,911)	(39,083)
Net cash provided by (used in) operations	**52,698**	(2,983)	(77,665)

Cash flows from operating activities include those stemming from financial investment purchases and sales (net) that relate to operations involving insurance contracts.

The accompanying notes are an integral part of these condensed interim financial statements.

Note 1 - General

A. Reporting Entity

AIG Israel Insurance Company Ltd. (hereinafter - "the Company") was incorporated in Israel on March 27, 1996 as a private company in which the shareholders have limited responsibility. The Company commenced its insurance operations in May 1997. The Company does not hold any subsidiaries or affiliated companies. The Company has no foreign operations through branches or investee companies.

The ultimate parent company is American International Group Inc. (hereinafter - "AIG Global Corporation" or "AIG"), which is a leading international insurance and financial concern.

The Company's sole shareholder is AIG Holdings Europe Limited (hereinafter - "AHEL"), which holds all the issued share capital of the Company. AHEL is a member of the AIG Global Corporation.

The registered office of the Company is at 25 HaSivim St. Petach Tikva, Israel.

B. Definitions:

1. The Company – AIG Israel Insurance Company Ltd.
2. Commissioner - Commissioner of Capital Market, Insurance and Savings Authority.
3. The Supervision Law – The Supervision of Financial Services (Insurance) Law, 1981.
4. Reinsurance assets – the reinsurer's share in the reserves for insurance contracts and in the contingent claims.
5. Outstanding claims - Known outstanding claims, with the addition of the expected progression of claims that have been incurred but not enough reported (I.B.N.E.R.) plus claims that have been Incurred but not reported (I.B.N.R).
6. Insurance contract - A contract under which one party (the insurer) takes a significant insurance risk from another party (policyholder), by agreement to indemnify the policyholder if an uncertain defined future event (insurance event) negatively affects the policyholder.
7. Liability for insurance contracts - Insurance reserves and outstanding claims.
8. Premiums - Premiums including fees and proceeds for related services
9. Premiums earned - premiums that relate to the reporting period.

C. Material Events in the Reporting Period:

1. War Event

The “Swords of Iron" war commenced on October 7, 2023, as a result of a surprise attack initiated by terrorist organizations from the Gaza Strip against the State of Israel (“**War Event**”). The War event had no material effect on the results of the Company in the reported period.

For additional information on the effects of the War Event in 2024 and the related actions taken by the Company, see Section 1 (c) of the financial statements for 2024.

Note 1 – General (Cont'd)

C. Material Events in the Reporting Period (cont'd):

2. Transaction with interested parties

On May 27, 2025, the Board of Directors of the Company (following the Audit Committee's approval) approved a service agreement between the Company and another company in the AIG Global Corporation. According to the agreement, commencing on January 1, 2025, the Company will pay for insurance and operational services received from the AIG Global Corporation, including: support of profit centers, strategic management services, risk management and strategy guidance, reinsurance management services, marketing and communications support services, administrative services, finance and accounting support services, HR support services, operation and systems (IT) support services, and claims support services. The consideration payable by the Company for the services will be determined based on the model for the allocation of costs between the companies in the AIG Global Corporation that receive those services. The agreement will be submitted to the Commissioner of the Capital Market for approval. The implications of the agreement are material to the Company and an appropriate provision was created in the reported period. In the assessment of the Company, the charges for 2025 are expected to amount to NIS 40 million. The financial statements of the Company for the first quarter of 2025 include a proportionate provision for the reported period.

Note 2 - Basis of Preparation of Financial Statements

A. Financial reporting framework

Until December 31, 2022, the financial statements of the Company were prepared in conformity with International Financial Reporting Standards (hereinafter: "**IFRSs**") and the disclosure requirements prescribed by the Commissioner in accordance the Supervision Law.

According to the guidelines of the Commissioner, as published in documents concerning the "Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts" (hereinafter: "**the Roadmap**"), the date of initial implementation of IFRS 17 and IFRS 9 (hereinafter: "**the New Standards**") by the insurance companies in Israel (which pursuant to IFRSs would have been required to be implemented by said companies on January 1, 2023) has been updated and shall apply starting in the quarterly and annual periods commencing on January 1, 2025. Hence, the transition date will be January 1, 2024. The Roadmap determines that early adoption of IFRS 17 will not be applicable in Israel.

In addition, according to the Roadmap, an insurance company that is not a reporting entity under the Securities Law, 1968, and whose total assets in its separate financial statements as at December 31, 2024, do not exceed NIS 50 billion, is permitted to:

1) Commence implementing the New Standards starting in the periodic report as at June 30, 2025, with the same transition date, subject to the inclusion of pro forma data for prior reporting periods;

2) Submit the periodic report and the accompanying reports as at June 30, 2025 within 3 months of the end of the quarter.

The Company meets these conditions and has elected to apply the aforementioned concessions.

Accordingly, the Company will only begin to implement the New Standards in the periodic report as at June 30, 2025.

Note 2 - Basis of Preparation of Financial Statements (Cont'd)

A. Financial reporting framework (cont'd)

Therefore, in the period from January 1, 2023 until to April 1, 2025 the Company continues to implement the provisions of International Financial Reporting Standard (IFRS) No. 4, "Insurance Contracts", and International Accounting Standard (IAS) No. 39, "Financial Instruments: Recognition and Measurement" that it has applied up to that date and which were superseded by the New Standards. The remaining IFRSs are implemented by the Company on the dates stipulated therein.

In view of the aforesaid, commencing on January 1, 2023, the financial statements of the Company are not fully compliant with IFRSs, but rather are prepared in accordance with the directives prescribed by the Commissioner in conformity with the Supervision Law.

The interim financial information does not include all of the information required for full annual financial statements. It should be read in conjunction with the financial statements as at and for the year ended December 31, 2024 (hereinafter: "the Annual Financial Statements").

The interim financial information was approved for publication by the Board of Directors of the Company on May 27, 2025.

B. Use of estimates and judgments

The preparation of condensed interim financial statements in accordance with the directives prescribed by the Commissioner of the Capital Market, Insurance and Savings in conformity with the Supervision of Financial Services (Insurance) Law, 1981, requires management of the Company to make judgments, estimates and assumptions that affect the application of the accounting policy and the amounts of assets, liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the principal assumptions used in the estimation of uncertainty were the same as those applied in the preparation of the annual financial statements of the Company for 2024.

Note 3 - Material Accounting Policies

The significant accounting policies and the computational methods applied in the preparation of the interim financial information are consistent with the policies and methods applied in the preparation of the annual financial statements of the Company for 2024. Since the publication of the Company's Annual Financial Statements for 2024, no new IFRS standards or amendments to existing IFRS standards have been issued that are expected to have a material impact on the Company's financial statements.

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority:

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17")

In May 2017, the International Accounting Standards Board (IASB) published International Financial Reporting Accounting Standard No. 17, "Insurance Contracts". In addition, in June 2020 and December 2021, the IASB published amendments to the Standard.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

IFRS 17 establishes rules for the recognition, measurement, presentation and disclosure of insurance contracts, superseding the relevant existing provisions of IFRS 4 and the directives of the Capital Market, Insurance and Savings Authority (hereinafter: "the Authority"). The new standard is expected to cause material changes in the Company's financial reporting. The date of first-time implementation prescribed in IFRS 17 is January 1, 2023. However, as aforesaid, the requirements published by the Commissioner in the Updated Roadmap postpone the date of first-time implementation of IFRS 17 in Israel to the quarterly and annual periods commencing on January 1, 2025, with January 1, 2024 set as the transition date. As further noted above, the final roadmap published by the Authority on January 26, 2025 (hereinafter: "the Final Roadmap") provides for certain exemptions on the Standard's implementation for companies that are not a reporting entity under the Securities Law, and whose total assets in their stand-alone financial statements as at December 31, 2024, do not exceed NIS 50 billion. The Company meets these criteria and is entitled to implement the aforesaid exemptions. In accordance with those concessions, the Company will begin to implement the Standard starting in the periodic report as at June 30, 2025.

In July 2014, the IASB published International Financial Reporting Accounting Standard 9, "Financial Instruments" (hereafter - "IFRS 9"), which supersedes IAS 39 and sets new rules for the classification and measurement of financial instruments, with emphasis on financial assets. The date of first-time implementation prescribed in IFRS 9 is January 1, 2018. In September 2016, an amendment to IFRS 4 was published, which permitted entities that issue insurance contracts and meet certain prescribed criteria to postpone the adoption of IFRS 9 to January 1, 2023 (the date of first-time implementation of IFRS 17), to avoid the accounting mismatch that could ensue from the implementation of IFRS 9 prior to the implementation of IFRS 17. The Company met the aforesaid criteria and postponed the implementation of IFRS 9 accordingly. Upon the deferral of the first-time implementation date of IFRS 17 to January 1, 2025, the Commissioner also postponed the first-time implementation date of IFRS 9 to January 1, 2025, accordingly. In accordance with the concessions provided in the Final Roadmap, the Company intends to also begin to implement IFRS 9 starting in the periodic report as at June 30, 2025.

IFRS 17 and IFRS 9 shall be hereinafter referred to as: "the New Standards".

According to the Final Roadmap, in the financial statements for 2024 the insurance companies were required to provide, within the framework of a separate dedicated note that addresses the implementation of the New Standards, disclosure of the items of the statement of financial position (pro forma balance sheet) as at January 1, 2024 (i.e., opening balance data as at the transition date for the implementation of the New Standards), including disclosure of the amount of the contractual service margin (CMS), gross and reinsurance, and the Risk Adjustment (RA) amount for each of the operating segments separately, and disclosure of the provision for credit losses in accordance with the disclosure format attached to the Final Roadmap. Furthermore, the insurance companies were required to include in the aforesaid note a supplemental qualitative disclosure that addresses, inter alia, the topics that are set forth in the Final Roadmap. The aforesaid quantitative and qualitative disclosure is provided in note 33 to the Company's Annual Financial Statements for 2024.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

In accordance with the Final Roadmap, companies were also required to report on certain items from the pro forma statement of comprehensive income for the six-month period ended June 30, 2024 (hereinafter: "Pro Forma Results Information"). Nevertheless, the companies were permitted to provide the Pro Forma Results Information within the Directors' Report instead of presenting it within the aforementioned note. The Company has elected this option.

In addition, the Final Roadmap specifies the preparations and the principal updated timetables that in the view of the Authority are necessary to ensure the proper preparation of Insurance companies in Israel for the implementation of the Standard, inter alia, as regarding the adaptation of the IT systems and their operation, implementation and due diligence of controls, project management and documentation, completion of the formulation of accounting policies and preparation for the various required reports, performance of quantitative tests, preparation for the calculation of the risk adjustment for non-financial risk ("RA"), and preparation for the audit of the independent auditors.

To facilitate the preparation of insurance companies in Israel for the adoption of IFRS 17, on December 22, 2024, the Commissioner published a circular concerning, "Professional Issues Relating to the Implementation of International Financial Reporting Standard No. 17 in Israel" (hereinafter - "the Circular"). The Circular addresses key issues that are part of the Standard's core, including the allocation of insurance contracts to portfolios; separation of components in certain insurance contracts; aggregation of insurance contracts; contract boundaries in health and life insurance policies; discount interest rates for the purposes of the Standard, including clarifications regarding the calculation of a weighted illiquidity premium; measurement at the transition date, including how to apply the fair value approach at the transition date, and more. The material accounting policies described in this note below are based, inter alia, on said Circular.

The Company's preparation for the implementation of the New Standards

As part of the adoption of the standards, the Company is in the process of deploying and integrating IT systems that are necessary for the implementation of the provisions of the New Standards. To the date of the report, the Company is reviewing and mapping the necessary controls and the flow of information into the financial statements. In January 2024, the Company submitted to the Authority a list of the key controls designed by the end of 2023. In addition, in accordance with the Roadmap, in August 2023 the Company reported to the Authority on the results of the first Quantitative Impact Study (hereafter - "QIS") examining the effect of first-time implementation of IFRS 17. The Company's first QIS included quantitative testing of the methodology used to calculate the opening balances, based on the balances as at January 1, 2023, of certain insurance contracts provided for in the third update of the Roadmap. The Company submitted to the Authority an updated version of the RA calculation methodology in Q4 2023. In addition, in March 2024, the Company submitted to the Authority an updated draft of the complete accounting policy for the implementation of IFRS 17 and IFRS 9, in accordance with the guidelines of the Roadmap.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

The Company has duly reported to the Authority the results of the second QIS examining the effects of first-time implementation of IFRS 17 and IFRS 9 and the results for the first quarter of 2024, and has also duly reported the results of the third QIS concerning the results for the first half of 2024.

As aforementioned, the Company is in advanced stages of preparation for the implementation of the standard, as regarding the setting of an accounting policies, the deployment of IT systems and internal controls. The Company continues to examine and refine the required controls and the information flow to the financial statements based on parallel runs and is preparing for the implementation of the New Standards in accordance with the timetables set out in the Final Roadmap, subject to the exemptions it has elected, as described above.

Principal changes in the accounting policies

Presented below are the material accounting policies selected by the Company with respect to a number of issues that are at the core of the New Standards. It should be emphasized that all of the stated below with regard to the material accounting policies is accurate as at the date of this report's publication and may still change until the Company's first financial reporting date under the New Standards:

1. Scope of IFRS 17

IFRS 17 applies to standards that meet the definition of an insurance contract. These include insurance contracts issued by the Company and reinsurance contracts held by the Company.

An insurance contract may include one or more components that would fall under the scope of another standard if they were separate contracts. For example, insurance contracts may include: an investment component, a component for services other than insurance contract services (hereinafter: "service component"), embedded derivatives.

The Standard determines that an investment component and a service component will be separated from the insurance contract only if they are distinct. An embedded derivative will be separated only if it meets the criteria prescribed in IFRS 9. If separated from the insurance contract, these components will be accounted for under the applicable standard.

In the assessment of the Company, the implementation of IFRS 17 is not expected to materially affect the classification of contracts as insurance contracts compared to IFRS 4. In addition, the Company does not expect to separate from the insurance contracts elements that would be accounted for under another standard.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

2. Measurement model

The standard contains three models for the measurement of the liability in respect of insurance contracts. In its policy, the Company addresses the 2 models that apply to its activity:

1. General Model - GMM Model

According to this model, which is the default model of the standard, the liabilities in respect of groups of insurance contracts are to be measured on the date of initial recognition at the present value of the expected cash flows from the insurance contracts, discounted using a current interest rate (BE), with an explicit risk adjustment for the non-financial risks (RA). The expected profit embodied in the insurance contracts that is derived from the above calculations is to be recognized as a liability - contractual service margin (CSM), in profit or loss over the coverage period of the insurance contract group. If an expected loss arises, it will be recognized immediately in profit or loss. The aforesaid 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 is adjusted for changes in non-financial assumptions relating to the future service. If the contractual service margin is offset as a result of these changes, any further change will be recognized immediately in profit or loss. At the same time, changes resulting from the time value of money and financial changes will be recognized immediately in profit or loss within financing expenses in respect of insurance contracts.

In held reinsurance contracts, the contractual service margin can be an asset or a liability and reflects the net expected cost or the net expected gain, respectively. If the reinsurance contract exists when a loss component is recognized for a group of insurance contracts that is covered by the reinsurer, the Company will recognize an immediate gain in respect of the reinsurance contract (reversal of loss component), against the adjustment of the contractual service margin. The main products that will be measured under the GMM Model, both in insurance contracts issued by the Company and in reinsurance contracts held by the Company, are life insurance and health insurance, with the exception of overseas travel insurance, which is measured under the PAA model.

2. Premium Allocation Approach - PAA Model

Under this model, the liability for the remaining coverage is determined as the total amount of premiums received less cash flows used to purchase insurance and less the premium amounts and cash flows used to purchase insurance, as recognized in profit or loss in respect of the previous coverage period. Premiums received and cash flows used to purchase insurance are recognized in profit or loss over time as the insurance coverage is provided. Where insurance contracts in a group contain a significant financing component, the Company adjusts the time value of the money and the effect of the financial risk in accordance with the interest curve at the date of initial recognition, which is calculated as set forth in this note.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

2. Measurement model

2. Premium Allocation Approach - PAA Model (cont'd)

For groups of insurance contracts under the PAA Model, the standard permits the recognition of any insurance acquisition cash flows as expenses when the Company incurs such costs, provided that the coverage period of each contract in the group does not exceed one year. The Company anticipates that it will not apply this option. Where facts and circumstances indicate that a group of insurance contracts is onerous, the Company measures the present value of the future cash flows, with the addition of the risk adjustment for non-financial risks, similarly to the principles of the General Model. If this amount exceeds the carrying amount of the liability for the remaining coverage, the Company will increase the liability for the remaining coverage against the recognition of an immediate loss in profit or loss.

