AIG Israel Insurance Company Ltd

Interim Financial Report

(Unaudited)

As of March 31, 2024

Contents

- **Directors' Report of Company's Business**
- **Declarations relating to the Financial Statements**
- **Financial Statements for Interim Period March 31, 2024**

Directors' report
AIG Israel Insurance Company Ltd ("the Company")
for the period ended March 31, 2024

The directors' report on the business of the Company as of March 31, 2024 ("**the directors' report**"), reviews the Company and developments in its business in the first quarter of 2024 ("**the reported period**"). The information in this report is as of March 31, 2024 ("**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 2023 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.

Table of contents

1. Condensed description of the Company:

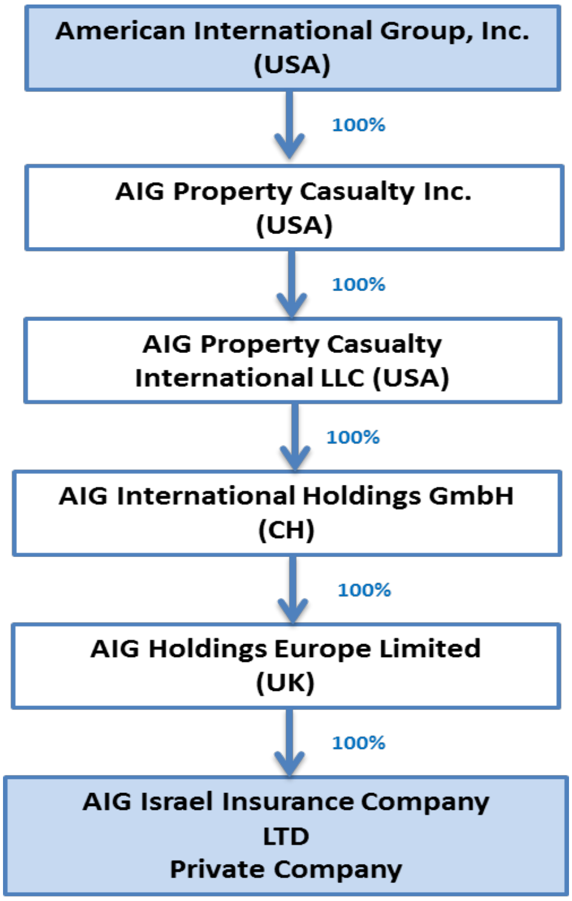
1.1 Organizational structure

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 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 2023, insurance fees from the general insurance business amounted to NIS 27.5 billion; the share of the 5 largest insurance companies – Harel, Phoenix, Clal, Menorah, Ayalon and Migdal – was NIS 18.3 billion, or 66% 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 2023 periodic report.

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

1. On October 7, 2023, a surprise attack was launched on Israel from the Gaza Strip by terrorist organizations. Consequently, the Government of Israel declared a state of war - "Swords of Iron", which initially focused primarily on fighting the Hamas terrorist organization in Southern Israel and in the Gaza Strip, but was later followed by an escalation of the security situation on Israel's northern border with Lebanon. The intense fighting persists both on the Gaza front and the northern front, and in April 2024 Israel's conflict with Iran also escalated ("**War Event**").

   As to the effect of the War Event on the Company's results for 2023, see Section 1 to Chapter B (Board of Directors' Report) in the 2023 periodic report.

   In the reported period, the War Event did not materially affect the results of the Company, with the exception of a significant reduction in overseas travel premiums in the health insurance sector, where the reduction in overseas travel by Israelis due to the War Event lead to a decrease in purchases of overseas travel insurance policies, resulting in reduced premiums.

2. In March 2024, the Knesset passed the Value Added Tax Order (Rate of Tax for Non-Profits and Financial Institutions) (Amendment), 2024 (hereafter - "the Order"), pursuant to which, commencing on January 1, 2025, the rate of Wages Tax and Profit Tax payable for any activity of a financial institution in Israel will be 18% of the wages paid and the profit generated, instead of the current 17%. The effect on the Company's deferred taxes is immaterial.

<u>Developments in the company's macro-economic environment</u>

In 2023, the Bank of Israel interest rate was raised several times, up to a record rate of 4.75%. In January 2024, the Bank of Israel decided on a 0.25% reduction of the interest rate, and in February and April 2024 the Bank decided to maintain the interest rate. To the date of the report, the interest rate is 4.5%.

The most recent forecast of the Bank of Israel[1] was prepared based on the assumption that the direct economic impact of the "Swords of Iron" War reached its highest point in the fourth quarter of 2023 and will persist, gradually diminishing, through to the end of 2024. For 2025, the forecast assumes no further direct impact of the War. Additionally, in the aforesaid forecast, the Bank of Israel also assumes that the fighting will be primarily concentrated in Gaza. The forecast states that, by nature, it is characterized by a particularly high degree of uncertainty, including as regarding the duration and nature of the war in Gaza, its aftermath, and the potential escalation on the northern front and on other fronts. According to the forecast, GDP is expected to grow by 2.0% in 2024 and by 5.0% in 2025; the inflation rate in the next four quarters (ending in the first quarter of 2025) is expected to reach 2.8; the annual inflation rate is expected to reach 2.7% in 2024 and 2.3% in 2025; and the interest rate is expected to reach 3.75% in the first quarter of 2025.