If a reinsurance contract exists when a loss component is recognized for a group of insurance contracts that it covers, the Company will recognize an immediate gain in respect of the reinsurance contracts (reversal of loss component), against the adjustment of the carrying amount of the asset to the remaining coverage.

The liability for claims incurred is calculated using the same principles as those of the GMM Model. The Standard permits not to discount the cash flows in respect of claims incurred if the cash flows are expected to be paid or received within one year or less of the date on which the claims were incurred. The Company does not apply this exemption.

The Company may implement the Premium Allocation Approach if, and only if, at the inception of the group:

- The coverage period of each contract in the group is one year or less; or
- The Company reasonably expects that such simplification would generate a measurement of the liability for the remaining coverage period of the group that does not materially differ from the measurement that would have resulted from implementation of the General Model. The Company may implement the Premium Allocation Approach for groups of held reinsurance contracts, with adjustments that reflects the characteristics that distinguish held reinsurance contracts from issued insurance contracts.

The Company intends to implement this measurement model in the following insurance portfolios (divided by segments) for both issued insurance contracts and held reinsurance contracts:

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

2. Measurement model (cont'd)

2. Premium Allocation Approach - PAA Model (cont'd)

General Insurance

In most general insurance portfolios, the coverage period of all contracts is up to one year. These groups of insurance contracts are automatically eligible for PAA measurement. For the remaining groups of contracts, the Company will apply the test of eligibility for PAA measurement. The Company expects that all of its general insurance contracts will meet the PAA eligibility criteria. The measurement of the insurance contracts using the PAA Model is similar to the measurement of general insurance contracts under the Company's existing policy pursuant to IFRS 4, with certain adjustments.

Health insurance

Short-term overseas travel insurance contracts.

3. Level of Aggregation

According to the Standard, insurance contracts are aggregated into groups for measurement purposes. The Company will determine the groups upon initial recognition and will not change the composition of the groups subsequently.

Group of insurance contracts are determined through identification of portfolios of insurance contracts, each of which is comprised of contracts that are subject to similar risks and are managed jointly.

The following are the insurance portfolios identified by the Company. These portfolios were determined in accordance with the provisions of the standard and consistently with the Commissioner's position, as published in the Circular:

- Life insurance portfolios: death coverage.
- Health insurance portfolios: overseas travel insurance; personal accidents insurance; severe illness insurance.
- General insurance portfolios: home insurance; compulsory vehicle insurance (including policies sold through the "Pool" corporation); vehicle property insurance; professional liability insurance; business insurance (including: property loss and business comprehensive insurance, including liability and other riders, and including employers' liability, product liability and third-party liability sold as a separate policy), engineering insurance (including liability riders).

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

3. Level of Aggregation (cont'd)

Once it has identified a portfolio, the Company will divide it, at minimum, into the following groups, based on the expected profitability upon initial recognition:

- a group of contracts that are onerous at initial recognition;
- a group of contracts that at initial recognition have no significant possibility of becoming onerous subsequently - at this stage the Company has not identified contracts belonging in this group; and
- a group of the remaining contracts in the portfolio.

In accordance with the Standard, for insurance contracts for which the Company applies the PAA Model, the Company will assume that there are no contracts in the portfolio that are onerous at initial recognition, unless there are facts and circumstances indicating otherwise. IFRS 17 determines that contracts issued more than one year apart will not be included in the same group, such that each underwriting year will be associated with a separate group of insurance contracts.

The smallest measurement unit for the purposes of IFRS 17 is the insurance contract, on all of the insurance coverages contained therein. Therefore, as a rule, the Company will assign the insurance contract in its entirety to a single group of insurance contracts. This approach materially differs from the Company's policy pursuant to IFRS 4, which generally provides for the separate recognition and measurement of each coverage.

IFRS 17 permits the inclusion of contracts under the same group if they belong to different groups only since the practical ability of the Company to set a different price or a different level of benefits for a policyholder with different characteristics is limited by law or regulation. The Company's proportionate share in compulsory vehicle insurance policies issued by the Pool corporation meets this requirement. Accordingly, the Company has elected to include its proportionate share of these policies in the same group as the ordinary compulsory insurance policies sold by the Company.

In some sectors within general insurance (such as vehicle property), the level of aggregation may be lower than that currently applied pursuant to IFRS 4, which could increase the rate of contracts that are identified as onerous. In other insurance sectors (e.g. business and home) containing property and liability coverages that are currently sold and measured separately, these will be accounted for as a single insurance contract under IFRS 17. This change is expected to reduce the loss in respect of onerous contracts in those sectors.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

4. Separation of components from insurance contracts and reinsurance contracts, disaggregation of contract components and aggregation of insurance contracts

The Company has not identified embedded derivatives, products and services that need to be handled separately from the related insurance contract or reinsurance contract.

In most cases, the Company will deem the legal contract on all of its various components as a single insurance contract for accounting purposes. Accordingly, the Company will not separate components from typical insurance policies, such as service appendices accompanying health and property insurance policies. A health insurance policy that is sold as a package to several family members under a single legal contract, will be accounted for as a single insurance contract.

Nevertheless, the Company intends to account for the following policies and coverages separately, even if these are sold together to the policyholder: a policy that includes compulsory vehicle insurance alongside comprehensive vehicle insurance.

Business policies in general insurance, which typically include property coverage alongside liability coverage, sold to the same party as separate legal policies, issued with an overall view, including for pricing and customer benefit, within a reasonable time gap between issuance dates, and sometimes with a contractual link between them, will be aggregated and treated as a single insurance contract.

5. Contract boundaries

For insurance contracts, cash flows are within the boundaries of the contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company can compel the policyholder to pay premiums or has a substantive obligation to provide services. A substantive obligation ends when the Company has the practical ability to reassess the risks of the policyholder (a singly policyholder) or of the portfolio of the insurance contracts. At that point, the Company has the practical ability to set a new price or change the terms of the benefits that fully reflects those risks, provided that the pricing at the portfolio level did not include a future cost risk in the overall premium. The Company's practical ability to determine a price at a future date that fully reflects the risks in the contract as from that date exists when there are no limitations that prohibit the Company to reprice the contract in an identical manner to that applied in pricing a new contract with the same characteristics.

In determining the contract boundaries of insurance contracts, the Company examines each contract separately and considers the overall substantive obligations and rights, whether these arise from a contract, a law or a regulation, eliminating any conditions that lack commercial substance.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

5. Contract boundaries (cont'd)

For held reinsurance contracts, cash flows are within the boundaries of the contract if they arise from substantive rights and obligations that exist during the reporting period in which the Company is obligated to pay amounts to the reinsurer or has a substantive right to receive services therefrom. A substantive right to receive services from the reinsurer ends when the reinsurer has the practical ability to reassess the risks transferred to it and to set a new price or change the terms of the benefits to fully reflect those risks, or, alternatively, when the reinsurer has a substantive right to discontinue the coverage. Following is a detailed discussion of specific issues pertaining to contract boundaries:

For insurance policies issued commencing in 2016 and thereafter

According to the Commissioner's position, as expressed in the Circular, although such policies are renewed every two years, on the fixed date of renewal it cannot be argued that there is a practical ability to reassess the risks of the portfolio and, accordingly, set a new price that fully reflects those risks. Consequently, periods subsequent to the fixed renewal date will be included within the contract boundaries.

Allocation of expenses

In accordance with the provisions of IFRS 17, the Company includes within the contract boundaries cash flows that are directly attributable to the insurance contract, including insurance acquisition cash flows. Accordingly, the Company will not allocate to the insurance contract product development costs, corporate branding costs and qualification costs.

Held reinsurance contracts

In accordance with the accounting policy pursuant to IFRS 4, the measurement of the reinsurance contracts relates only to the underlying contracts transferred to the reinsurer as at the balance sheet date. Under IFRS 17, in addition to the aforesaid cash flows, the boundaries of the reinsurance contract may also include cash flows in respect of underlying contracts that the Company expects to sell (and transferred to the reinsurer) during the contract period, provided that the Company and the reinsurer do not have the right to cancel or reprice the liability for the transfer of those expected future contracts.

Allocation of insurance acquisition cash flows to future renewals

Insurance acquisition cash flows will be allocated to renewals of insurance contracts only if the Company expects to recover the related cash flows through the renewal of those contracts and based on the manner in which the Company expects to recover them, see also 6 below.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

6. Insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting and starting a group of insurance contracts that are directly attributable to the portfolio of insurance contracts to which the group belongs. Cash flows that are directly attributable to a group of insurance contracts will be allocated to the same group as well as to groups

that include insurance contracts that are expected to arise from renewals of the insurance contracts in that group, where applicable. Insurance acquisition cash flows that are directly attributable to a portfolio of insurance contracts will be allocated to groups of contracts in the portfolio, including groups of insurance contracts that have not yet been recognized. Where the Company has allotted an insurance acquisition cash flows to insurance contracts not yet recognized, this amount will be recognized as a separate asset.

Insurance acquisition cash flows relating to already recognized insurance contracts will be included in the measurement of insurance contracts as part of the present value of future cash flows and will reduce the CSM value (in the GMM model) or the carrying amount of the Liability for Remaining Coverage in the PAA model. This is a significant change compared to the policy prescribed in 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, accordingly, in the GMM model, insurance acquisition cash flows will be recognized in the Company's profit or loss based on the timing of the CSM release, instead of the current method of straight-line amortization that accounts for actual cancellations.

7. Discount interest rate for purposes of the Standard

The Standard determines that the estimates of future cash flows must be adjusted to reflect the time value of money and the financial risks relating to those cash flows.

The Company determines the interest curves for all groups of insurance contracts using the Bottom-Up approach, which is the default approach prescribed in the Commissioner's Circular. According to this approach, the discount rate is derived by adding an illiquidity premium (that reflects the illiquidity rate of the measured liability) to the risk-free interest curve. The risk-free interest curve is based on the yields-to-maturity of marketable government bonds. The Last Liquid Point is the 25th year. Beyond this point, the Company determines the risk-free interest curves by extrapolation, using the Smith-Wilson Method, up to the ultimate forward rate, over 60 years. The full illiquidity premium is determined based on the average spread of the bonds included in the Tel Bond-60 Index. This premium is added, in full or in part, to the risk-free interest curve, based on the illiquidity characteristics of the related cash flows. With respect to the illiquidity premium rate, the Company applies the weights determined by the Commissioner in the Circular.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

8. Risk adjustment for non-financial risk ("RA")

The RA reflects the compensation that the Company requires for bearing the uncertainty regarding the amount and the timing of the cash flows that arise from non-financial risks, including an insurance risk and other non-financial risks, such as cancellations risk and expenses risk. The Company adjusts the present value estimate of the future cash flows for this amount, which is separately presented in the Company's total liabilities.

The Standard does not specify the estimation techniques that are used to determine the risk adjustment for non-financial risks.

The RA calculation will be based on Solvency principles: in life and health insurance products as a function of the SCR; in general insurance products in accordance with 'best practice' principles; the reinsurance risk adjustment will be calculated as a function of reinsurance SCR and will apply only to coverages for which reinsurance exists.

9. The coverage units and release of the contractual service margin for groups of contracts measured under the GMM Model

The CSM represents the liability for the unrealized profit from future services. According to the standard, the CSM will be recognized in profit or loss over the coverage period in a pattern that reflects the insurance service provided by the Company in connection with the contracts included in the group of insurance contracts. This pattern is determined based on the rate of the coverage units provided in the period to the total coverage units that are expected to be provided in the future in connection with the group of insurance contracts.

The number of coverage units in a group is the quantity of insurance contract 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.

In life insurance, severe illness and personal accidents insurance, the coverage units were determined based on the insurance amount specified in the coverage

In medical expenses insurance, the coverage units were determined based on the number of effective coverages.

The coverage units for held reinsurance contracts are consistent with those of the underlying contracts, with adjustments for the different services provided.

IFRS 17 does not determine whether the time value of money needs to be taken into account when allocating the contractual service margin to the coverage units, so that the allocation reflects the expected timing of provision of the coverage units. In this context, the Company has elected to account for the time value of money when allocating the contractual service margin to the coverage units.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

10. Presentation

Under IFRS 17, the Company will split the amounts recognized in the statement of profit or loss and other comprehensive income between:

- Results of insurance services, including insurance income and insurance services expenses; and
- Financing income or financing expenses from insurance.

This separation will enhance the transparency of the sources of profit of the Company.

Insurance services results

The total revenue from insurance services for a group of insurance contracts is the consideration for the contracts, adjusted for financing effects.

Revenue from insurance services under the GMM Model will be calculated based on the decrease in liabilities for the remaining coverage of the services provided in the period, with the addition of an allocation of the amount of premiums relating to the recovery of insurance acquisition cash flows in the reported periods. The Company will perform this allocation based on the coverage units that are used to release the CSM. Under the PAA Model, revenue from insurance services is recognized over time as the insurance coverage is provided.

Expenses that are directly attributable to the sale and maintenance of the insurance contracts will be included in the measurement of the insurance contracts and recognized as an expense in the results of the insurance services. Expenses that cannot be directly attributed to the insurance contracts will be recognized as an expense outside the results of the insurance services as incurred.

Financing income or financing expenses from insurance

Changes in the carrying amount of the group of insurance contracts resulting from the effect of the time value of money and changes in the time value of money, as well as from the effect of financial risk and changes in financial risk, are recognized as insurance financing income or expenses.

The Standard requires the Company to select one of the following accounting policies:

a. Inclusion of insurance financing income or expenses for the period in profit or loss; or

b. Dividing insurance financing income or expenses for the period between profit or loss and other comprehensive income.

This selection is made at the insurance-portfolio level.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

10. Presentation (cont'd)

The accounting policy selected by the Company for all insurance portfolios is the inclusion of insurance financing income or expenses for the period in profit or loss. This policy, together with the policy to designate financial assets within the scope of IFRS 9 at fair value through profit or loss (see also below in the discussion regarding IFRS 9), reduces the mismatch in the measurement of assets and liabilities.

The Standard does not require the RA to be split between insurance service results and insurance financing income or expenses. The Company anticipates not to apply this exemption and expects to split the change in the RA between insurance service results and insurance financing income or expenses.

11. Transitional provisions:

IFRS 17 is to be applied retrospectively (hereafter - "full retrospective implementation"), unless this is not practicable. When applying the full retrospective implementation approach, the Company will identify, recognize and measure each group of insurance contracts, as well as any assets in respect of insurance acquisition cash flows, as if IFRS 17 has been implemented from the outset. In addition, the Company will derecognize any balances that would not have existed had IFRS 17 been implemented from the outset. The resulting net difference will be carried to equity.

The transition date is January 1, 2024. Accordingly, on the date of first-time implementation the Company will restate the comparative figures for 2024.

If full retrospective implementation of a group of insurance contracts and/or an asset in respect of insurance acquisition cash flows is not practicable, the Company will implement one of the following approaches:

a. The Modified Retrospective Approach (MRA) – the objective of this approach is to achieve the closest outcome to retrospective application as possible, with certain exemptions provided for in the Standard using reasonable and supportable information available without undue cost or effort; or

b. The Fair Value Approach (FVA) – by which the Company will determine the contractual service margin or loss component of the liability for remaining coverage at the transition date as the difference between the fair value of a group of insurance contracts at that date and the contract fulfilment cash flows measured at that date.

The Company expects to implement the transition approaches to the insurance portfolios as follows:

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

11. Transitional provisions (cont'd)

Full Modified Retrospective Approach:

- For general insurance portfolios;
- For overseas travel insurance portfolio measured under the PAA model;
- For reinsurance portfolios measured under the PAA model, consistently with the treatment of the gross contracts against which the reinsurance contracts are provided.

Fair Value Approach (FVA)

In the Company's view, for the remaining insurance portfolios it is impractical to apply Standard retrospectively, primarily for the following reasons:

- The effects of full retrospective application cannot be determined because the required information (such as expectations regarding the profitability of insurance contracts and the risk that they will become onerous, historical cash flow information, information on changes in estimates and assumptions, etc.) has not been collected or is not available due to information system replacements, data retention requirements, or other reasons;
- The full retrospective application approach requires assumptions about the Company's management's intentions in prior periods or material accounting estimates that cannot be performed without the use of hindsight – for example, assumptions about RA for prior periods where these assumptions were not required by the Company.

Therefore, for the remaining insurance portfolios (life and health insurance not treated under the PAA model), the Company will apply the Fair Value Approach (FVA) at the transition date. The fair value of these portfolios will be determined according to a valuation by external consultants (hereinafter: "the Fair Value Assessment").

In accordance with the Circular published by the Commissioner, the Fair Value Assessment of life and health insurance portfolios measured using the Fair Value Approach (FVA) will be performed using the Appraisal Value method. The calculations in this method will be based, to the extent possible, on the other calculations performed as part of the Standard's implementation and on the calculations performed as part of the Solvency reports.

In applying the Fair Value Approach, insurance contract groups may also include contracts issued with a gap of more than one year. The Company has elected to apply this exemption and not to divide groups into those including only contracts issued within a time gap of one year or less.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

1) International Financial Reporting Standard (IFRS) No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") (cont'd)

Principal changes in the accounting policies (cont'd)

11. Transitional provisions (cont'd)

Fair Value Approach (FVA) (cont'd)

Following are the main assumptions underlying the Fair Value Assessment:

- As a rule, the AV Approach valuation determines the fair value of insurance contract groups by determining the required compensation, from a market participant's perspective, for taking on these portfolios. This compensation is required due to the fact that the market participant is required to hold capital for economic solvency requirements, in addition to the basic amounts held to pay the expected cash flows to cover insurance liabilities;
- The valuation assumes that the asset amounts held by the market participant against insurance liabilities and against the additional capital buffers required under the economic solvency regime provisions will be invested until their distribution as dividends, at a risk-free interest rate;
- In accordance with the Commissioner's directives, the valuation assumes that the capital buffers held against insurance liabilities in each group are at a rate of 121% of the minimum capital requirements (SCR), in the year following the transition date, which will increase to 135% by the end of 2032 (when the economic solvency regime phase-in provisions end);
- The valuation assumes that 40% of the capital requirements will be provided through the issuance of Tier 2 capital instruments;
- The valuation was based, in principle, on cash flow forecasts, including expense forecasts, that the Company uses for its Solvency regime purposes, in accordance with the Commissioner's guidelines and the assumption that these forecasts are consistent with a market participant's perspective;
- The amount of capital required to be held for the portfolio is influenced, inter alia, by the level of diversification. In accordance with the Commissioner's directives, the valuation is based, as a starting point, on the level of diversification existing in the Company's portfolios at the actual transition date, assuming that this is the diversification level consistent with a market participant's perspective as well. To estimate the projected capital requirements attributable to the valued portfolios, the valuation assumes that new insurance products will be marketed by the market participant, in a volume and type similar to the insurance products actually marketed by the Company in 2023, which will affect the forecast of the future diversification effect. The diversification effect obtained as described above was allocated uniformly to the capital requirements of the valued insurance portfolios;
- The valuation assumes that the market participant will require a Target Return on Equity at a total rate of 13.6%, based primarily on the CAPM model.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

2) International Financial Reporting Standard No. 9 – Financial Instruments

In implementing IFRS 9, the Company will classify financial assets based on 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, as well as on the characteristics of the contractual cash flow of the financial asset.

IFRS 9 also introduces a new model for recognizing credit losses that supersedes the existing impairment model included in the expected credit loss model of IAS 39. The model is applicable to financial assets measured at amortized cost and to investments in debt instruments measured at fair value through other comprehensive income; it does not apply to investments in equity instruments.

A financial asset will be measured at amortized cost if the two following conditions are fulfilled:

a) The financial asset is held within the framework of a business model that is designated to hold the assets for the purpose of collecting the contractual cash flows deriving from them; and
b) The contractual terms of the financial asset create eligibility, at specified dates, to cash flows that consist solely of payments of principal and interest on the unpaid principal amount (hereafter - "the principal and interest criterion").

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 the framework of a business model that is designated 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. Despite the aforesaid, on the date of initial recognition, the Company may designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise be created from the measurement of assets or liabilities or from recognition of gains and losses thereon using other bases.

In addition, upon initial recognition of an investment in an equity instrument that is not held for trading, the Company may irrevocably elect to carry subsequent changes in the fair value of the instrument to other comprehensive income. This election is made individually for each investment.

The Company intends to designate to fair value through profit or loss all of its investments in debt assets against the insurance liabilities. In addition, the Company does not expect to designate financial investments in equity instruments to measurement at fair value through other comprehensive income. Consequently, these investments will be measured at fair value through profit or loss. The Company will also review the business model for the management of its investments in the remaining debt assets counteracting the equity and other liabilities, and to the extent that the business model for the management of those investments is fair-value-based with exclusively incidental collection of the cash flows - those assets will also be measured at fair value through profit or loss.

Note 3 - Material Accounting Policies (Cont'd)

New standards and interpretations not yet adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority (cont'd):

2) International Financial Reporting Standard No. 9 – Financial Instruments (cont'd)

In view of the aforesaid, the Company expects to apply measurement at fair value through profit or loss to substantially all of its financial assets. Accordingly, the Company's provision for expected credit losses is not expected to be material.

The classification and measurement of financial liabilities will be the same as their current classification and measurement under IAS 39.

Note 4 - Segment Information

The operating segments were determined on the basis of the information examined by the chief operational decision-maker for the purposes of evaluating performance and deciding upon the allocation of resources.

The Company operates in the following operating segments: general insurance, health insurance and life insurance, as set out below. Activities that are not attributed to the segments includes the equity, the non-insurance liabilities and their covering assets.

A. Life insurance segment

The life insurance segment provides cover for life insurance risk only as well as coverage of other risks such as disability, occupational disability and other health related services

B. Health insurance segment

All the Company's health insurance operations are concentrated within this segment. The segment provides personal accident cover, severe illness cover and foreign travel cover.

C. General insurance segment

The general insurance segment encompasses the property and liability sectors. In accordance with the directives of the Commissioner of Insurance, the segment is divided into the following sectors: the compulsory motor vehicle sector, the motor vehicle property sector, the home insurance sector, other property sectors, other liability sectors, and the professional liability sector.

- **Compulsory motor vehicle sector**

  The compulsory motor vehicle sector focuses on the provision of cover, the purchase of which, by the owner or driver of a vehicle, is compulsory by law. This insurance provides cover for bodily injury occasioned to the driver of the vehicle, any passengers therein or pedestrians as a result of the use of an engine vehicle.

- **Motor vehicle property sector**

  The motor vehicle property sector focuses on the provision of cover for property damage occasioned to the motor vehicle of the insured and for property damage that the motor vehicle of the insured causes to a third party.

- **Home insurance sector**

  The apartment's insurance sector focuses in providing coverage for damages caused to apartments and includes coverage in respect of damages caused by earthquake.

Note 4 - Segment Information (cont'd)

- **Professional liability sector**

  The professional liability sector provides cover to practitioners of the various liberal professions for any claims that may be made against them in relation to injury occasioned to a third party as a result of a mistake or professional negligence. Insurance coverage to directors and office holders in respect of an unlawful act or oversight carried out by the directors and office holders in their professional capacity, for funds misappropriation damages and for cyber events.

- **Other property sectors**

  Other property sectors provide cover with respect to those property lines which are not connected with the motor vehicle or liability sectors. Cover is principally provided with respect to property insurance, subcontractors and mechanical breakdown insurance.

- **Other liability sectors**

  Other liability sectors provide cover for the liability of the insured with respect to damage that the insured causes to a third party. Amongst the liabilities covered by these sectors are third party liability, employer's liability and product liability.

Note 4 - Segment Information (cont'd)

	Three-month period ended March 31, 2025 (unaudited)				
	Life insurance	**Health Insurance ***	**General insurance**	**Not attributed to operating segments**	**Total**
			NIS thousands		
Gross earned premiums	**43,038**	**44,454**	**386,656**		**474,148**
Premiums earned by reinsurers	**(9,556)**	**(12,253)**	**(48,843)**		**(70,922)**
Premiums earned in retention	**33,482**	**31,931**	**337,813**		**403,226**
Gains on investments, net and financing income	**194**	**792**	**10,829**	**10,734**	**22,549**
Commission income	**2,304**	**531**	**13,082**		**15,917**
Total income	**35,980**	**33,254**	**361,724**	**10,734**	**441,692**
Payments and change in liabilities with respect to insurance contracts, gross	**(23,109)**	**32,440**	**256,600**		**(312,149)**
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	**3,773**	**14,107**	**13,746**		**31,626**
Payments and change in liabilities with respect to insurance contracts, in retention	**(19,336)**	**(18,333)**	**(242,854)**		**(280,523)**
Commissions and other acquisition costs	**(12,843)**	**(7,948)**	**(57,733)**		**(78,524)**
General and administrative expenses	**(5,185)**	**(3,373)**	**(18,249)**		**(26,807)**
Financing income (expenses), net	**-**	**-**	**853**	**(2,184)**	**(1,331)**
Total comprehensive income (loss)before taxes on income	**(1,384)**	**3,600**	**43,741**	**8,550**	**54,507**
Liabilities for insurance contracts, gross, as of March 31, 2025	**99,709**	**152,929**	**2,689,142**		**2,941,780**

Note 4 - Segment Information (cont'd)

	Three-month period ended March 31, 2024 (unaudited)				
	Life insurance	**Health Insurance ***	**General insurance**	**Not attributed to operating segments**	**Total**
			NIS thousands		
Gross earned premiums	40,890	37,806	342,142		420,838
Premiums earned by reinsurers	(8,988)	(1,026)	(51,008)		(61,022)
Premiums earned in retention	31,902	36,780	291,134		359,816
Gains on investments, net and financing income	196	757	12,051	17,960	30,964
Commission income	5,323	180	11,997		17,500
Total income	37,421	37,717	315,182	17,960	408,280
Payments and change in liabilities with respect to insurance contracts (gross)	(18,938)	(33,134)	(234,852)		(286,924)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	3,403	2,235	22,285		27,923
Payments and change in liabilities with respect to insurance contracts, in retention	(15,535)	(30,899)	(212,567)		(259,001)
Commissions and other acquisition costs	(10,544)	(8,493)	(50,886)		(69,923)
General and administrative expenses	(5,738)	(5,104)	(16,461)		(27,303)
Financing income (expenses), net	-	-	764	(946)	(182)
Total comprehensive income (loss)before taxes on income	5,604	(6,779)	36,032	17,014	51,871
Liabilities for insurance contracts, gross, as of March 31, 2024	78,414	124,045	2,438,252		2,640,711

* The health insurance segment primarily comprises the results of the personal accidents sector.

Note 4 - Segment Information (cont'd)

	Year ended December 31, 2024 (audited)				
	Life Insurance	**Health Insurance ***	**General insurance**	**Not attributed to operating segments**	**Total**
			NIS thousands		
Gross earned premiums	168,664	179,421	1,457,413		1,805,498
Premiums earned by reinsurers	(34,310)	(5,839)	(201,706)		(241,855)
Premiums earned in retention	134,354	173,582	1,255,707		1,563,643
Gains on investments, net, and financing income	789	4,020	61,944	46,607	113,360
Commission income	11,667	798	46,223		58,688
Total income	146,810	178,400	1,363,874	46,607	1,735,691
Payments and change in liabilities with respect to insurance contracts, gross	(87,956)	(140,718)	(1,042,963)		(1,271,637)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	18,858	11,491	121,429		151,778
Payments and change in liabilities with respect to insurance contracts, in retention	(69,098)	(129,227)	(921,534)		(1,119,859)
Commissions and other acquisition costs	(44,742)	(43,030)	(234,407)		(322,179)
General and administrative expenses	(17,779)	(16,227)	(62,176)		(96,182)
Financing income	-	-	2,137	966	3,103
Total comprehensive income (loss) before taxes on income	15,191	(10,084)	147,894	47,573	200,574
Liabilities for insurance contracts, gross, as of December 31, 2024	97,781	150,072	2,594,382		2,842,235

* The health insurance segment primarily comprises the results of the personal accidents sector.

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment:

	Three-month period ended March 31, 2025 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors**	Total
	NIS thousands						
Gross premiums	98,145	285,745	51,116	26,071	8,529	9,714	479,320
Reinsurance premiums	(1,319)	-	(10,123)	(23,620)	(8,333)	(8,471)	(51,866)
Premiums in retention	96,826	285,745	40,993	2,451	196	1,243	427,454
Change in balance of unearned premiums, in retention	(17,026)	(64,879)	(7,042)	(508)	5	(191)	(89,641)
Premiums earned in retention	79,800	220,866	33,951	1,943	201	1,052	337,813
Gains on investments, net and financing income	5,280	3,166	624	1,049	77	633	10,829
Commission income	-	-	1,443	6,493	3,000	2,146	13,082
Total income	85,080	224,032	36,018	9,485	3,278	3,831	361,724
Increase in insurance liabilities and payments with respect to insurance contracts	(66,900)	(152,433)	(28,730)	(182)	(2,488)	(5,867)	(256,600)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	7,650	-	1,519	(1,546)	2,297	3,826	13,746
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(59,250)	(152,433)	(27,211)	(1,728)	(191)	(2,041)	(242,854)
Commissions, marketing expenses and other acquisition costs	(9,264)	(29,580)	(9,102)	(5,798)	(2,118)	(1,871)	(57,733)
General and administrative expenses	(3,959)	(9,108)	(4,226)	(605)	(138)	(213)	(18,249)
Financing income, net	-	479	352	19	-	3	853
Total expenses	(72,473)	(190,642)	(40,187)	(8,112)	(2,447)	(4,122)	(317,983)
Total comprehensive income (loss) before taxes on income	12,607	33,390	(4,169)	1,373	831	(291)	43,741
Liabilities with respect to insurance contracts, gross, as at March 31, 2025	1,189,157	665,975	149,148	347,621	117,898	219,343	2,689,142
Liabilities with respect to insurance contracts, in retention, as at March 31, 2025	1,002,283	665,975	143,075	38,847	3,853	37,531	1,891,564

(*) Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 99% of the total premiums attributable to these sectors.
(**) Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 40% of the total premiums attributable to these sectors.

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment:

	Three-month period ended March 31, 2024 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors**	Total
	NIS thousands						
Gross premiums	89,197	260,643	48,631	25,233	4,326	8,681	436,711
Reinsurance premiums	(1,206)	-	(9,139)	(22,453)	(4,153)	(7,599)	(44,550)
Premiums in retention	87,991	260,643	39,492	2,780	173	1,082	392,161
Change in balance of unearned premiums, in retention	(19,508)	(73,750)	(7,372)	(473)	12	64	(101,027)
Premiums earned in retention	68,483	186,893	32,120	2,307	185	1,146	291,134
Gains on investments, net and financing income	5,714	3,327	765	1,315	120	810	12,051
Commission income	-	-	323	6,867	2,596	2,211	11,997
Total income	74,197	190,220	33,208	10,489	2,901	4,167	315,182
Increase in insurance liabilities and payments with respect to insurance contracts	(57,783)	(130,419)	(26,356)	(11,184)	(4,622)	(4,488)	(234,852)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	(369)	-	1,140	12,970	4,223	4,321	22,285
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(58,152)	(130,419)	(25,216)	1,786	(399)	(167)	(212,567)
Commissions, marketing expenses and other acquisition costs	(8,406)	(23,775)	(8,732)	(5,642)	(2,600)	(1,731)	(50,886)
General and administrative expenses	(3,564)	(7,571)	(4,365)	(452)	(321)	(188)	(16,461)
Financing income, net	-	436	324	3	-	1	764
Total expenses	(70,122)	(161,329)	(37,989)	(4,305)	(3,320)	(2,085)	(279,150)
Total comprehensive income (loss) before taxes on income	4,075	28,891	(4,781)	6,184	(419)	2,082	36,032
Liabilities with respect to insurance contracts, gross, as at March 31, 2024	1,018,193	604,802	146,273	347,523	100,726	220,735	2,438,252
Liabilities with respect to insurance contracts, in retention, as at March 31, 2024	884,278	604,802	140,710	37,678	2,713	35,800	1,705,981

(*) Other property sectors reflect mainly the results of the property loss insurance sector, which accounts for 99% of the total premiums attributable to these sectors.
(**) Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 43% of the total premiums attributable to these sectors.