In February, international rating agency, Moody's, announced the downgrading of the State of Israel's credit rating from A1 to A2 and the downgrading of the outlook to negative. In its announcement, the rating agency stated that one of the reasons for the downgrading of the rating is the uncertainty as to the duration and outcome of the war, and explained that its decision to change the outlook to negative is due to the uncertainty surrounding the spreading of the war to the northern front. In April 2024, international rating agency, Fitch, announced that it maintains Israel's credit rating at A+ with a downgraded negative outlook. In April 2024, international rating agency, S&P, downgraded Israel's credit rating from AA+/A-1 to A+/A-1, maintaining the negative outlook. In its announcement, the rating agency noted among the reasons for this decision the continuation of the fighting on the southern and the northern fronts into 2024, the anticipated increase in Israel's government budget deficit, mainly as a result of the higher defense costs and the assumption that the recent conflict with Iran will not currently lead to the expansion of hostilities in the region; nevertheless, should the hostilities in the region spread, this could have an additional material adverse impact on the security situation in Israel, with an ensuing effect on the economic, fiscal and trade balance of the State of Israel.
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 2024	**Jan-March 2023**	**2023**
Government bonds indexes			
General government bonds	(0.5%)	0.0%	0.6%
Linked government bonds	(0.5%)	0.6%	(0.5%)
NIS government bonds	(0.5%)	(0.4%)	1.4%
Corporate bonds indexes			
Tel Bond 60	1.6%	0.3%	5.2%
Tel Bond NIS	1.1%	(0.9%)	5.2%
Share indexes			
Tel-Aviv 125	8.3%	(4.2%)	4.8%
S&P 500	10.2%	7.0%	24.2%

[1] The macroeconomic forecast of the Research Division from 8.4.2024.

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 2023 periodic report.

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

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 April 2024, an update to the provisions of Chapter 9 to Part 1 of Volume 5 of the consolidated circular titled “Supervising Actuary and Chief Actuary” was published, providing for the mandatory preparation of an annual report by the Chief Actuary, to be submitted on the date of submission of the Company’s economic solvency reporting files for the end of the past year. The report will include a review of the application of the solvency provisions to the processes, the actuarial calculations and the sums derived therefrom, as well as of the work of the actuarial team in the covered period. The circular sets forth guidelines for the content of the report and the essential information to be included therein, placing an emphasis on topics that require special attention, such as weaknesses and uncertainties inherent in the results that served as a basis for the reports, as well as the consistency of the work methods employed by the actuarial team in the various segments.
- In April 2024, the Commissioner published an amendment to the provisions of the consolidated circular concerning “Reports to the Commissioner - Version 12”, which updated the list of profit components that must be included in insurance companies’ quarterly publication on their websites and in their reports to the Authority with regard to the contribution of the investment components of their nostro portfolio, introducing to the list investment funds and ETNs (in place of ETFs).
- In March 2024, the Commissioner published an amendment to the provisions of the consolidated circular concerning the “Obligation to Offer a Plan with Supplemental Insurance Coverage to that of Additional Healthcare Services Plans (AHSP)”, pursuant to which AHSP supplemental insurance policies will indemnify policyholders only with respect to the following incidents and/or expenses: (a) private surgery in Israel, only if the AHSP of which the policyholder is a member does not include insurance coverage for the expenses of the surgical procedure and/or the surgeon is not included in an arrangement with the HMO and is included in a surgical arrangement with the insurance company; (b) the deductible that was paid by the policyholder for a surgical procedure financed through an AHSP, even if the surgeon is not included in an arrangement with the insurance company; and(c) the purchase of an accessory if such accessory is not covered by the AHSP, but is covered by the insurance policy of the insurance company. These provisions will apply to AHSP supplemental insurance policies that are entered into or renewed as from their publication date.
- In February 2024, the Commissioner published a circular containing performance directives regarding the transfer of policyholders from a “first shekel” surgical insurance policy that is not part of a collective health insurance policy entered into before the record date (October 1, 2023) to an “AHSP Supplemental” surgical insurance policy, including the mandatory wording of the insurance company’s notice to the policyholder regarding the transfer of a policyholder to an “AHSP Supplemental” surgical insurance policy, before and after the transfer, and provisions regarding the content of such notices, their delivery schedule and the manner by which they are to be delivered to the policyholders. The circular also includes provisions regarding the cancelation of such transfer and the manner in which the policyholder may deliver a notice declining such transfer.