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment (continued):

	Year ended December 31, 2024 (audited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors**	Total
	NIS thousands						
Gross premiums	319,662	886,836	175,977	88,610	55,717	34,509	1,561,311
Reinsurance premiums	(4,249)	-	(38,152)	(80,802)	(56,919)	(30,327)	(210,449)
Premiums in retention	315,413	886,836	137,825	7,808	(1,202)	4,182	1,350,862
Change in balance of unearned premiums, in retention	(21,440)	(67,439)	(6,050)	(154)	(8)	(64)	(95,155)
Premiums earned in retention	293,973	819,397	131,775	7,654	(1,210)	4,118	1,255,707
Gains on investments, net and financing income	29,338	17,987	3,708	6,591	449	3,871	61,944
Commission income	-	-	1,422	26,036	10,549	8,216	46,223
Total income	323,311	837,384	136,905	40,281	9,788	16,205	1,363,874
Payments and change in insurance liabilities with respect to insurance contracts, gross	(333,199)	(553,942)	(80,303)	(36,712)	(14,933)	(23,874)	(1,042,963)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	50,931	-	3,834	34,888	12,634	19,142	121,429
Payments and changes in liabilities with respect to insurance contracts, in retention	(282,268)	(553,942)	(76,469)	(1,824)	(2,299)	(4,732)	(921,534)
Commissions, marketing expenses and other acquisition costs	(37,145)	(120,350)	(40,930)	(22,222)	(6,762)	(6,998)	(234,407)
General and administrative expenses	(13,137)	(29,638)	(15,731)	(1,679)	(1,238)	(753)	(62,176)
Financing income	-	1,155	969	10	-	3	2,137
Total expenses	(332,550)	(702,775)	(132,161)	(25,715)	(10,299)	(12,480)	(1,215,980)
Total comprehensive income (loss) before taxes on income	(9,239)	134,609	4,744	14,566	(511)	3,725	147,894
Liabilities with respect to insurance contracts, gross, as at December 31, 2024	1,167,152	602,620	137,255	345,144	121,720	220,491	2,594,382
Liabilities with respect to insurance contracts, in retention, as at December 31, 2024	985,723	602,620	131,409	37,767	3,920	36,571	1,798,010

(*) Other property sectors reflect mainly the results of the property insurance sector, which accounts for 99% of the total premiums attributable to these sectors.
(**) Other liability sectors reflect mainly the results of the third-party liability insurance sector, which accounts for 44% of the total premiums attributable to these sectors.

Note 4 - Segment Information (cont'd)

<u>Additional information relating to life insurance segment</u>:

Three-month period ended March 31, 2025 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	**43,859**
Payments and change in liabilities with respect to insurance contracts, gross	**23,109**

Three-month period ended March 31, 2024 (unaudited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	41,153
Payments and change in liabilities with respect to insurance contracts, gross	18,938

Year ended December 31, 2024 (audited):

	Policies not containing savings element
	Risk sold as single policy
	Private
	NIS thousands
Gross risk premiums	168,681
Payments and change in liabilities with respect to insurance contracts, gross	87,956

Note 4 - Segment Information (cont'd)

Additional information relating to healthcare segment:

Three-month period ended March 31, 2025 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	**31,773**	**12,138**	*** 43,911**
Payments and change in liabilities with respect to insurance contracts, gross	**24,427**	**8,013**	**32,440**

* All policies are policies issued to individuals. There are no collective insurance premiums. The most material coverage is individual personal accidents insurance in long-term health insurance and overseas travel in short-term health insurance.

Three-month period ended March 31, 2024 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	32,617	6,509	* 39,126
Payments and change in liabilities with respect to insurance contracts, gross	26,235	6,899	33,134

* All policies are policies issued to individuals. There are no collective insurance premiums. The most material coverage is individual personal accidents insurance in long-term health insurance and overseas travel in short-term health insurance.

Year ended December 31, 2024 (audited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	129,842	49,893	* 179,735
Payments and change in liabilities with respect to insurance contracts, gross	110,807	29,911	140,718

* All policies are policies issued to individuals. There are no collective insurance premiums. The most material coverage is individual personal accidents insurance in long-term health insurance and overseas travel in short-term health insurance.

Note 5 - Shareholders' Equity and Capital Requirements

A. Capital management and requirements

The policy of the Company is to maintain a strong capital base in order to ensure its solvency and its ability to meet its obligations to policyholders, to preserve the ability of the Company to continue its business activities and to generate yield to its shareholders. The Company is subject to the capital requirements stipulated by the Commissioner. The Board of Directors of the Company has set a target Solvency II-based solvency ratio of 130%.

Note 5 - Shareholders' Equity and Capital Requirements (Cont'd)

B. Solvency II-based economic solvency regime

1. On June 1, 2017, the Commissioner issued a circular on the provisions for implementing a Solvency II-based regime. The provisions of the circular are mostly based on the quantitative tier of the related European directive, adjusted for the Israeli market.
2. On July 7, 2019, the Company received the Commissioner's approval of the audit of the capital ratio report that it had submitted pursuant to the guidelines, and is therefore no longer subject to the old Capital Regulations concerning the "minimum capital required" and now fully follows an economic solvency ratio regime.
3. The directives of the Commissioner prescribe, inter alia, transitional provisions that allow the gradual phase-in of the capital requirements based on prescribed guidelines.
4. According to the Commissioner's guidelines from October 1, 2017 concerning dividend distributions, an insurance company that distributes a dividend is required to deliver to the Commissioner, within 20 business days of the date of distribution, all of the following:
   - An annual profit forecast for the two years following the dividend distribution date;
   - An updated debt service plan of the insurance company approved by the Company's Board of Directors, as well as an updated debt service plan of the holding company that holds the insurance company that was approved by the board of directors of the holding company;
   - An updated capital management plan approved by the Board of Directors of the insurance company, which also includes extensive reference to meeting the repayment ratio target set by the Board of Directors over time;
   - A copy of the minutes of the Board of Directors of the insurance company in which the distribution of the dividend was approved, together with the background material for the discussion.
5. On May 27, 2025, concurrently with the publication of the interim financial information, in accordance with the directives of the Commissioner, the Company published the economic solvency ratio report for the December 31, 2024 data on its website. According to the solvency ratio reports as at December 31, 2024 and December 31, 2023, the Company has surplus capital independent of the transitional provisions.

   The calculation performed by the Company, as above, as at December 31, 2024 and the calculation performed by the Company, as above, as at December 31, 2023, has been reviewed by the independent auditors of the Company in accordance with ISAE 3400 – The Examination of Prospective Financial Information. These standards apply to the examination of the Solvency calculations and its review and are not part of the auditing standards that apply to financial statements.

   It is hereby stressed that the forecasts and the assumptions, which served as a basis for the drawing up of the economic solvency ratio report, are substantially based on past experience, as reflected in actuarial studies that are performed from time to time. In view of the capital market, insurance and savings reforms and the changes in the economic environment, past data are not necessarily indicative of future results.

Note 6 - Financial Instruments and Financial Risks

A. Fair value hierarchy:

The various levels of fair value are determined as follows:

- Level 1 – fair value measured by use of quoted prices (unadjusted) on an active market for identical instruments.
- Level 2 – fair value measured by using observable inputs, direct and indirect, which are not included in Level 1 above.
- Level 3 – fair value measured by using inputs that are not based on observable market data.

Fair value measurements of all of the Company's marketable financial investments (excluding non-marketable debt instruments) that are measured at fair value through profit or loss constitute Level 1 assets. Fair value measurements of non-marketable debt assets of the Company that are measured at depreciated cost and the fair value of which is presented for disclosure purposes only (see d(2) above), constitute Level 2.

Pursuant to the aforesaid, during the 3 months ended March 31, 2024, no fair value amounts in respect of financial assets were transferred into or out of the various levels of the hierarchy.

B. The fair value of financial assets and financial liabilities

- The carrying amounts of cash and cash equivalents, premiums collectible, accounts receivable, and accounts payable are identical or close to their fair values.
- For details on the fair value of financial investments, see c. below.

C. Composition of financial investments:

		March 31, 2025 (unaudited)		
		Measured at fair value through profit or loss	Loans and receivables	Total
		NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments	(1)	**2,463,141**	**-**	**2,463,141**
Non-marketable debt instruments	(2)	**-**	**127,043**	**127,043**
Other	(3)	**152,729**	**-**	**152,729**
Total		**2,615,870**	**127,043**	**2,742,913**

		March 31, 2024 (unaudited)		
		Measured at fair value through profit or loss	Loans and receivables	Total
		NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments	(1)	2,085,554	-	2,085,554
Non-marketable debt instruments	(2)	-	115,255	115,255
Other	(3)	143,155	-	143,155
Total		2,228,709	115,255	2,343,964

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments (cont'd):

		December 31, 2024 (audited)		
		Measured at fair value through profit or loss	Loans and Receivables	Total
		NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments	(1)	2,422,676	-	2,422,676
Non-marketable debt instruments	(2)	-	129,933	129,933
Other	(3)	147,221	-	147,221
Total		2,569,897	129,933	2,699,830

1. **Composition of marketable debt instruments** (designated upon initial recognition to the fair value through profit or loss category):

	March 31, 2025	
	(Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	**1,148,931**	**1,160,753**
Other debt assets:		
other non-convertible debt assets	**1,314,210**	**1,329,802**
Total marketable debt assets	**2,463,141**	**2,490,555**

	March 31, 2024	
	(Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	872,337	883,542
Other debt assets:		
other non-convertible debt assets	1,213,217	1,230,889
Total marketable debt assets	2,085,554	2,114,431

	December 31, 2024	
	(Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	1,360,560	1,373,196
Other debt assets:		
other non-convertible debt assets	1,062,116	1,076,442
Total marketable debt assets	2,422,676	2,449,638

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments (cont'd):

2. Composition of non-marketable debt instruments:

	March 31, 2025 (Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	**286**	**286**
Presented at amortized cost, excluding bank deposits	**126,757**	**126,757**
Total non-marketable debt assets	**127,043**	**127,043**

	March 31, 2024 (Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	415	426
Presented at amortized cost, excluding bank deposits	114,840	114,765
Total non-marketable debt assets	115,255	115,191

	December 31, 2024 (Audited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	449	449
Presented at amortized cost, excluding bank deposits	129,484	129,484
Total non-marketable debt assets	129,933	129,933

3) **Composition of other financial investments** (designated upon initial recognition to the fair value through profit or loss category):

	March 31, 2025 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	**152,729**	**95,837**

	March 31, 2024 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	143,155	95,837

Note 6 - Financial Instruments and Financial Risks (cont'd)

C. Composition of financial investments (cont'd):

3) **Composition of other financial investments** (designated upon initial recognition to the fair value through profit or loss category)**(cont'd):**

	December 31, 2024 (Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	147,221	95,837

Note 7 - Contingent Liabilities

There is a general exposure which cannot be evaluated or quantified resulting, inter alia, from the complexity of the services provided by the Company to its policy holders and the frequent changes in regulation. The complexity of these arrangements embodies, inter alia, the potential for arguments pertaining to a long series of commercial and regulatory conditions. It is impossible to anticipate in advance the types of arguments that might be raised in this field, and the exposure resulting from these and other contentions.

In addition, there is a general exposure due to complaints that are filed from time to time with various authorities, such as Supervision, concerning the rights of policy holders under insurance policies and/or the law. These complaints are handled on a current basis by those functions in the Company that oversee customer concerns. The rulings of the authorities on such complaints, to the extent that any ruling is made, are often given across the board. Additionally, in some cases the complaining parties even threaten to initiate legal proceedings in relation to their complaints, including in the form of a petition for certification a class action. At such preliminary stage, the development of such proceedings cannot be assessed and at any rate the potential exposure in their regard or the very initiation of such proceedings cannot be estimated. Accordingly, no provision was created for said exposure.

In the opinion of management of the Company, as to the chances of such proceedings, which is based on the opinion of its legal counsel, the provisions included in the financial statements, where necessary, are sufficient to cover damages from such claims. For proceedings that are at a preliminary stage and their chances cannot be estimated, no provision was included in the financial statements. If compromise is a possibility in any such proceedings, a provision was included in the amount of the potential compromise. The provision included in the financial statements is in an immaterial amount.

Note 7 - Contingent Liabilities - Class Action (cont'd)

The following motions for the approval of a class action are in various stages of litigation.

Contingent liabilities - motions to certify class actions

With respect to motions for the certification of a class action listed below for which, in management's opinion, which is based on legal opinion obtained by management, it is more likely than not that the Company's defense arguments would be accepted and the motion to certify a class action would be rejected, no provision was included in the financial statements. With respect to motions for the certification of a class action for which it is more likely than not that the Company's defense arguments would be rejected, in full or in part, provisions have been included in the financial statements to cover the amount of exposure estimated by the Company. For proceedings that are at a preliminary stage and their chances cannot be estimated, no provision was included in the financial statements. Where the Company is willing to reach a compromise in any such proceeding, a provision was included in the amount of compromise that is acceptable to the Company.

1. On June 9, 2016, a motion for certification of a class action was filed against the Company, claiming that the Company did not pay salary and statutory employee benefits as legally required. The class action seeks a total of NIS 9,769 thousand.

The response of the Company to the motion to certify the claim as class action was filed on January 1, 2017. The plaintiffs filed a response on their behalf to the Company response dated June 1, 2017. Concurrently, the plaintiffs filed a motion for discovery of documents. On October 1, 2017, the Company filed its response to the motion for discovery.

On February 12, 2018, a first pretrial hearing was held in the case. On July 15, 2018, the court ruled on the stay of proceedings pending a ruling on an appeal that was filed with the High Court of Justice regarding a ruling by the National Court in another case (HCJ 5148/18, Or Shacham et al. - National Labor Court and Castro Model Ltd., hereafter: "Castro HCJ"), on the issue of overtime.

On July 11, 2022, a ruling was issued in Castro HCJ, pursuant to which it is permissible to certify a class action for the payment of overtime on commissions or incentives. The ruling further determined that the matter of the existence of a substantial right would be deliberated within the framework of the class action. This ruling overturns the ruling of the National Labor Court in the same matter, in practice ratifying the ruling of the Regional Labor Court that partially certified the class action. The two other components claimed in the class action (selection of a day off and/or delay in the payment of wages) were not included in Castro HCJ.

On March 7, 2023, the petitioners submitted an update notice to the court, stating that, in view of the ruling in the Castro matter, the proceedings in the case should have been renewed. Nevertheless, the petitioners requested to maintain the stay of proceedings, in anticipation of a ruling in another proceeding that is pending in the National Labor Court against I.D.I Insurance Company (hereinafter: "the IDI Matter"). The Company's response was that the IDI Matter differs materially from that of the Company (in light of the collective relations at the Company) and that, therefore, the Company maintains all of its arguments in the matter and is not bound by rulings that will be given in the IDI Matter. The Company left the decision concerning the stay of proceedings to the court.

On March 13, 2023, by virtue of a court decision, the proceeding was transferred to a different panel at the District Labor Court. On April 23, 2023, the court ordered to reinstate the stay of proceedings in the case pending the issue of a ruling in the matter of Direct Insurance by the National Court. On August 20, 2024, the National Court issued a ruling in the matter of Direct Insurance.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

1. (cont'd)

On November 5, 2024, the petitioners filed a motion for the renewal of the proceedings. The respondent submitted a motion for a right to respond to the motion to renew the proceedings, as well as an updated motion for dismissal in limine, and for the striking of all the causes of the claim, with the exception of that relating to overtime differences. In its resolution from January 7, 2025, the court ruled for the striking of all of the causes in the certification motion, with the exception of that relating to the differences in the payment of overtime on incentives. In addition, the court approved the submission of a response to the motion to renew the proceedings and of an updated motion for dismissal in limine. Pursuant to this decision, on February 7, 2025, the Company submitted an updated motion for the dismissal in limine of the certification motion, as well as a motion to postpone the scheduled evidentiary hearing or, alternatively, to hold an additional preliminary hearing on the scheduled date of the evidentiary hearing. In its decision, the Court ruled that these motions would be addressed in the upcoming hearing.

An additional preliminary hearing was held on May 8, 2025, during which the preliminary motions were discussed. During the hearing, the Court proposed that the certification motion be dismissed without adjudication of costs, and the parties were requested to submit their positions within 7 days. The petitioners submitted a notice to the Court regarding a partial withdrawal from the motion, such that the class would only include employees who were employed by the Company prior to the date of signing of the collective agreement (April 2, 2015); the Company is required to submit its response by June 16, 2025.

2. On April 19, 2020, a petition to certify a class action was filed against the Company and 11 other companies.

The petition alleges that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party), while many vehicle owners are unable to use their vehicles as a result of the coronavirus crisis. The total amount claimed for all class members in relation to the Company is estimated at NIS 47,000 thousand. The amount of personal damages sought of the Company is negligible.

On April 20, 2020, a ruling was given, pursuant to which perusal of the petition suggests that it does not address the personal insurance agreement between each of the class members and the respective insurance company, but rather relates to the general agreement between the entire Israeli population and all insurance companies. Accordingly, the court ordered the petitioners to clarify whether the petition relates to the personal insurance agreements between the class members and their respective insurance companies, or to an alleged general insurance agreement between all policy holders and all 12 insurance companies.

On April 26, 2020, the petitioners notified the court that they have become aware of the filing of two additional claims with two other courts, in connection with the same issues of fact and law. Accordingly, negotiations were held between the representatives of the parties in all three claims for the purpose of transferring the claims to a single court.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

2. (cont'd)

On May 20, 2020, the petitioners filed a motion for a change of venue. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court. A hearing was scheduled for January 21, 2021. Pursuant to the motion for clarifications submitted with regard to the topics that are to be discussed at the hearing, on October 12, 2020, the court responded that on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021 and determined that a ruling will be issued in accordance with Section 7 of the Law - without a hearing.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which the petitioners in this claim and in claim 6 below will be deliberated the claim jointly against all of the defendants that they have named and that were also named in CA 17072-04-20 Manirav et. Al. vs. Harel (hereinafter: "the Manirav Matter") concerning vehicle insurance policies.

On August 30, 2021, the respondents in CA 3510-04-20, Segal et al vs. Agricultural Insurance - Central Cooperative Society et al (hereinafter: "the Segal Matter") filed a consensual motion for the suspension of hearings until the issue of a peremptory ruling in CA 25472-04-20, CamaMia Textile Ltd. et al vs. Migdal Insurance Company Ltd. et al (hereinafter: "the CamaMia Matter") that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On October 5, 2021, the petitioners submitted their position on the motion to postpone the hearing. On October 19, 2021, the court ruled on the motion, ordering the suspension of proceedings in the case.

On November 5, 2021, the court issued a ruling, cancelling the hearing that had been scheduled for February 28, 2022, and determining that by said date the parties will submit a notice concerning the outcome of the parallel proceeding (the CamaMia Matter).

On December 6, 2021, the petitioners in the aforesaid proceeding (Nir petition) and in proceeding PC 19832-04-20 (Nachum petition) submitted a notice, informing the court that the representatives of the petitioners, who are also the petitioners in the CamaMia petition, have decided not to appeal the ruling in the CamaMia petition, which eliminates the need for the stay of proceedings in the Nir and Nachum petitions. Accordingly, the parties submitted a procedural arrangement concerning the dates for the submission of the respondents' response and the petitioners' response to the responses as well as agreed dates for a pretrial hearing.

On April 8, 2022, the respondent submitted its response to the certification petition. On December 1, 2022, the petitioners submitted their response to the Respondents' response to the petition to certify the class action.

A pretrial hearing in all cases was held on January 3, 2023. In the hearing, it was ruled that the parties will refer to mediation and will update the Court on the status of their discussions by February 12, 2023.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

2. (cont'd)

It was also ruled that the matter of Manirav will be deliberated and conducted separately from the proceeding, to which the Company is not a party.

On February 12, 2023, the respondents submitted an update notice, pursuant to which they believe that there is no room for mediation in this case and that the court should issue a ruling on the certification motion based on the materials that are available in the case. On April 23, 2023, the parties submitted a joint motion for the validation as a ruling of a procedural arrangement, pursuant to which they relinquish the examination of the declarants and the experts in the case.

On June 29, 2023, the petitioners submitted their summations and a motion to include evidence. The response of the respondents to the motion to include evidence was submitted on July 24, 2023. The respondents are required to submit their summations by October 23, 2023; the petitioners are required to submit their response summations by December 24, 2023.

On October 15, 2023, the court issued a ruling that allows the inclusion as evidence in the case the actuarial report of Manbara that had been drawn up for the Capital Market, Insurance and Savings Authority. On March 13, 2024, the respondents submitted their summations. On May 23, 2024, the petitioners submitted their response summations.

On June 2, 2024 and July 9, 2024 supplementary oral summations were heard. On June 21, 2024, the petitioners submitted a motion for the inclusion of evidence; on September 8, 2024, the respondents submitted joint responses to the motions to include evidence; on September 23, 2024, the Company submitted its response to new arguments that were raised by the petitioners in the recent summations hearing. On December 31, 2024, the respondents submitted a brief response to the petitioners' response.

3. On April 20, 2020, a claim and a petition to certify it as a class action were filed against the Company and 7 other companies. These allege that the insurance companies continue to charge full payments and/or fail to refund monies to policy holders in vehicle insurance (compulsory, comprehensive and third party), while many vehicle owners were unable to use their vehicles as a result of the coronavirus crisis.

The remedy requested is to order the respondents to refund to the class members the premiums overpaid by them to the respondents, and to order the respondents to refund to the class members the proportion of premiums that would be over paid by them in relation to the actual insurance risk that will apply after the filing of the petition through to the issue of a final ruling. The total amount claimed for all class members in relation to the Company is estimated at NIS 37,285 thousand. The amount of personal damages sought of the Company is negligible.

On May 20, 2020, the petitioners filed a motion for the change of venue in accordance with the provisions of Section 7(A) of the Class Actions Law, 2006. On June 3, 2020, the respondents submitted their response to the motion. On June 4, 2020, the court accepted the motion, transferring the case to the Tel Aviv Court.

Pursuant to the motion submitted by the respondents for clarifications on the topics that are to be discussed at the hearing scheduled for January 21, 2021. On October 12, 2020, the court responded that on the date of the scheduled hearing, the petition will be discussed in accordance with Section 7(B) of the Class Actions Law, 2006. The court also determined that responses to the certification petition are to be submitted by all the respondents within 90 days of a ruling on the petition in accordance with Section 7(B).

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

3. (cont'd)

On January 11, 2021, in view of the increase in morbidity and the guidelines of the Courts Administration to avoid hearings with multiple participants, the court cancelled the hearing scheduled for January 21, 2021.

On February 22, 2021, a ruling was issued by virtue of Section 7(B) of the Law, pursuant to which proceeding 4 above and this proceeding will be deliberated jointly against all of the defendants that they have named and that were also named in the Manirav Matter in relation to vehicle insurance policies.

On August 30, 2021, the respondents filed a consensual motion for the suspension of hearings until the issue of a peremptory ruling in the CamaMia Matter that is being deliberated at the Haifa District Court, which addresses similar issues to those of the aforesaid proceeding or, to the extent that the ruling is appealed to the Supreme Court - until a ruling is given in the appeal.

On October 19, 2021, the court ruled on the motion, ordering the suspension of proceedings in the case.

On November 5, 2021, the court issued a ruling, cancelling the hearing that had been scheduled for February 28, 2022, and determining that by said date the parties will submit a notice concerning the outcome of the parallel proceeding (the CamaMia Matter).

On December 6, 2021, the petitioners in the aforesaid proceeding (Nachum petition) and in proceeding CA 16971-04-20 (Nir petition) submitted a notice, informing the court that the representatives of the petitioners, who are also the petitioners in the CamaMia petition, have decided not to appeal the ruling in the CamaMia petition, which eliminates the need for the stay of proceedings in the Nir and Nachum petitions.

On April 7, 2022, the respondent submitted its response to the certification petition.

On December 1, 2022, the petitioners submitted their response to the Respondents' response to the petition to certify the class action.

A pretrial hearing in all cases was held on January 3, 2023. In the hearing, it was ruled that the parties will refer to mediation and will update the Court on the status of their discussions by February 12, 2023.

It was also ruled that the matter of Manirav will be deliberated and conducted separately from the proceeding, to which the Company is not a party.

On February 12, 2023, the respondents submitted an update notice, pursuant to which they believe that there is no room for mediation in this case.

On April 23, 2023, the parties submitted a joint motion for the validation as a ruling of a procedural arrangement, pursuant to which they relinquish the examination of the declarants and the experts in the case.

On June 29, 2023, the petitioners submitted their summations and a motion to include evidence. The response of the respondents to the motion to include evidence was submitted on July 24, 2023. On October 15, 2023, the court issued a ruling that allows the inclusion as evidence in the case of the actuarial report of Manbara that had been drawn up for the Capital Market, Insurance and Savings Authority. On March 13, 2024, the respondents submitted their summations. On May 23, 2024, the petitioners submitted their response summations.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

3. (cont'd)

On June 2, 2024 and July 9, 2024 supplementary oral summations were heard. On June 21, 2024, the petitioners submitted a motion for the inclusion of evidence.

On September 8, 2024, the respondents submitted joint responses to the motions to include evidence; on September 23, 2024, the Company submitted its response to new arguments that were raised by the petitioners in the recent summations hearing. On December 31, 2024, the respondents submitted a brief response to the petitioners' response.

4. On January 17, 2021, a petition to certify a class action was filed against the Company.

The petition alleges that the Company, as an insurance company that markets, inter alia, structural home insurance, automatically renews the home insurance policies of policy holders without obtaining their consent to the increased insurance premium.

The amount of the class action against the Company for all class members at more than NIS 2.5 million. The amount of personal damages sought of the Company is negligible.

The petitioner is requesting a mandatory injunction for the Company to desist from unilaterally issuing insurance policies that contain a change compared to the previous policy that has been approved by the policy holder and/or where the policy holder has not approved the automatic renewal of the policy, ordering the Company to reimburse to its customers the amounts paid in excess as a result of the unilateral premium and/or deductible rises, unless they have received the policy holder's consent to the change in the policy. The petitioner also requests that the Company be ordered to compensate the class members by an amount equal to its enrichment from the changes made to the policies of the class members and that the amount of enrichment will reflect the profits derived by the Company, less the reimbursement of amounts collected in excess, and would be linearly distributed among the class members.

On June 15, 2021, the respondent submitted its response to the certification petition. On July 19, 2021, a statement of response was submitted to the response on the certification petition.

On August 2, 2021, the respondent filed a motion, requesting that the court order the petitioner to amend (shorten) his response to the respondent's response in accordance with Regulation 2(G) of the Class Actions Law, 2010. On September 13, 2021, the petitioner submitted an amended statement of response.

In a hearing held on October 18, 2021 it was determined that, in the event that the parties are unable to reach understandings within 60 days, the petitioner's representative would be permitted to file a discovery motion within another 30 days. After several motions to extend, on March 8, 2022 the parties submitted an update notification, pursuant to which they are holding discussions in an attempt to conclude the proceeding outside the court.

On May 12, 2022, the petitioner submitted a list of requests. On June 23, 2022, the respondent submitted a response to the list of requests.

On January 5, 2023, a pretrial hearing was held in the case, in which it was ruled that the respondent will submit its response to the discovery motion and to the questionnaires submitted by the petitioner, by January 15, 2023.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

4. (cont'd)

On January 13, 2023, the respondent submitted a notice and a motion, informing the Court that it has delivered to the petitioner a list of all of the documents and questionnaires that it has consented to furnish. However, according to the respondent, at the conclusion of the discussions between the parties, there are still disagreements between the parties concerning the discovery of documents and the completion of the questionnaires, which will be addressed at a later date.

On February 20, 2023 and March 13, 2023, the petitioner submitted notices concerning the preliminary proceedings and the continuation of the proceeding.

On March 30, 2023, the petitioner submitted an update notice, requesting the court to schedule an evidentiary hearing in the case and approve the submission of documents that had been received as part of disclosure, and on May 8, 2023 the petitioner submitted the documents that had been received as part of disclosure.

On January 8, 2024, an evidentiary hearing in the case was held.

The petitioner submitted its summations on April 8, 2024; the respondent submitted its summations on August 19, 2024.

On November 7, 2024, the parties submitted a notice concerning the referral of the matter to mediation and requested the postponing of the final date for the submission of response summations by the petitioner. On November 13, 2024, the court approved the parties' request and ordered them to inform the court of the date of the first mediation session. On November 21, 2024, the petitioner submitted a notice concerning a delay in the mediation proceedings, and also submitted its response summations; on December 9, 2024, the respondent submitted a notice concerning the mediation proceedings and a motion to withdraw a document from the response summations; on December 10, 2024, the petitioner submitted its response to the respondent's notice; on February 9, 2025 the petitioner submitted a notice to the court, informing it that the mediation proceedings are still ongoing, and an extension was allowed for the submission of a notice. On March 9, 2025, the petitioner submitted a notice concerning the mediation and a motion to issue a ruling on the certification motion.

5. On November 30, 2022, a motion to certify a class action was filed against the Company, alleging wrongful collection by the Company in overseas travel insurance policies.

The motion alleges that in instances where the policyholder purchases an overseas travel insurance policy and cuts short his stay overseas or cancels his trip, the Company does not reimburse to the policyholder the full amount of insurance premiums to which he is entitled for the expansions that he had purchased and that the Company retroactively raises the insurance premiums without notifying the policyholder and obtaining his consent.

The overall damages attributed to the Company are in excess of NIS 2.5 million. The amount of personal damages sought of the Company is negligible.

On April 13, 2023, the Company submitted its response to the certification motion; on June 8, 2023, the petitioner submitted its response to the response of the Company.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

5. (cont'd)

On January 2, 2024, a preliminary hearing was held in the proceeding and the parties were given the option to submit a notice, within thirty days, of whether or not they were able to reach understandings in relation to the proceeding.

On March 7, 2024, the respondent submitted a consensual notice in which it requests to inform the court, within 30 days, whether the parties were able to reach understandings; on April 8, 2024, the Company filed a notice stating that the parties were unable to reach understandings and requesting the scheduling of an evidentiary hearing in the motion to certify the claim as a class action.

An evidentiary hearing in the case has been scheduled for November 14, 2024. Following the transfer of the certification motion to a different panel, on September 9, 2024 a preliminary hearing was held, further to which the petitioner announced that he will not be demanding the holding of an evidentiary hearing in the case. The Company has also consented not to hold an evidentiary hearing.

Accordingly, the court has set dates for the submission of summations by the parties. On December 29, 2024, the petitioner submitted response summations; on March 31, 2025, the Company submitted its summations; on May 14, 2025, the petitioner submitted its response summations; on the same day, the Court scheduled a reminder hearing in the parties' presence for June 19, 2025.

6. On January 12, 2023, a motion to certify a class action was filed against the Company concerning personal accidents insurance.

The motion alleges that the Company does not compensate its policyholder for days of hospitalization at a rehabilitation facility (in the case of the petitioner - Loewenstein Hospital), since a rehabilitation facility is excluded in the insurance policy from the definition of "hospital" and therefore does not create entitlement to compensation. The motion further alleges that the definition of "hospital", as presented in the policy, does not coincide with the increased disclosure requirement that applies to insurers, pursuant to which the Company is obligated to provide greater clarity and disclosure in formulating the insurance contract.

The personal damage of the petitioner against the respondent is NIS 800 per day of hospitalization over a duration of 100 days, totaling a nominal NIS 80,000. The cumulative class damage is estimated NIS 2.5 million, but cannot be accurately assessed at the certification motion stage.

On July 6, 2023, the respondent submitted its response to the certification motion.

A pre-trial hearing in the case was held on September 11, 2023. In the hearing it was determined, inter alia, that the respondent shall be required to submit its position on the referral of the case to mediation. On February 6, 2024, the petitioner submitted an update notice, pursuant to which the respondent believes that the proceeding should not be referred to mediation, hence requesting the court to schedule a hearing in the case. On April 16, 2024, a pretrial hearing in the case was held. On March 24, 2025, an evidentiary hearing was held. On April 28, 2025, the petitioner submitted its summations; the respondent is required to submit its summations by May 30, 2025.

7. On September 12, 2023, a motion was filed for the certification of a class action against the Company and against another insurance company, alleging that the Company is acting contrary to the law by charging the payment for overseas travel insurance policies based on the exchange rate on the day preceding the payment date, whereas according to the terms of the policy the charge should be based on the exchange rate as of the payment date.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

7. (cont'd)

The overall amount of damages attributed to the Company is NIS 2.1 million. The amount of personal damages sought of the Company is negligible.

On March 6, 2024, the Company submitted its response to the certification motion. On May 15, 2024, the parties submitted a notice, stating their interest in conducting negotiations for the petitioner's withdrawal of the certification motion. Accordingly, the preliminary hearing scheduled for June 10, 2024 was cancelled and the Court granted the parties 30 days to advance the negotiations.

On July 2, 2024, the petitioner informed the court that the parties were unable to reach an understanding and requested that a date be set for the submission of a response to the response to the certification motion and a preliminary hearing be scheduled. On October 5, 2024, the petitioner submitted a response to the response to the certification motion.

On January 1, 2025, a preliminary hearing in the case was held. On March 6, 2025, the parties submitted a notice, according to which they are holding discussions to conclude the proceeding by way of withdrawal.

8. On September 14, 2023, a motion was filed for the certification of a class action against the Company and 7 other insurance companies, alleging that the respondents refuse to include flatbed towing in the towing terms of service, requiring the vehicle owners to pay an additional separate charge where flatbed towing is required.

The overall amount of damages attributed to all the companies named in the claim is NIS 80 million. The amount of personal damages sought of the Company is negligible.

On November 29, 2024, the court ordered the dismissal in limine of the claim against the Company, requiring the petitioner to pay expenses in an amount of NIS 2,500.

On January 16, 2025, a notice of appeal was submitted in relation to the ruling, whereby the appellants seek to overturn the ruling, and, inter alia, to order the reversal of the dismissal of the claim and obligate the respondents to bear the legal expenses and attorney's fees.