Drafts

- In April 2024, the Commissioner published an eighth draft of professional issues pertaining to the implementation of International Financial Reporting Standard No. 17 ("IFRS 17") in Israel, in accordance with the roadmap published by the Authority for the adoption of IFRS 17, as updated on several occasions.[2] This draft addresses the impact of published circulars on the accounting treatment under IFRS 17 of the setting up of health insurance plans and personal accidents insurance, eliminates the option of adding an illiquidity premium in accordance with the directives of the Standard, which requires accounting for the liquidity characteristics of the insurance contracts in determining the discount rate and introduces default directives for weights based on accounting portfolios rather than by cash-flow groups where the use of cash-flow groups is not readily practicable. In addition, the draft updates the directives concerning the risk adjustment of non-financial risks, as regarding the adjustment of the confidence interval of portfolios characterized by high risk, and introduces directives for measurement on the transition day.
- In February 2024, the Commissioner published a draft circular, which contains principles regarding the terms of insurance in the vehicle property insurance sector within the framework of submitting insurance plans in the vehicle property insurance sector, this further to a ruling issued with regard to the payment of reduced insurance benefits in vehicle (property) insurance, where there is a difference in the price of spare parts for repairs conducted in a garage not included in an agreement with the insurance company ("the Ruling").[3] Accordingly, it is proposed that insurance companies update the wording of the disclosure to the policyholder in a vehicle property insurance plan, to specify a maximum reduction that shall not exceed a rate, which would be approved by the Authority, out of the total cost of the repair where the policyholder has repaired the vehicle in a non-agreement garage, and that the related insurance plan prescribe that, where a policyholder has elected to conduct repairs at a non-agreement garage and has taken reasonable measures as instructed by the insurance company or where the insurance company has reduced the damage, the Company shall deduct from the insurance benefits the deductible amount that would have applied had the policyholder repaired the vehicle at an agreement garage. The draft further proposes that insurance companies exclude from the vehicle property insurance plan compensation for constructive total loss, as defined in Section 6(B) of the addendum to the Supervision of Insurance Regulations (Terms of Private Motor Vehicle Insurance Contract), 1986.

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[2] For information on the aforesaid roadmap, see Note 2(a) to the Company's financial statements for 2023, attached to the 2023 periodic report.

[3] The Ruling prescribes directives for the payment of insurance benefits where there is a difference between the pricelist of the spare-parts importer quoted by the appraiser in the assessment and the amount that would have been payable by the insurance company for the same spare parts had they been purchased from the spare-parts supplier with which the insurance company has an agreement in place or due to a discount offered by a garage on the total cost of the repairs. For additional information on the Ruling, see section 4.1(b) of Chapter One (Description of the Company's Business) in the Company's periodic report for 2023.

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

Following are principal balance sheet data (NIS thousands):

	March 31, 2024	March 31, 2023	December 31, 2023
Other assets	472,777	521,613	490,190
Deferred acquisition expenses	213,647	196,462	201,967
Financial investments and cash	2,543,754	2,159,253	2,381,308
Reinsurance assets	752,971	733,007	761,368
Total assets	**3,983,149**	**3,610,335**	**3,834,833**
Equity	900,033	781,923	866,204
Liabilities in respect of insurance contracts	2,640,711	2,397,822	2,500,045
Other liabilities	442,405	430,590	468,584
Total equity and liabilities	**3,983,149**	**3,610,335**	**3,834,833**

Following are principal comprehensive income data (NIS thousands)

	Jan-March 2024	Jan-March 2023	Jan-December 2023
Gross earned premiums	420,838	350,024	1.543,455
Premiums earned by reinsurers	(61,022)	(56,548)	(245,036)
Premiums earned in retention	**359,816**	**293,476**	**1,298,419**
Gains on investments, net and financing income	30,964	17,864	113,716
Income from commissions	17,500	13,731	56,028
Total revenue	**408,280**	**325,071**	**1,468,163**
Payments and change in liability for insurance contracts, in retention	(259,001)	(257,338)	(974,619)
Total other expenses	(97,408)	(87,572)	(384,420)
Profit (loss) before taxes on income	**51,871**	**(19,839)**	**109,124**
Tax benefit (taxes on income)	(18,042)	6,894	(37,788)
Profit (loss) for the period and total comprehensive income (loss) for the period	**33,829**	**(12,945)**	**71,336**

Capital and capital requirements

As at March 31, 2024, equity amounted to NIS 900.0 million, as compared to NIS 866.2 million as at December 31, 2023. The change in equity in the reported period is due to a comprehensive income of NIS 33.8 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 2023.

Presented below are data concerning solvency ratio and MCR:

Solvency ratio (NIS thousands):

	December 31, 2023	June 30, 2023
Equity for purposes of solvency capital requirement	954,963	880,968
Solvency capital requirement	750,829	669,625
Surplus	**204,134**	**211,343**
Economic solvency ratio (%)	127%	132%

No equity transactions or material events with a direct effect on the Company's economic solvency ratio took place in the reporting period. 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, 2023	December 31, 2022
Minimum capital requirement (MCR)	276,465	233,895
Equity for purposes of MCR	954,963	880,968

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

	December 31, 2023	December 31, 2022
Equity for purposes of solvency capital requirement	954,963	880,968
Solvency capital requirement	790,346	746,947
Surplus	**164,617**	**134,021**
Economic solvency ratio (%)	121%	118%
Surplus (deficiency) in relation to the Board of Directors' target		
Board of Directors' economic solvency ratio target (%)	130%	130%
Deficiency in relation to target	**(72,487)**	**(90,063)**

The calculations performed by the Company as at December 31, 2023 and December 31, 2022 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, 2022 posted on the Company's website: https://www.aig.co.il/about/repayment-ratio.

The information that is provided in this section above constitutes forward-looking information, as defined in the Securities Law, 1968, which is based, inter alia, on the current state of the Company's operations. Actual results may differ from the estimated results, including materially, as a result of various factors, most prominently regulatory changes applicable to the Company.