On April 24, 2025, a pre-appeal hearing was held, in which it was determined that the respondent shall update the Court as to whether the parties have reached understandings and formulated a mutually agreed withdrawal arrangement, or alternatively, shall submit a notice detailing the remaining points of contention. The respondent is required to submit such notice by May 29, 2025.

9. On June 5, 2024, a motion to certify a class action was filed against the Company, alleging overcharging in the use of the Just Drive application, as a result of an erroneous and excessive calculation of the travel distances due to the GPS disruptions taking place since the breaking out of the Swords of Iron war.

The overall amount of damages estimated by the petitioner for the class is NIS 30 million. The amount of personal damages sought of the Company is negligible. The respondent is required to submit its response to the certification motion by June 8, 2025.

A pretrial hearing of the case has been scheduled for June 10, 2025.

Note 7 - Contingent Liabilities - Class Action (cont'd)

Contingent liabilities - motions to certify class actions (cont'd)

10. On September 9, 2024, a motion to certify a class action against the Company was filed, alleging that the Company unduly extends and renews "Protected Driver" insurance policies.

The overall amount of damages estimated by the petitioner for the class is NIS 1.8 million. The amount of personal damages sought of the Company is negligible.

On January 20, 2025, the Company submitted its response to the certification motion; on March 5, 2025, the petitioner submitted its response to the response of the Company.

On April 2, 2025, a preliminary hearing was held.

A hearing in the parties' presence has been scheduled for July 2, 2025.

11. On May 13, 2025, a motion to certify a class action was filed against the Company and 14 other parties, alleging that the respondents condition the sale of mandatory insurance upon the purchase of an additional product, such as comprehensive insurance, third-party liability insurance, or another product, contrary to the provisions of the law.

The petitioner estimated the total damages incurred by the class to be in excess of NIS 2.5 million. The amount of personal damages sought of the Company is negligible.

A pretrial hearing in the case has been scheduled for December 7, 2025.

	Number of claims	The amount claimed - NIS thousands
Pending petitions for certification of class actions:		
Amount of claim specified	6	127,954
Amount of claim not specified	5	-
Total	11	127,954

Report on the Economic Solvency Ratio

AIG Israel Insurance Company Ltd.

As of December 31, 2024

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May 2025

For the attention of:
The Board of Directors of
AIG Israel Insurance Company Ltd.

Re: Examination of the implementation of directives of the Commissioner of the Capital Market, Insurance and Savings regarding the Solvency II-based Economic Solvency of AIG Israel Insurance Company as at December 31, 2024

We have examined the Solvency Capital Requirement (hereinafter: "SCR") and the economic capital of AIG Israel Insurance Company Ltd. as at December 31, 2024 (hereinafter: "the information"), which is attached hereto and marked with our office's signature for identification purposes. The Board of Directors and Management are responsible for the preparation and presentation of the information, conducted in accordance with the directives of the Commissioner of the Capital Market, Insurance and Savings (hereinafter: "the Commissioner"), regarding the Solvency II-based economic solvency of an insurance company (hereinafter: "the Directives"), as included in the Commissioner's Circular 2020-1-15, October 14, 2020. The calculations, the forecasts and the assumptions that supported the basis for preparing the information are the responsibility of the Board of Directors and Management.

Our examination was carried out in accordance with International Standard on Assurance Engagements, ISAE 3400 - The Examination of Prospective Financial Information.

Based on an examination of the evidence supporting the calculations, forecasts and assumptions, as mentioned, which were used by the Company's Board of Directors and management in preparing the information, nothing has come to our attention that causes us to believe that the forecasts and assumptions as a whole are not a reasonable basis for the information, in accordance with the Directives. In addition, in our opinion, the information, including the method of determining the assumptions and the forecasts, was prepared, in all material respects, in accordance with the Directives and presented, in all material respects, in accordance with the Directives.

It is hereby stressed that the forecasts and the assumptions are substantially based on past experience, as reflected in actuarial studies that are performed from time to time. In view of the capital market, insurance and savings reforms and the changes in the economic environment, past data are not necessarily indicative of future results. The information is occasionally based on assumptions regarding future events and actions by management that may not necessarily be realized or that may be realized in a manner other than the assumption that served as a basis for the information. Additionally, actual results could materially differ from the information, since the realization of the combined scenarios of events may materially differ from the assumptions of the information.

Without qualifying our opinion, we draw attention to what is stated in section C of the company's report regarding exposures to dependencies and uncertainty as a result of the regulatory changes whose effect on the solvency ratio cannot be estimated

Sincerely yours,

Somekh Chaikin

1. General

1.1. Background and Disclosure Requirements

On December 3, 2017, the Commissioner of the Capital Market, Insurance and Savings (hereinafter: “the Commissioner”) published Insurance Circular 2017-1-20 on the disclosure format required in the periodic reports and websites of insurance companies regarding the Solvency II-based economic solvency regime. On June 26, 2019, the Commissioner published an update to the provisions of this circular (Insurance Circular 2019-1-8). The updated circular added qualitative disclosures to the Report on the Economic Solvency Ratio. On October 14, 2020, the Commissioner published another update (Circular 2020-1-17), introducing disclosures concerning the effect of implementation of the provisions relating to the Transitional Period, movement in surplus capital (applicable commencing in the report as at December 31, 2023), sensitivity analyses of material risk factors (applicable commencing in the report as at December 31, 2021) and restrictions on dividend distributions. The Circular on all of its updates shall be hereinafter referred to as “the Disclosure Circular”.

The Company hereby publishes its Report on the Economic Solvency Ratio as at December 31, 2024. This report was prepared in accordance with the rules and principles prescribed by the Commissioner in a circular dated October 14, 2020 (Insurance Circular 2020-1-15) (hereinafter: "the Solvency Circular" or “the Guideline”), which stipulates directives for implementing the economic solvency regime in insurance companies, based on the European Solvency II Directive.

The Circular requires the holding of own funds to absorb losses from the realization of unforeseen risks to which the Company is exposed. The economic solvency regime for examining the risks and the standards for their management and measurement is based on three principles: the first, quantitative principle, addresses a risk-based solvency ratio. The second, qualitative principle, addresses internal processes for the control of risk management, corporate governance and Own Risk and Solvency Assessment (ORSA). The third principle addresses the promotion of market discipline, disclosure and reporting.

It should be noted that, in accordance with the provisions of the Solvency Circular, the Economic Balance Sheet (EBS) is calculated by assessing the value of the assets and liabilities of an insurance company pursuant to the provisions of Part A of the appendix to the Solvency Circular. The calculation of the Solvency Capital Requirement (SCR) is based on the EBS items calculated as above, under scenarios with a probability of 1 in 200 years, taking into account the levels of correlation between the various risk factors, subject to the provisions of Part C of the appendix to the Solvency Circular. The calculation of the Eligible Own Funds is carried out in accordance with the provisions of Part B of the appendix to the Solvency Circular.

The provisions of the Circular stipulate, inter alia, that during the period commencing on June 30, 2017 and ending on December 31, 2024 (“the Transitional Period"), the directives regarding the Solvency Capital Requirement in the Transitional Period will apply in a gradual increment of 5% per year, such that the Solvency Capital Requirement in the Transitional Period as at June 30, 2017, shall be no less than 60% of the Solvency Capital Requirement according to the provisions of the appendix to the Circular (“SCR“), and the Solvency Capital Requirement of an insurance company calculated on December 31, 2024 and thereafter, shall not be less than the SCR.

On August 7, 2018, guidelines were published concerning the timetables for the reporting and publication of the economic solvency published in the Disclosure Circular. Additionally, the Circular provides for the format of an economic solvency ratio report, its approval by the competent organs in the company, its audit by the company’s independent auditors and the related disclosure requirements.

In conformity with the Circular, in 2019 the independent auditors of the Company performed the first audit under ISAE 3400 and in July 2019, the Company received the Commissioner’s confirmation of the audit of the implementation of the Solvency regime directives in accordance with the provisions of the Disclosure Circular and is therefore no longer subject to the old Capital Regulations concerning the “minimum capital required” and now fully follows an economic solvency ratio regime.

In March 2020, the Commissioner issued a letter to the insurance companies concerning the Authority’s intention to adjust the economic solvency regime in Israel to the provisions of Directive 2009/138/EC (hereinafter: “the Directive”), i.e., the format adopted by the European Union. The letter prescribes, inter alia, the principal milestones for the performance of the necessary adjustments

to the Directive, alongside provisions for the economic solvency regime reporting requirements in the near term.
In August 2020, the Commissioner published an amendment to Circular 2020-1-15, updating the provisions of the consolidated circular concerning “Implementation of a Solvency-II Based Economic Solvency Regime”. The Directives introduce, inter alia, transitional provisions for the scheduling of the liabilities pursuant to the terms prescribed by the Commissioner and subject to his approval; recognition of deferred tax assets in a scenario pursuant to the terms prescribed by the Commissioner and subject to his approval; and updating the provisions concerning non-compliance with the solvency capital ratio under various circumstances, to the extent that these have a material adverse effect on the solvency ratio of several insurance companies that, in aggregate, hold a significant market share of a given insurance sector, including an unexpected and sharp drop in financial markets, a prolonged low-interest environment and a catastrophic event.

In April 2025, the Commissioner published a draft on the subject of updating the provisions of the consolidated circular regarding "Public Reporting" and "Reporting to the Capital Markets Commissioner" - Reporting Date of the Economic Solvency Ratio Report and Solvency Reporting File. It is proposed that in June 2025, the disclosure structure in the publicity available Solvency report will be adjusted in accordance with IFRS17. In addition, it is proposed that in June 2026, the regulations regarding the publication dates of the "Economic Solvency Ratio Report" be adjusted in accordance with the structure of the "Periodic Report".

In 2025, IFRS 17 will come into effect. There is some uncertainty regarding the impact of the implementation of International Financial Reporting Standard IFRS 17, Insurance Contracts and International Financial Reporting Standard IFRS 9, Financial Instruments (hereinafter collectively – the "New Standards"), which will come into effect in Israel starting with the financial statements as of January 1, 2025. The manner in which the new standards are applied in the financial statements may affect the results of the calculation of the solvency ratio, and the Company cannot estimate the impact at this stage.
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In March 2024, the Parliament has approved the Value Added Tax Decree (tax rate on non-profits and financial institutions) (amendment). The 2024-2024 Tax Decree (hereinafter - the decree) states that starting on January 1, 2025, the rate of the wage tax and the profit tax to be paid on financial institution's activity will increase from 17% to 18% of the salary and the profits. The impact on the Company's deferred taxes is immaterial.

The "Iron Swords" war that began on October 7, 2023 has no material effect on the Company's Solvency Ratio, except of the significant decrease in premiums for Travel, due to decline in the number of departures of Israelis abroad.
Following the war there was an increase in the volatility of the capital markets and the fx market.
The Company considers that as of the date of publication, the war does not have a material impact on the solvency ratio.
However, this is a rolling event involving high uncertainty and economic implications. The Company continues to monitor the impact on its operations and results.

On June 2024, AIG Global signed an agreement to sell the Travel operations of the group to Zurich Group, which entered into force on December 2, 2024. At this stage, the Company will continue to act as a insurer of the Travel operations in Israel, with 100% of the premiums to be transferred as reinsurance premiums to the Zurich Group (through a company of AIG Global), which will bear all claims in full cost, along with reimbursement of expenses and commission, in accordance with the quarterly settlement mechanism defined in the agreement.

During 2024, the Company received a request from the global AIG Group to pay, starting from January 1, 2025, for insurance and operational services that the Company receives from the AIG group, including; profit center support, strategic management services, this includes risk management and strategy, reinsurance management services, marketing and communications support services, administration services, finance and accounting support services, human resources support services, operations and systems support services (information technology), and claims support services. The consideration paid by the Company for the services will be

determined in accordance with the cost sharing model between the companies in the AIG group that receive these services .
The request is under discussion in the Company and is subject to approval of the Audit Committee and the Board of Directors. If the agreement is approved, it will be forwarded to the Capital Market Commissioner for approval .
These costs were included in the solvency calculations as of 31.12.2024. The impact on the solvency ratio is estimated by 4%.

1.2. Provisions applicable in the Transitional Period

The Economic Solvency Regime Directive prescribes a transitional period during which one the following alternatives shall apply:

1) Gradual deployment of the SCR until 2024 (hereinafter: "the Transitional Period"), to the effect that the SCR increases by 5% every year, from 60% of the total SCR in 2017 to the full SCR amount;
2) Increasing the economic equity through deductions from the insurance reserves, which will gradually decrease until 2032 (hereinafter: "Deductions in the Transitional Period"). The Company is not eligible for this option, since future profit is embodied in the long-term reserves.

Forward-Looking Information in the Report

The data included in this report on the economic solvency ratio, including the Eligible Own Funds and the SCR, are based, inter alia, on projections, assessments and estimates with respect to future events, the realization of which is uncertain and outside the control of the Company, and should be deemed as "forward-looking information" within its definition in Section 32A of the Securities Law, 1968. Actual results could differ from those reflected in this report on the economic solvency ratio as a result of all or some of the aforesaid projections, assessments and estimates not being realized or being realized other than anticipated. This refers, inter alia, to actuarial assumptions (including rates of mortality, morbidity, recovery, cancellations, expenses and the underwriting profit margin), risk-free interest rates, capital market yields, future income and damages in catastrophic scenarios.

The best estimate was calculated based on the methodology, the rules and the principles prescribed in the economic solvency regime Directives. The assumptions applied in the model are "best estimate assumptions", i.e., assumptions that are the result of projecting the existing experience forwards, within the environment in which the insurance companies operate, without prudential margins.
Naturally, as stated above, since these are long-term future assessments, the actual results are expected to differ from those estimated on the date of calculation of the best estimate.
Deviations from the following parameters can have a material effect on the outcome:

1. Economic factors (e.g., discount interest rate, yields).
2. Demographic factors (e.g., changes in mortality and morbidity).
3. Legislation and legislative arrangements on relevant issues.
4. Contingent liabilities.
5. Taxation.
6. Changes in the business environment.

Future results that deviate from the estimates made on the basis of "best estimate assumptions" are natural and are expected to occur, even if there is no change in the parameters mentioned above. Therefore, it is expected that the actual results each year will differ from those predicted by the best estimate model, if only due to ordinary random fluctuations.
In recent years, many reforms have taken place in the insurance and health fields that have impacted and continue to impact the assessment and calculation of the best estimate. There is uncertainty as to the expected effect of the legislative reforms, taking into account, inter alia, the fact that some of the reforms have not yet been completed or have not commenced, and that the implementation of some of the reforms in practice may differ from the manner foreseen, and depends on various uncertain parameters, including the competitive environment, preferences of policyholders, and the behavior of competitors and distributors. Therefore, the calculation of the inherent value does not take into account the possible future implications of these reforms.

1.3. **Definitions**

"Best Estimate" (BE): The probability-weighted average (Expected Value) of the cash flows that are required to repay the insurance liabilities during the entire period of their existence, discounted at the adjusted risk-free interest rate, taking into account all positive and negative cash flows, without prudential margins.
"Health Insurance Similar to Life Techniques" (Health SLT): Health insurance that is managed in a manner similar to life insurance.
"Health Insurance Not Similar to Life Techniques" (Health NSLT): Health insurance that is managed in a manner similar to general insurance.
"Basic Solvency Capital Requirements" (BSCR): The capital an insurance company is required to hold in order to maintain solvency, calculated according to the Directives of the economic solvency regime, without taking into account the SCR for operational risk, adjustments for the loss-absorbing capacity of deferred taxes, and the SCR for management companies.
"Solvency Capital Requirement" (SCR): The capital an insurance company is required to hold in order to maintain solvency, calculated according to the Directives of the economic solvency regime.
"Eligible Own Funds / Economic Capital": The total Tier I and Tier II capital of an insurance company, after deductions and reductions pursuant to the Directives of the economic solvency regime.
"Basic Tier I Capital": The total of all items listed in paragraph 1) below, less the items listed in paragraph 2) below:

1) Excess of assets over liabilities, valued according to the provisions concerning the EBS, which includes the following components:
   a) Ordinary issued and paid-up share capital.
   b) Premium paid on issuance of shares.
   c) Retained earnings.
   d) Capital reserves less capital reserves in deficiency and the change in the excess of assets over liabilities arising from differences between the method of valuation of assets and liabilities according to the Directives (reconciliation reserve).

2) Amounts deducted from Basic Tier I Capital:
   a) Disallowed assets.
   b) Repurchase of ordinary shares.
   c) Dividend declared after the reporting date.