4. Results of operations

The Company's total gross premiums amounted to NIS 517.0 million in the reported period, as compared to NIS 433.1 million in the corresponding period in 2023, an increase of 19.4%. 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 462.4 million in the reported period, as compared to NIS 367.2 million in the corresponding period in 2023, an increase of 25.9%. 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 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-March 2023	Life insurance	Health insurance	General insurance	Total
Gross	39,972	43,144	349,989	433,105
In retention	31,135	42,262	293,768	367,165
% of total gross	9.2	10.0	80.8	100.0
% of retention	8.5	11.5	80.0	100.0

Jan-December 2023	Life insurance	Health insurance	General insurance	Total
Gross	162,323	185,922	1,301,705	1,649,950
In retention	128,474	182,220	1,092,811	1,403,505
% of total gross	9.8	11.3	78.9	100.0
% of retention	9.2	13.0	77.8	100.0

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

	Jan-March 2024	Jan-March 2023	Jan-Dec 2023
Income (loss) from compulsory vehicle insurance	4,075	(9,893)	(4,158)
Income (loss) from vehicle property insurance	28,891	(18,697)	14,285
Income (loss) from home insurance	(4,781)	(2,181)	4,196
Income (loss) from health insurance	(6,779)	(5,409)	12,751
Income from life insurance	5,604	29	8,542
Income from commercial insurance	7,847	3,447	17,809
Other - Income not allocated to any segment	17,014	12,865	55,699
Income (loss) before taxes on income	**51,871**	**(19,839)**	**109,124**
Income tax benefit (expenses)	(18,042)	6,894	(37,788)
Income (loss) for the period and total comprehensive income (loss) for the period	**33,826**	**(12,945)**	**71,336**

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 33.8 million in the reported period, as compared to a comprehensive loss of NIS 12.9 million in the corresponding period in 2023. Pre-tax profit in the reported period amounted to NIS 51.9 million, as compared to a loss of NIS 19.8 million in the corresponding period in 2023. The main contributors to the profit in the reported period are net investment gains of NIS 31.0 million and an underwriting profit of NIS 21.1 million, deriving mainly from the underwriting profit in the vehicle property insurance sector.

b. Net investment gains amounted to NIS 31.0 million in the reporting period, as compared to investment gains of NIS 17.9 million in the corresponding period in 2023. 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 28.9 million, as compared to loss of NIS 18.7 million in the corresponding period in 2023. The underwriting profit of the Company from vehicle property insurance in the reporting period was NIS 25.1 million, as compared to loss of NIS 20.3 million in the corresponding period in 2023. 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.

d. The profit of the Company from compulsory vehicle insurance amounted to NIS 4.1 million in the reported period, as compared to a loss of NIS 9.9 million in the corresponding period in 2023. The transition to profit in the reported period was due mainly to an increase in gains on investments and a reduction in the claims' ratio. The reduction in the claims' ratio in the reported period was due mainly to the decrease in the CPI as well as to a reduction in the pool losses as compared to the corresponding period in 2023. The pool losses, excluding the effect of the interest curve, amounted to NIS 3.6 million in the reported period, as compared to NIS 5.5 million in the corresponding period last year.

e. The loss of the Company from home insurance amounted to NIS 4.8 million in the reporting period, as compared to a loss of NIS 2 million in the corresponding period in 2023. The underwriting loss of the Company from home insurance amounted to NIS 5.9 million in the reporting period, as compared to an underwriting loss of NIS 2.8 million in the corresponding period in 2023. The higher loss was also due to an increase in the claims' ratio and the expenses' ratio as a result of the increased coverage cost of earthquake reinsurance and the reduced retention ratio.

f. The loss of the Company from health insurance amounted to NIS 6.8 million in the reporting period, as compared to loss of NIS 5.4 million in the corresponding period in 2023. The underwriting loss from health insurance amounted to NIS 7.5 million in the reporting period, as compared to loss of NIS 5.7 million in the corresponding period in 2023. The increased loss in the reported period was due mainly to an increase in the claims' ratio and the expenses' ratio in the overseas travel sector, mainly as a result of the reduction in premiums on the backdrop of the War Event (see section 2 above).

g. The profit of the Company from life insurance in the reporting period was NIS 5.6 million, as compared to profit of NIS 29 thousand in the corresponding period in 2023. The increase in profit was due mainly to the significant reduction in the claims' ratio and the reduced expenses' ratio.

h. The profit of the Company from professional liability insurance in the reporting period was NIS 6.2 million, as compared to a profit of NIS 3.6 million in the corresponding period in 2023. The increase in profit in the reported period was due both to the increase in the investment gains and the increase in the underwriting profit as a result of the reduction in the claims' ratio and the expenses' ratio.

i. The loss of the Company from other property insurance sectors in the reporting period was NIS 0.4 million, as compared to profit of NIS 0.5 million in the corresponding period in 2023.

j. The profit of the Company from other liability insurance sectors amounted to NIS 2.1 million in the reporting period, as compared to a loss of NIS 0.6 million in the corresponding period in 2023. The transition to profit in the reported period was due mainly to a decrease in the claims' ratio.

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

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

	Jan-March 2024	Jan- March 2023	Jan-Dec 2023
Vehicle property	25,128	(20,299)	(18,016)
Home	(5,870)	(2,842)	(249)
Other property sectors	(539)	398	903

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

	Jan-March 2024		Jan- March 2023		Jan-Dec 2023	
	LR%	CR%	LR%	CR%	LR%	CR%
Vehicle property:						
Gross	70%	87%	98%	116%	83%	103%
In retention	70%	87%	98%	116%	83%	103%
Property[5]:						
Gross	58%	89%	50%	80%	45%	75%
In retention *	79%	120%	71%	109%	59%	99%

5. Cash flows and liquidity

Net cash provided by operating activities in the reported period was NIS 64.0 million, compared to NIS 80.0 million provided by operating activities in the corresponding period in 2023.

Net cash used in investing activities in the reported period amounted to NIS 5.8 million, compared to NIS 8.6 million in the corresponding period in 2023.

Net cash used in financing activities in the reported period amounted to NIS 1.4 million, similarly to the corresponding period in 2023.

As a result of the above, the balance of cash and cash equivalents in the reported period increased by NIS 56.2 million and amounted to NIS 199.8 million as at March 31, 2024.

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.

[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.

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

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, 2024, 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.

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.

__________________	____________________
Thomas Lillelund Chairman of the Board of Directors	Yfat Reiter CEO

May 21, 2024

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, 2024 (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.

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Yfat Reiter - CEO

May 21, 2024

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, 2024 (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 21, 2024

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, 2024, 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, 2024 the internal control of the Insurance Company over financial reporting is effective.

________________	________________	________________
Usher Gray **CFO**	**Yifat Reiter** **CEO**	**Thomas Lillelund** **Chairman of the Board of Directors**

Date of approval of financial statements: May 21, 2024

AIG Israel Insurance Company Ltd.

Condensed Interim Financial Statements
(Unaudited)
As at March 31, 2024

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, 2024 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 21, 2024

Condensed Interim Statements of Financial Position as at

	March 31, 2024	March 31, 2023	December 31, 2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Assets			
Intangible assets	**31,222**	27,211	29,623
Deferred acquisition costs	**213,647**	196,462	201,967
Property and equipment	**16,130**	24,758	18,623
Reinsurance assets	**752,971**	733,007	761,368
Premiums collectible	**350,563**	285,948	301,932
Current tax assets	**2,214**	72,461	72,696
Deferred tax assets, net	**-**	30,213	-
Other receivables	**72,648**	81,022	67,316
	1,439,395	1,451,082	1,453,525
Financial investments			
Marketable debt instruments	**2,085,554**	1,845,024	1,989,353
Non-marketable debt instruments	**115,255**	93,457	116,969
Other	**143,155**	114,960	131,371
Total financial investments	**2,343,964**	2,053,441	2,237,693
Cash and cash equivalents	**199,790**	105,812	143,615
Total assets	**3,983,149**	3,610,335	3,834,833

Thomas Lillelund **Chairman of the Board of Directors**	**Yfat Reiter** **C.E.O**	**Usher Gray** **C.F.O**

Date of approval of the interim financial statements:
May 21, 2024

Condensed Interim Statements of Financial Position as at

	March 31, 2024	March 31, 2023	December 31, 2023
	(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	**633,718**	515,608	599,889
Total equity attributable to equity holders of the Company	**900,033**	781,923	866,204
Liabilities			
Liabilities in respect of insurance contracts that are not yield dependent	**2,640,711**	2,397,822	2,500,045
Liabilities in respect of deferred taxes, net	**10,141**	-	4,501
Retirement benefit obligation, net	**2,830**	3,659	2,830
Liabilities to reinsurers	**296,115**	308,044	312,346
Other payables	**133,319**	118,887	148,907
Total liabilities	**3,083,116**	2,828,412	2,968,629
Total equity and liabilities	**3,983,149**	3,610,335	3,834,833

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,
	2024	**2023**	**2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Gross earned premiums	**420,838**	350,024	1,543,455
Premiums earned by reinsurers	**(61,022)**	(56,548)	(245,036)
Premiums earned in retention	**359,816**	293,476	1,298,419
Gains on investments, net and financing income	**30,964**	17,864	113,716
Commission income	**17,500**	13,731	46,028
Total income	**408,280**	325,071	1,468,163
Payments and change in liabilities with respect to insurance contracts, gross	**(286,924)**	(285,369)	(1,118,143)
Share of reinsurers in increase of insurance liability and payments for insurance contracts	**27,923**	28,031	143,524
Payments and change in liabilities with respect to insurance contracts, in retention	**(259,001)**	(257,338)	(974,619)
Commissions, marketing expenses and other acquisition costs	**(69,923)**	(65,832)	(292,652)
General and administrative expenses	**(27,303)**	(22,981)	(93,764)
Financing income (expenses), net	**(182)**	1,241	1,996
Total expenses	**(356,409)**	(344,910)	(1,359,039)
Profit (loss) before taxes on income	**51,871**	(19,839)	109,124
Income tax benefit (expense)	**(18,042)**	6,894	(37,788)
Profit (loss) for the period and total comprehensive income (loss) for the period	**33,829**	(12,945)	71,336
Basic earnings per share:			
Basic earning (loss) per share	**5.90**	(2.26)	12.45
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, 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
Three-month period ended March 31, 2023					
Balance as at January 1, 2023 (audited)	6	250,601	15,708	528,553	794,868
Total comprehensive loss for the period				(12,945)	(12,945)
Balance as at March 31, 2023 (unaudited)	6	250,601	15,708	515,608	781,923
Year ended December 31, 2023					
Balance as at January 1, 2023 (audited)	6	250,601	15,708	528,553	794,868
Total comprehensive income for the year				71,336	71,336
Balance as at December 31, 2023 (unaudited)	6	250,601	15,708	599,889	866,204