"Economic Solvency Regime Directives": Insurance Circular 2020-1-15, "Amendment of the Consolidated Circular concerning Directives for the Implementation of a Solvency-II-Based Economic Solvency Regime" and related guidelines of the Commissioner concerning the implementation of an economic solvency regime.
"The Company": AIG Israel Insurance Company Ltd.
"The Commissioner": The Commissioner of Capital Markets, Insurance and Savings.
"The Authority": The Capital Markets, Insurance and Savings Authority.
"Effect of diversification of risk components": The difference between a simple aggregation of the risk components in the model and an aggregation that takes into account the partial correlation between the risk components. A greater diversification between the operating segments in the portfolio and among the risks enhances the effect of the correlation and its reduction of the overall risk.
"Equity risk scenario adjustment": A reduced SCR for certain types of investments that will gradually increase until it reaches its full rate in 2023.
"Solvency Ratio": The ratio between the Eligible Own Funds of an insurance company and the SCR.
"Economic Balance Sheet" (EBS): An insurance company's balance sheet, in accordance with the provisions of Part A of the Economic Solvency Regime Directives.
"Risk Margin": An amount in addition to the best estimate that reflects the total cost of capital that is expected to be required by another insurance company or reinsurer to accept the insurance liabilities of an insurance company, calculated in accordance with the Economic Solvency Regime Directives.
"Minimum Capital Requirement" (MCR): The minimum capital required of an insurance company, calculated in accordance with the Economic Solvency Regime Directives.

“Transitional Period": according to the transitional provisions for the implementation of an economic solvency regime determine, between the years 2016 to 2024, the insurance company's SCR will increase incrementally from 60% in 2016 to full compliance with the SCR (100%) in 2024.
"Ultimate Forward Rate" (UFR): The last forward interest rate derived from the expected long-term real interest rate and the long-term inflation expectations, to which the adjusted interest curve converges, in accordance with the Economic Solvency Regime Directives.
Volatility Adjustment (VA): a component that reflects the spread inherent in a representative portfolio of debt assets of insurance companies, and is added to the adjusted interest rate curve in accordance with the provisions of the Economic Solvency Regime.
Symmetrical Adjustment (SA): A countercyclical component designed to adjust the capital required due to equity risk to changes in the level of equity prices, as specified in Part C of the Economic Solvency Regime.

1.4. Calculation Methodology

The Economic Solvency Regime Directive prescribes guidelines for calculating the own funds and the SCR on an economic basis.
In general, under the Economic Solvency Regime Directive, the EBS items are calculated according to the economic value, and in particular, the insurance liabilities are calculated based on the best estimate of the overall anticipated future cash flows from existing business, without prudential margins. We add the Risk Margin, which reflects the total cost of capital that is expected to be required by another insurance company or reinsurer to accept the insurance liabilities in the EBS. In the EBS, as a rule, intangible assets are not recognized, but rather the EBS is prepared on the basis of the company's financial statements.
Calculation of the SCR is based on an assessment of the exposure of the economic own funds to the risk components that are prescribed in the Economic Solvency Regime Directive. The risk components are: life insurance risks, health insurance risks, general insurance risks, market risks, and counterparty risks. These risk components include risk subcomponents with respect to specific risks to which the insurance company is exposed. The exposure assessment of the economic own funds to each risk subcomponent is carried out on the basis of a defined scenario prescribed in the Directives.
The determination of the SCR is based on a sum of the capital requirements in respect of the risk components and the risk subcomponents, as above, taking into consideration the correlations assigned to them, less an adjustment for the loss-absorbing capacity of deferred taxes, as prescribed in the Directive. In addition, the calculation of the SCR includes components of the SCR for operational risk.
It is hereby emphasized that the results of the models used in calculating the Eligible Own Funds and the SCR are highly sensitive to the projections and assumptions included therein, as well as to the manner in which the Directives are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly may be volatile.
The SCR for each of the risks is calculated based on the Company’s exposure to such risk, taking into account the parameters prescribed in the Directive. In accordance with the Directive, the SCR amount represents the volume of own funds that will enable the insurance company to absorb unexpected losses and meet its liabilities to policyholders and beneficiaries on time at a 99.5% confidence level over a period of 12 months.

2. Economic Solvency Ratio and Minimum Capital Requirement

The data has been audited in accordance with ISAE 3400 – the Examination of Prospective Financial Information.

2.1. Economic Solvency Ratio

	December 31, 2024	December 31, 2023
Own funds for SCR purposes - see section (NIS in thousands)	1,039,246	954,963
SCR - see section 5 (NIS in thousands)	930,077	750,829
Surplus (deficiency) (NIS in thousands)	**109,169**	**204,134**
Economic Solvency Ratio (%)	**112%**	**127%**

There was no material change that occurred in the period between the calculation date and the publication date of the solvency ratio report.

Material changes in the economic solvency ratio compared to the previous year:
During the reporting year, the capital requirement was affected by investment profits, underwriting profits, and the reduction in the long-term personal accident portfolio that is in run-off. In addition, following an increase in the housing portfolio, an additional layer of reinsurance was purchased in the event of a catastrophe, but not to the full extent of the increase. The total effects contributed to a reduction in the solvency ratio.
The capital ratio required for solvency in the transitional period as of December 31, 2023 was 95% and as of December 31, 2024 the ratio is 100%. As of this report, there are no easing of transitional provisions.
For details regarding the economic solvency ratio without implementation of provisions beyond the transitional period, and regarding the economic solvency ratio target and restrictions applicable to the Company regarding dividend distribution, see Section 8 below.

2.2. Minimum Capital Requirement (MCR)

	December 31, 2024	December 31, 2023
	NIS in thousands	
MCR - see section 6.1	232,519	276,465
Own funds for MCR purposes - see section 6.2	1,039,246	954,963

3. Economic Balance Sheet

Economic Balance Sheet

	Notes	December 31, 2024 Balance sheet according to accounting standards	December 31, 2024 Economic Balance Sheet	December 31, 2023 Balance sheet according to accounting standards	December 31, 2023 Economic Balance Sheet
		NIS in thousands			
Assets:					
Intangible assets	3.2.1	41,086	2,986	29,623	8,957
Deferred acquisition costs	3.2.2	213,231	-	201,967	-
Property and equipment	3.1.3	41,770	41,770	18,623	18,623
Reinsurance assets		827,476	724,421	761,368	665,144
Other receivables	3.1.4	430,727	395,243	441,944	410,521
Other financial investments:					
Marketable debt instruments		2,422,676	2,422,676	1,989,353	1,989,353
Non-marketable debt instruments	3.1.5	129,933	129,933	116,969	116,902
Other		147,221	147,221	131,371	131,371
Total other financial investments		2,699,830	2,699,830	2,237,693	2,237,626
Cash and other cash equivalents		94,900	94,900	143,615	143,615
Total assets		4,349,020	3,959,150	3,834,833	3,484,486
Equity					
Basic Tier I capital		866,204	954,963	866,204	954,963
Total equity		**866,204**	**954,963**	**866,204**	**954,963**
Liabilities:					
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent.	3.1.6	2,842,235	2,203,877	2,500,045	1,865,204
Risk Margin	3.1.7	-	202,417	-	174,669
Liabilities in respect of deferred taxes, net	3.1.8	25,476	49,758	4,501	48,816
Other payables	3.1.4	487,935	463,852	464,083	440,834
Total liabilities		**3,355,646**	**2,919,904**	**2,968,629**	**2,529,523**
Total equity and liabilities		**4,349,020**	**3,959,150**	**3,834,833**	**3,484,486**

3.1. Information regarding the Economic Balance Sheet

The fair value of assets and liabilities in the EBS was calculated in accordance with the provisions of the chapter on the measurement of assets and liabilities for the purposes of the financial statements, in the Consolidated Circular (Chapter 1 Part 2 of Volume 5) (hereinafter: "the Consolidated Circular's Measurement Chapter"), except for items for which Part A of the Economic Solvency Circular prescribes otherwise, as follows:

3.1.1. Intangible assets

Other intangible assets are valued at zero, unless the Company estimates that they can be sold separately, at quoted market prices in an active market.

3.1.2. Deferred acquisition costs

Deferred acquisition costs are valued at zero.

3.1.3. **Property and equipment**

Assets for which an active market exists are valued at fair value. Assets for which the Company believes there is no active market are valued at zero.

3.1.4. **Other receivables and other payables**

Other payables are valued in accordance with the principles set forth in the Economic Solvency Regime Directive with regard to the EBS, including acquisition costs of reinsurers and the Company's liabilities for employee benefits.
In accordance with the Guideline, the Company did not calculate the fair value of items with an average duration of less than a year.

3.1.5. **Non-tradable debt instruments**

The fair value of non-tradable debt instruments is calculated using a model that is based on cash flow discounting, for which the discounting interest rates are determined by a company that provides price quotes and interest rates to public institutions.

3.1.6. **Liabilities in respect of insurance contracts and investment contracts that are not yield dependent**

Insurance liabilities are calculated based on a best estimate, using assumptions that are mainly the result of projecting the existing experience forwards, within the environment in which the Company operates, without prudential margins. The calculation of the insurance liabilities was performed in accordance with the Economic Solvency Regime Directive, which, as a rule, with regard to Life and Health SLT liabilities was based on the EV calculation methodology applied in Israel, and with regard to General Insurance and Health NSLT was based on the “best estimate” section of the Consolidated Circular’s Measurement Chapter.
The measurement of the insurance liabilities in the EBS is based on a discounting of the anticipated future cash flows, including future profit, using a risk-free interest rate[1] and taking into account the UFR, based on a best estimate that does not include prudential margins, where the risk is reflected in the RM component as a separate liability. In opposition, in the financial statements the insurance liabilities are valued with prudential margins, using the methods and discount interest rates as described in note 27 to the Company’s consolidated financial statements.
The insurance liabilities in respect of Life and long-term Health insurance were calculated by discounting the anticipated future cash flows of the Company, using a model that is applied to the data in the operational systems of the Company with respect to the insurance coverages. The assumptions that are applied in the model include, inter alia, assumptions regarding cancellations, operating expenses, mortality and morbidity, and are determined based on past experience and other relevant studies.
The calculation of the liabilities does not include cash flows from future sales, but does assume the continued receipt of premiums for existing business. Additionally, the calculation assumes continued business activity or "going concern", i.e., an assumption that the structure of the Company will not change. Accordingly, a portion of the future fixed expenses will not be assigned to the existing portfolio, but rather to potential future new business.
The actual cash flows will likely differ, to some extent, from the assessments made on a “best estimate” basis, even if the underlying parameters of the calculation remain constant.

3.1.6.1. Restrictions and reservations pertaining to the best estimate calculation

- The assumptions underlying the models were formulated mainly on the basis of studies and analyses that are based on the Company's experience over recent years, which did not include extreme events. Therefore, extreme scenarios, while of remote probability, are not impossible, and the Company is unable to anticipate their occurrence or the extent of their impact. Such events were not taken into account in determining the assumptions underlying the models.
- In view of the insufficient data, in calculating the best estimate the Company did not assume and did not examine the level of correlation between demographic and operational

[1] With no VA margin.

assumptions, on the one hand, and assumptions relating to market conditions (e.g., interest rate), on the other hand, a correlation which could materially affect the best estimate.

- The best estimate should be based on a distribution assessment of the possible results. In the absence of significant statistical data to evaluate the distribution of the best estimate for all demographic and operational factors in Life and Health SLT insurance, the Company used realistic assumptions for each individual parameter, based on the expected value of each relevant factor, regardless of interdependence or correspondence between the various assumptions, or between the assumptions and external economic factors.
- The future cash flows more often than not relate to decades in the future. The assumptions underlying the cash flows are based on studies, primarily in relation to recent years' experience, and on the best of the Company's knowledge. There is substantial uncertainty concerning the realization of the assumptions underlying the cash flows.
- All the assumptions that have a material effect on the calculation were determined according to the Company's best estimates for each demographic and operating factor, and reflect the Company's future expectations for these factors. The demographic assumptions included in the calculation were derived from internal studies conducted by the Company, if any, and conclusions drawn from professional judgment, based on relevant experience and on the integration of information from external sources, such as information received from reinsurers and mortality and morbidity tables published by the Authority.
- As a rule, the assumptions applied to the best estimate are identical to the assumptions used to calculate insurance liabilities in the Company's balance sheet. Nevertheless, the actuarial methods used to produce the best estimate may differ from those used for calculating the balance sheet liabilities.

The principal assumptions applied by the Company in the calculations are as follows:

3.1.6.2. Economic assumptions

- Discount interest rate - In calculating the insurance liabilities, the future yield and the discount interest rate were determined based on the adjusted SCR risk-free interest rate curve calculated by the Authority in accordance with the Economic Solvency Regime Directives. The curve includes a UFR assumption of 2.6%, with no VA margin.

3.1.6.3. Operational assumptions (for Life and Health SLT insurance)

- Administrative and general expenses - the Company analyzed the expenses allocated to the relevant insurance segments in the financial statements. The study of expenses is updated periodically, and the various types of expenses are loaded onto the future cash flow in relation to the applicable variables, such as the quantity of premiums and the cost of claims. The future expenses determined and the manner of their allocation to the future cash flows incorporate assessments by the Company and substantial judgments that affect the total amount of the liabilities.

3.1.6.4. Demographic assumptions

- Cancellations - Discontinuance of premium payments and shortening the life of the policy. The analysis of the cancellations is primarily affected by the policyholders' number of years of holding of the policy or the product or the coverage.
- Mortality - The analysis of mortality rates distinguishes parameters such as age, gender and smoking status.
- Morbidity - The rate of claims in products or coverages in mental health products, severe illness, personal accidents and disability. The analysis of claims' experience by product or coverage is updated periodically.

3.1.6.5. General insurance assumptions

- The cost of claims in respect of future damages and damages incurred for which the claim has not yet been paid out - based on the Company's past experience in the various sectors with regard to the rates of claims, the amount of claims and the pace of claim pay outs in short- or long-tailed sectors.

3.1.7. Risk Margin

In addition to the BE calculation of insurance liabilities, the Risk Margin component reflects the total cost of capital that is expected to be required by another insurance company or reinsurer to accept the insurance liabilities of an insurance company, calculated on a BE basis. The Risk Margin is calculated in accordance with the directives of the Commissioner, based on a 6% cost of capital, and is discounted at the adjusted risk-free interest rate. The future SCR is calculated using the "risk factors method", by changing the SCR components calculated as at the reporting date based on the anticipated development of the risk factors attributed to those components. These factors are intended to reflect the development of the standard model risks over the timeline. In accordance with the Guideline, the calculation does not take into account the SCR in respect of market risks.

3.1.8. Liabilities for deferred taxes, net

The calculation follows the principles set forth in the Economic Solvency Regime Directives and is based on the difference between the value attributed to the assets and liabilities in the EBS and the value attributed to them for tax purposes in accordance with the directives regarding recognition, measurement and presentation of International Accounting Standard 12 (IAS). Recognition of deferred tax assets by the Company is conditional upon the Company meeting the criteria included in the Guideline, this in addition to the criteria of IAS 12.

Material changes in the EBS compared to the previous year:

- Debtors and debit balances – decrease mainly due to a shift from a debit balance of income tax in the previous year to a credit balance in the current year.
- Total other financial investments – increase mainly as a result of investment profits.
- Cash - decrease compared to the previous year's balance.
- Changes in liabilities - see section 3.3.

3.2. Composition of liabilities in respect of insurance contracts and investment contracts

	December 31, 2024		
	Best estimate (BE) of liabilities		
	Gross	Reinsuranc	Net Retention
	NIS in thousands		
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent:			
Life and long term health insurance contracts (SLT)	(87,975)	19,801	(107,776)
Short-term general insurance and health insurance contracts (NSLT)	2,291,852	704,620	1,587,232
Total liabilities in respect of insurance contracts and investment contracts that are not yield dependent	**2,203,877**	**724,421**	**1,479,456**
Total liabilities in respect of insurance contracts and investment contracts	**2,203,877**	**724,421**	**1,479,456**

	December 31, 2023		
	Best estimate (BE) of liabilities		
	Gross	**Reinsurance**	**Net Retention**
	NIS in thousands		
Liabilities in respect of insurance contracts and investment contracts that are not yield dependent:			
Life and long term health insurance contracts (SLT)	(181,225)	8,352	(189,577)
Short-term general insurance and health insurance contracts (NSLT)	2,046,429	656,792	1,389,637
Total liabilities in respect of insurance contracts and investment contracts that are not yield dependent	**1,865,204**	**665,144**	**1,200,060**
Total liabilities in respect of insurance contracts and investment contracts	**1,865,204**	**665,144**	**1,200,060**

Material changes in the composition of liabilities in respect of insurance contracts and investment contracts compared to the previous year:

- Increase in gross liabilities and the balance of basic and short-term health insurance, mainly due to increase in the Auto portfolio.
- Decrease in the SLT insurance sectors, gross and residual liabilities decreased due to an increase in the change in expense allocation and lower profitability in new business compared to the terminated business.