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,
	2024	2023	2023
	(Unaudited)	(Unaudited)	(Audited)
	NIS thousands	NIS thousands	NIS thousands
Cash flows from operations:			
Net cash provided by (used in) operations (Appendix A)	**(2,983)**	(4,011)	29,430
Interest paid	**(26)**	(54)	(176)
Interest received	**8,937**	13,241	44,091
Income taxes paid	**(7,235)**	(1,477)	(7,280)
Income taxes received	**65,315**	72,344	72,344
Net cash provided by operating activities	**64,008**	80,043	138,409
Cash flows from investing activities:			
Investment in property and equipment	**(114)**	(3,694)	(5,934)
Investment in intangible assets	**(5,678)**	(4,902)	(19,805)
Net cash used in investing activities	**(5,792)**	(8,596)	(25,739)
Cash flows from financing activities:			
Repayment of principal of lease liabilities	**(1,421)**	(1,393)	(5,614)
Net cash used in financing activities	**(1,421)**	(1,393)	(5,614)
Impact of exchange rate fluctuations on cash and cash equivalent balances	**(620)**	37	838
Increase in cash and cash equivalents	**56,175**	70,091	107,894
Cash and cash equivalents at beginning of period	**143,615**	35,721	35,721
Cash and cash equivalents at end of period	**199,790**	105,812	143,615

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,
	2024	**2023**	**2023**
	(Unaudited)	**(Unaudited)**	**(Audited)**
	NIS thousands	**NIS thousands**	**NIS thousands**
Appendix A - cash flows from operations:			
Profit (loss) for the period	**33,829**	(12,945)	71,336
Adjustments for -			
Income and expenses not involving cash flows:			
Change in liabilities for insurance contracts that are not yield dependent	**140,666**	136,778	239,001
Change in reinsurance assets	**8,397**	(21,251)	(49,612)
Change in deferred acquisition costs	**(11,680)**	(11,765)	(17,270)
Tax expense (benefit)	**18,042**	(6,894)	37,788
Change in retirement benefit obligations, net	**-**	-	(829)
Depreciation of property and equipment	**2,607**	2,516	10,891
Amortization of intangible assets	**4,079**	4,316	16,807
Losses (gains), net, on financial investments:			
Marketable debt instruments	**(9,437)**	4,598	(43,686)
Non-marketable debt instruments	**1,542**	(408)	(24,108)
Marketable exchange traded notes	**(11,784)**	(9,646)	(26,057)
Impact of fluctuation in exchange rate on cash and cash equivalents	**620**	(37)	(838)
	143,052	98,207	142,087
Changes in assets and liabilities:			
Liabilities to reinsurers	**(16,231)**	28,551	32,853
Investments in financial assets, net	**(86,592)**	(31,430)	(127,287)
Premiums collectible	**(48,631)**	(46,863)	(62,847)
Other receivables	**(5,332)**	(2,242)	(11,464)
Other payables	**(14,167)**	(24,109)	10,132
Current tax assets (current tax liabilities), net	**-**	7	(4,393)
	(170,953)	(76,086)	(140,078)
Adjustments for interest and dividend:			
Interest paid	**26**	54	176
Interest received	**(8,937)**	(13,241)	(44,091)
	(8,911)	(13,187)	(43,915)
Net cash provided by (used in) operations	**(2,983)**	(4,011)	29,430

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 a 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 - The Coronavirus Event

1. On October 7, 2023, terror organizations launched a surprise attack on the State of Israel from the Gaza Strip. Consequently, the Government of Israel declared a state of war - “Swords of Iron”, which initially focused primarily on fighting the Hamas terrorist organization in Southern Israel and in the Gaza Strip, but was later followed by an escalation of the security situation on Israel’s northern border with Lebanon. The intense fighting persists both on the Gaza front and the northern front, and in April 2024 Israel’s conflict with Iran also escalated (“War Event”).

   In the 3-month period ended March 31, 2024, the War Event did not materially affect the Company, with the exception of a significant reduction in overseas travel premiums in the health insurance sector, due to the reduction in overseas travel by Israelis as a result of the War Event.

   As to the effect of the War Event on the Company’s results for 2023, see Section 1c of Chapter C (Financial Statements) in the 2023 periodic report.

Note 1 – General (Cont'd)

C. Material Events in the Reporting Period - The Coronavirus Event (cont'd)

2. In March 2024, the Knesset passed the Value Added Tax Order (Rate of Tax for Non-Profits and Financial Institutions) (Amendment), 2024 (hereafter - "the Order"), pursuant to which, commencing on January 1, 2025, the rate of Wages Tax and Profit Tax payable for any activity of a financial institution in Israel will be 18% of the wages paid and the profit generated, instead of the current 17%. The effect on the Company's deferred taxes is immaterial.

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 accordance with IFRSs. As described below, the condensed interim financial statements as at March 31, 2024 and for the 3-month period ended on that date (hereinafter: "the interim financial information") has been prepared 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 (hereinafter: "the Supervision Law") and do not include all of the information required for full annual financial statements. The interim financial information should be read in conjunction with the annual financial statements as at December 31, 2023 and for the year ended on that date (hereinafter – "the annual financial statements of the Company").

As stated in Note 2(a) to the annual financial statements, on June 1, 2023, the Capital Market, Insurance and Savings Authority published the "Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts - Third Update" (hereinafter: "the Current Roadmap").

According to the Current Roadmap, the date of initial implementation of IFRS 17 and IFRS 9 by the insurance companies in Israel (which pursuant to IFRSs would have been required to be implemented by the Company on January 1, 2023) shall apply starting in the quarterly and annual periods commencing on January 1, 2025. Hence, the transition date was January 1, 2024. The Current Roadmap determines that, at this stage, early adoption of IFRS 17 in Israel will not be permitted.

Accordingly, commencing on January 1, 2023 to the initial implementation date of IFRS 17 and IFRS 9 by the insurance companies in Israel, as aforesaid, the Company continues to implement the provisions of International Accounting Standard No. 4, "Insurance Contracts", and International Accounting Standard No. 39, "Financial Instruments: Recognition and Measurement" that have been applied by the Company up to that date and which were superseded by IFRS 17 and IFRS 9, respectively. The remaining IFRSs are implemented by the Company on the dates stipulated therein.

Consequently, 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 of the Capital Market, Insurance and Savings in conformity with the Supervision Law.

The interim financial information was approved for publication by the Board of Directors of the Company on May 21, 2024.

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

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 2023.

Note 3 - Material Accounting Policies

Except as stated below, 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 2023.

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 No. 17, Insurance Contracts (hereinafter: "the Standard" or "IFRS 17") and International Financial Reporting Standard No. 9, Financial Instruments (hereinafter: "IFRS 9")

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

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. 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, the requirements published by the Commissioner in the "Roadmap for the Adoption of International Financial Reporting Standard No. 17 - Insurance Contracts" (hereafter: "the Roadmap") postpones 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.

In July 2014, the IASB published International Financial Reporting 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.

Note 3 - Material Accounting Policies (Cont'd)

a) The Company's preparations for the implementation of IFRS 17 and IFRS 9

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. 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. 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. The Company is preparing for the performance of the second QIS, examining the effects of the first-time implementation of IFRS 17 and IFRS 9, which pursuant to the Roadmap is due by July 31, 2024.

For the purpose of the Israeli insurance companies preparation for the adoption of IFRS 17, the Commissioner published an appendix to the draft insurance circular, "Professional Issues Relating to the Implementation of International Financial Reporting Standard No. 17 in Israel" (hereafter - "Professional Issues Circular"). The accounting policy described below is based, inter alia, on said Circular.

As aforementioned, to date the Company is in compliance with the Roadmap's schedule and 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.

b) Principal changes in the accounting policies

Presented below are the principals of the requirements and the accounting policies selected by the Company to date:

Scope of the 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)

b) Principal changes in the accounting policies (cont'd)

Measurement model

According to the new Standard, the Company will recognize and measure groups of insurance contracts at the risk-adjusted present value of the future cash flows from the contracts that takes into account all of the information available for the cash flows in a manner that is consistent with observable market input; with the addition of (for a liability) or less (for an asset) the amount representing the unrealized profit from the group of contracts (the contractual service margin). Income from insurance contracts, for each reporting period, is derived from changes in the liabilities for future coverage relating to the various components of the consideration that the insurance company demands for the contract, such as: insurance contract acquisition costs, risk adjustment, allocation of the contractual service margin to the period, anticipated claims and expenses for the period.

Nevertheless, a company may apply a simplified measurement model to contracts with an insurance coverage period of up to one year or if it is not probable that a liability will materially differ from the liability that would be derived under the general model, according to which the amount attributed to services not yet provided will be measured by allocating the premium over the coverage period (Premium Allocation Approach - PAA).

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

This model is the Standard's default model.

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 (including personal accidents insurance).

2. Premium Allocation Approach - PAA Model

The Company has elected to implement the Premium Allocation Approach (PAA) where possible, in accordance with the provisions of the standard, this in order to simplify the measurement of a group of insurance contracts issued by it and of the reinsurance contracts that it holds. The standard permits the implementation of the Premium Allocation Approach where the following criteria are met at the inception of the group:

- The coverage period of each contract in the group is one year or less. or
- The Company reasonable expects that the result of the measurement of the liability or the asset in respect of the remaining coverage using the PAA Model would not materially differ from the result of the measurement of the liability or the asset in respect of the remaining coverage using the GMM Model, as appropriate (hereafter - "PAA Eligibility Criterion").

Note 3 - Material Accounting Policies (Cont'd)

b) Principal changes in the accounting policies (cont'd)

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

The Company has elected to apply the PAA Model to the measurement of the following groups of insurance contracts:

Elementary Insurance
In most elementary 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 elementary insurance contracts will meet the PAA eligibility criteria. The measurement of the insurance contracts using the PAA Model is similar to the measurement of elementary insurance contracts under the Company's existing policy pursuant to IFRS 4, with certain adjustments.

Health insurance
Overseas travel insurance contracts in the health insurance sector.

Level of Aggregation

IFRS 17 requires the aggregation of insurance contract into groups for recognition and measurement purposes. The Company will determine the groups upon initial recognition and will not change the composition of the groups subsequently.
Initially, the Company needs to identify portfolios of insurance contracts. A portfolio is comprised of contracts that are subject to similar risks and are managed jointly. 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; 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.