4. Own funds for SCR purposes

	December 31, 2024			
	Tier I Capital		**Tier II Capital**	**Total**
	Basic Tier I Capital	**Additional Tier I capital**		
	NIS in thousands			
Own funds	1,039,246	-	-	1,039,246
Deductions from Basic Tier I Capital (a)	-			-
Reductions (b)		-	-	-
Exceeding of quantitative limits (c)		-	-	-
Own funds for SCR purposes (d)	1,039,246	-	-	1,039,246
Of this - expected profits included in future premiums (EPIFP), after tax	164,023			164,023

	December 31, 2023			
	Tier I Capital		**Tier II Capital**	**Total**
	Basic Tier I Capital	**Additional Tier I capital**		
	NIS in thousands			
Own funds	954,963	-	-	954,963
Deductions from Basic Tier I Capital (a)	-			-
Reductions (b)		-	-	-
Exceeding of quantitative limits (c)		-	-	-
Own funds for SCR purposes (d)	954,963	-	-	954,963
Of this - expected profits included in future premiums (EPIFP), after tax	203,610			203,610

(a) **Deductions from Tier I capital -** according to the definition of "Basic Tier 1 Capital" in Tag B of Chapter 2 to Part 2 of Volume 5 of the Consolidated Circular - “Economic Solvency Regime” (hereinafter: “Economic Solvency Regime Appendix”), these deductions include the amount of assets held against liabilities in respect of insurance contracts and investment contracts that are not yield dependent contrary to the Investment Rules Regulations, the amount of repurchase of ordinary shares, and the amount of dividends declared in the period from the reporting date to the first publication date of the report.

(b) **Reductions -** in accordance with the provisions of Chapter 6 of Part B, "Directive regarding the Own Funds of an Insurance Company" of the Economic Solvency Regime Appendix.

(c) **Exceeding of quantitative limits -** in accordance with the provisions of Chapter 2 of Part B, "Directive regarding the Own Funds of an Insurance Company" of the Economic Solvency Regime Appendix.

(d) Composition of own funds for SCR purposes:

	December 31, 2023	December 31, 2023
	NIS in thousands	
Tier I capital:		
Basic Tier I Capital	1,039,246	954,963
Total own funds for SCR purposes	1,039,246	954,963

4.1. Composition of Eligible Own Funds

The Economic Solvency Regime Directive provides for the composition of the Eligible Own Funds calculated on an economic basis and stipulate that the own funds will be the sum of the Tier I Capital and the Tier II Capital, as defined in the Directive:

- Tier I Capital: Basic Tier I Capital - excess of assets over liabilities, estimated according to the directives regarding the EBS, that includes the following components: ordinary issued and paid-up share capital, premium paid on issuance of shares, retained earnings, capital reserves less capital reserves in deficiency and the change in the excess of assets over liabilities arising from differences between the method of valuation of assets and liabilities according to the Directive (reconciliation reserve), less disallowed assets, repurchase of ordinary shares and dividends declared after the reporting date. Additional Tier I capital (up to 20%) - perpetual capital note, non-cumulative preferred shares, additional Tier I capital instruments and primary complex equity instruments.
- Tier II Capital: additional Tier I equity instruments not included in Tier I, Tier II equity instruments, tertiary complex equity instruments and secondary subordinate equity instruments.

The proportion of components included in Tier I capital, after reductions, shall not, at any time, fall below 60% of the SCR and 80% of the MCR. The percentage of components included in Tier II capital, after reductions, shall not, at any time, exceed 40% of the SCR and 20% of the MCR.
For information on own funds for SCR purposes, eliminating the implementation of the transitional provisions for the Transitional Period and the equity risk scenario adjustments, see section 8, "Effect of Implementation of Provisions for the Transitional Period" below.

Material changes that improved the own funds compared to the previous year:

- Increase in investment profits
- Improvement in underwriting profits mainly in Auto.

5. SCR

	December 31, 2023	December 31, 2023
	NIS in thousands	
Basic Solvency Capital Requirement (BSCR):		
SCR for market risk component[2]	120,295	101,293
SCR for counterparty risk component	114,569	99,330
SCR for underwriting risk component in life insurance	194,736	188,390
SCR for underwriting risk component in health insurance (SLT+NSLT)	172,438	159,655
SCR for underwriting risk component in general insurance	785,831	654,736
Total	**1,387,869**	**1,203,404**
Effect of diversification of risk components	)430,330(	(389,178)
SCR for intangible assets risk component	1,492	4,478
Total Basic Solvency Capital Requirement (BSCR)	**959,031**	**818,704**
SCR for operational risk	68,756	61,393
Adjustment for the loss-absorbing capacity of deferred taxes	)97,710(	(89,751)
Total SCR including equity risk scenario adjustments	**930,077**	**790,346**
Ratio of SCR in the Transitional Period to total SCR (%)	100%	95%
Total SCR	**930,077**	**750,829**

For information on SCR, eliminating the implementation of the transitional provisions for the Transitional Period and the equity risk scenario adjustments, see section 0, "Effect of Implementation of Provisions for the Transitional Period" below.

5.1. SCR

The SCR calculation is based on the following principles:

- The Company is a going concern;
- The calculation takes into consideration the risks arising from existing business and from NSLT general insurance and health insurance business that is expected to be obtained in the 12 months following the date of the report;
- With regard to existing business, the calculation will only cover unexpected losses;
- The calculation reflects the volume of own funds that will enable the Company to absorb unexpected losses and meet its liabilities to policyholders and beneficiaries on time, and that constitutes the VAR of the Company's Basic Tier I Capital, at a 99.5% confidence level over a period of 12 months;
- The calculation covers the following risk components: life insurance, health insurance, general insurance, market risk, counterparty risk and operational risk;
- The calculation takes into account means and methods for mitigating risks.
- The calculation of the scenarios is based on an assessment of the deviation from the valuation of the Basic Tier I Capital, based on an assessment of the deviations in the valuation of the assets and liabilities in the EBS upon realization of the scenario. In particular, for life and health SLT risk components, the scenarios assessment is based on the results of the BE models.

[2] Including equity risk scenario adjustments. The comparative figures have been restated.

Material changes in SCR compared to the previous year:

- The increase in capital requirements in Health is mainly due to an increase in the SLT portfolio. There has been no significant change in the NSLT portfolio, but there is an internal change in the portfolio structure, a reduction in exposure to Travel and an increase in exposure to the short PA product.
- Elementary insurance component – the increase was mainly influenced by:
- Growth in the Auto portfolio which affected the capital requirement for premiums and reserves.
- Increase in exposure to earthquake risk.
- Counterparty capital requirement - there is an increase in exposure to Type 1 and a decrease in exposure to Type 2. The rating mix contains a percentage of lower ratings than last year.
- The Solvency Capital Requirements during the transitional period (in percentage), increased every year by 5% up to 100% in 2024. At the end of 2023, the rate was 95% and at the end of 2024, the rate is 100%.
- There was an increase in the capital requirement for market risks due to investment profits and also due to the increase in balance sheet assets due to the increase in activity.

6. MCR

6.1. MCR

	December 31, 2023	December 31, 2023
	NIS in thousands	
MCR based on MCR formula	232,519	276,465
Lower threshold (25% of the SCR in the Transitional Period)	232,519	187,707
Upper threshold (45% of the SCR in the Transitional Period)	418,535	337,873
MCR	232,519	276,465

6.2. Own funds for MCR purposes:

	December 31, 2024		
	Tier I capital	Tier II capital	Total
	NIS in thousands		
Own funds for SCR purposes pursuant to section □	1,039,246	-	1,039,246
Exceeding of quantitative limits in respect of MCR (*)		-	-
Own funds for MCR purposes	1,039,246	-	1,039,246

	December 31, 2023		
	Tier I capital	Tier II capital	Total
	NIS in thousands		
Own funds for SCR purposes pursuant to section □	954,963	-	954,963
Exceeding of quantitative limits in respect of MCR (*)		-	-
Own funds for MCR purposes	954,963	-	954,963

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

7. Effect of implementation of the provisions for the Transitional Period

December 31, 2024

	Including implementation of transitional provisions for Transitional Period and equity risk scenario adjustments	Effect of inclusion of deductions in the Transitional Period	Effect of equity risk scenario adjustments	Effect of incremental rise in SCR in the Transitional Period	Effect of 50% Tier II capital in the Transitional Period	Eliminating implementation of transitional provisions for Transitional Period and equity risk scenario adjustments
Total insurance liabilities, including Risk Margin	2,406,294	-	-	-	-	2,406,294
Basic Tier I Capital	1,039,246	-	-	-	-	1,039,246
Own funds for SCR purposes	1,039,246	-	-	-	-	1,039,246
SCR	930,077	-	-	-	-	930,077

December 31, 2023

	Including implementation of transitional provisions for Transitional Period and equity risk scenario adjustments	Effect of inclusion of deductions in the Transitional Period	Effect of equity risk scenario adjustments	Effect of incremental rise in SCR in the Transitional Period	Effect of 50% Tier II capital in the Transitional Period	Eliminating implementation of transitional provisions for Transitional Period and equity risk scenario adjustments
Total insurance liabilities, including Risk Margin	2,039,873	-	-	-	-	2,039,873
Basic Tier I Capital	954,963	-	-	-	-	954,963
Own funds for SCR purposes	954,963	-	-	-	-	954,963
SCR	750,829	-	-	)39,517(	-	790,346

7.1. Provisions applicable in the Transitional Period

The Economic Solvency Regime Directive prescribes a transitional period during which the following guidelines shall apply:

- The mitigation of the capital requirement for the equity risk sub-component ended on 12.31.2023
- Gradual transitional of the SCR until 2024, to the effect that the SCR increases by 5% every year, from 60% of the total SCR in 2017 to the full SCR amount;

8. Report of capital surplus movement

	Equity for the purpose of capital is required for solvency	Capital required for solvency (SCR)	Surplus (deficit) capital
		Thousands of shekels	
As of January 1, 2024	954,963	750,829	204,134
Disabling the transition provisions for the deployment period and adjusting shares		39,517	(39,517)
As of January 1, 2024, without the implementation of the transitional provisions for the deployment period and the adjustment of a stock scenario	954,963	790,346	164,617
Impact of operating activities (a)	(10,019)	98,465	(108,484)
Impact of economic activity (b)	65,097	27,606	37,491
New businesses (c)	30,147	14,602	15,545
Impact of Capital Instruments Issues (less Revenues) and Declared Dividend (d)	(942)	(942)	
Effect of deferred tax changes, additional Tier 1 capital and Tier 2 capital			
As of December 31, 2021, without the implementation of the transitional provisions for the deployment period and the adjustment of a stock scenario	1,039,246	930,077	109,169
Effect of transition provisions for the period of deployment and adjustment of equity			
As of December 31, 2024	1,039,246	930,077	109,169

1) The data refers to excess capital without the effect of substantial capital operations (raisings and redemptions of capital instruments) that occurred in the period between the calculation date and the publication date of the financial solvency ratio report.
2) The order of the sections does not necessarily represent the calculation order of the various sections.

Impact of operational activity (a): The projected cash flow that was embodied in the opening balance and the expectation of release in the reporting year, deviations from demographic and operational assumptions in the reporting year, changes in regulatory rules, changes in demographic and operational assumptions relative to those used at the previous reporting date, model updates, new insurance contracts in general and short-term health insurance signed in the reporting year and old insurance portfolios in these industries that were purchased or sold in the reporting year, investment in intangible assets and other changes not included in the other items.

Operating activity resulted in a decrease in surplus capital, with a moderate decrease in equity and an increase in capital requirement. This is due, among other things, to:

-increase in general insurance liabilities that reduces equity and increases required capital ,

-increase in earthquake exposure that increases required capital ,

- decrease in future profit due to an increase in the assumption of expenses that reduces equity.

In addition, the release of profits in the projected cash flow in the life and health industries (which are recognized in the income statement) increases the remaining liabilities and reduces equity, but on the other hand, the profit from these cash flows is recognized in earnings and improves the assets and offsets the impact on equity.

Effect of economic activity (b): Changes in the values of investment assets; Changes in capital required for the market risk component, including a change in the symmetrical adjustment component SA; The effect of a change in the risk-free interest rate curve on solvency; The effect of inflation.

The effect of economic activity contributed to an increase in capital surpluses during the reporting period. The main effect stems from the positive return on investment assets. There are several factors that partially offset the effect: an increase in investment assets contributes to an increase in capital requirements, and the increase in interest rates contributed to a decrease in assets.

New business (c): The impact of new insurance contracts (life and health SLT) signed in the reporting year and old insurance portfolios in these industries that were purchased or sold in the reporting year, without their impact on market risks; counterparty risk and operational risk.
New businesses have a positive contribution to the company's profitability and improve equity, and on the other hand add to the capital requirement. The net impact is an increase in capital surplus.
Effect of issuance of capital instruments (minus redemptions) and declared dividend (d):
Capital operations, including the issuance and redemption of Tier 1 and Tier 2 capital instruments as well as a dividend declared after the date of publication of the solvency ratio as of December 31, 2023 to the date of publication as of December 31, 2024.
Impact of changes in deferred tax, additional Tier 1 capital and Tier 2 capital: This effect is due to a change in deferred tax liability in the financial balance. The increase in deferred tax liability lowers the equity, but on the other hand, also lowers the capital requirement (through loss absorption). When measuring capital surplus, these two effects offset each other.
The instructions for the transition period and adjustment of shares
As of the opening balance of January 1, 2024, the adjustments included both equity adjustments and a 95% multiplication factor on the SCR. In the closing balance, the equity adjustment period ended and the multiplication factor was updated to 100%.

9. Sensitivity Tests

The Commissioner required to include for the first time, sensitivity tests on all major factors such as mortality rates, morbidity rates, lapse rates, equity rates and interest rates

	December 31, 2024
An increase in the interest rate of 50 basis points in the risk-free interest rate	immaterial
A 25% decrease in the value of capital assets	immaterial
A 5% increase in the morbidity rate	-7%
A 5% drop in mortality rates	-5%
A 10% increase in cancellation rates	immaterial

The assets and the liabilities that are impacted by these changes were recalculated. The sensitivity tests were performed on the basis of the financial balance sheet.
For the decrease in interest rates sensitivity test, a risk-free interest rate curve was recalculated after a decrease of 50 basis points until the (LLP) point, followed by Smith-Wilson extrapolation, until the (UFR). The sensitivity test that is relevant to the company is an interest rate increase.

We examined another sensitivity test, which was that a 50% increase in earthquake exposure would cause a five percent decrease in the solvency ratio.

10. Restrictions on dividends distribution

According to the regulator instructions, insurance company may only distribute a dividend to the extent that, following the distribution, the company has a solvency ratio of at least 100% pursuant to the Solvency Circular, calculated excluding the transitional provisions and subject to the Solvency Ratio target set by the Company's Board of Directors.
Pursuant to the Company's Capital Management Policy, approved by the Company's Board of Directors, which also includes the dividend distribution policy, and subject to certain additional conditions set forth in the Solvency Circulars, the Company will be entitled to pay dividends to its shareholders above the 130% Solvency Ratio.
Below are presented the data on the Company's economic Solvency Ratio, excluding the transitional provisions and subject to the Solvency Ratio target set by the Company's Board of Directors.

Without Transitional Period and the equity risk scenario adjustments:	**December 31, 2024**	**December 31, 2023**
Own funds for SCR purposes (NIS in thousands)	1,039,246	954,963
SCR (NIS in thousands)	930,077	790,346
Surplus (deficiency) (NIS in thousands)	109,169	164,617
Economic Solvency Ratio (%)	112%	121%
Effect of material equity transactions that took place in the period from the calculation date to the publication date of the report on the solvency ratio:		
Own funds for SCR purposes (NIS in thousands)	1,039,246	954,963
Surplus (deficiency) (NIS in thousands)	109,169	164,617
Economic Solvency Ratio (%)	112%	121%
Surplus of own funds after equity transactions that took place in the period from the calculation date and the publication date of the report on the solvency ratio, in relation to the Board of Directors' target:		
Target Solvency Ratio (%)	130%	130%
Surplus (deficiency) of own funds in relation to the target (NIS 000)	(169,854)	)72,487(

The Solvency Ratio was affected by investment profits and improved underwriting results. However, there was an increase in capital requirements and increase in the Company's charges for operational services by AIG Global. As a result, the Company's capital ratio decreased from 121% on December 31, 2023 to 112% on December 31, 2024.

Date: May 27, 2025

Roberto Nard Chairman of the Board of Directors	Yfat Reiter CEO	Usher Gray CFO	Olivia Zohar CRO