Note 3 - Material Accounting Policies (Cont'd)

Level of Aggregation (cont'd)

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 elementary 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.

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.

<u>For insurance policies issued commencing in 2016 and thereafter</u>
According to the Commissioner's position provided in Draft 8 of the Professional Issues Circular, 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.

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 and qualification costs as well as investment management costs.

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.

Note 3 - Material Accounting Policies (Cont'd)

Interest curves

The Company determines the interest curves for all groups of insurance contracts using the Bottom-Up approach. According to this approach, the discount rate is derived by adding an illiquidity premium (that reflects the illiquidity rate of the liability) to the risk-free interest curve.

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.

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.

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 objective of the modified retrospective 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. To apply the fair value approach, 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 will implement the provisions of the standard by full retrospective implementation for general insurance contracts, whereas in relation to life and health insurance contracts (particularly those with long boundaries - GMM), the Company expects to implement the fair value approach on the transition date.

Note 3 - Material Accounting Policies (Cont'd)

IFRS 9 - Principal Changes in the Accounting Policy

Classification and Measurement

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 expected cash flow from 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.

The Company intends to designate to fair value through profit or loss all of its investments in debt assets against the insurance liabilities.

- 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 designates the investment in debt assets to measurement at fair value through profit or loss.

As to the measurement of the financial assets on the transition date - the Company intends to implement the principle of continuity, as discussed in the Authority updated Q&A document.

Note 3 - Material Accounting Policies (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.

2) IFRS 18, Presentation and Disclosure in Financial Statements (hereinafter - "the Standard" or "IFRS 18")

This Standard supersedes IAS 1, Presentation of Financial Statements. The Standard introduces improved structure and content for the financial statements, particularly as regarding the statement of profit or loss.

The Standard contains new disclosure and presentation requirements as well as requirements carried over from IAS 1, Presentation of Financial Statements, with limited changes.

As part of the new disclosure requirements, companies will be required to present two subtotals within the statement of profit or loss: operating profit and profit before financing and income taxes. In addition, for most companies, the results in the statement of profit or loss will be classified into three categories: operating profit, investment profit and financing profit.

Alongside the changes in the structure of the statements of profit or loss, the Standard also prescribes the separate disclosure in the financial statements of the use of performance measures defined by management ("Non-GAAP Measures").

The Standard also introduces specific guidelines for aggregating and disaggregating items in the financial statements and the notes. The Standard will encourage companies to refrain from classifying items as 'other' (e.g., other expenses) and impose additional disclosure requirements on such classification.

The first-implementation of the Standard will take place in annual periods commencing on January 1, 2027. Early adoption is permitted.

The Company is studying the effects of the Amendment on the financial statements, and will not opt for early adoption.

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.

- **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, 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	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

Note 4 - Segment Information (cont'd)

C. General insurance segment (cont'd)

	Three-month period ended March 31, 2023 (unaudited)				
	Life insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
			NIS thousands		
Gross earned premiums	**40,029**	**42,475**	**267,520**		**350,024**
Premiums earned by Reinsurers	**(8,838)**	**(882)**	**(46,828)**		**(56,548)**
Premiums earned in retention	**31,191**	**41,593**	**220,692**		**293,476**
Gains on investments, net	**17**	**335**	**5,176**	**12,336**	**17,864**
Commission income	**2,238**	**155**	**11,338**		**13,731**
Total income	**33,446**	**42,083**	**237,206**	**12,336**	**325,071**
Payments and change in liabilities with respect to insurance contracts (gross)	**(20,374)**	**(32,108)**	**(232,887)**		**(285,369)**
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	**2,236**	**977**	**24,818**		**28,031**
Payments and change in liabilities with respect to insurance contracts, in retention	**(18,138)**	**(31,131)**	**(208,069)**		**(257,338)**
Commissions and other acquisition costs	**(10,586)**	**(10,971)**	**(44,275)**		**(65,832)**
General and administrative expenses	**(4,693)**	**(5,390)**	**(12,898)**		**(22,981)**
Financing income, net	**-**	**-**	**712**	**529**	**1,241**
Total comprehensive (loss) before taxes on income	**29**	**(5,409)**	**(27,324)**	**12,865**	**(19,839)**
Liabilities for insurance contracts, gross, as of March 31, 2023	**87,322**	**108,430**	**2,202,070**		**2,397,822**

Note 4 - Segment Information (cont'd)

C. General insurance segment (cont'd)

	Year ended December 31, 2023 (audited)				
	Life Insurance	Health Insurance *	General insurance	Not attributed to operating segments	Total
			NIS thousands		
Gross earned premiums	162,740	187,891	1,192,824		1,543,455
Premiums earned by reinsurers	(33,851)	(3,702)	(207,483)		(245,036)
Premiums earned in retention	128,889	184,189	985,341		1,298,419
Gains on investments, net, and financing income	268	3,692	54,067	55,689	113,716
Commission income	8,620	678	46,730		56,028
Total income	137,777	188,559	1,086,138	55,689	1,468,163
Payments and change in liabilities with respect to insurance contracts (gross)	(73,770)	(124,985)	(919,388)		(1,118,143)
Share of reinsurers in increase of insurance liabilities and payments for insurance contracts	11,515	7,942	124,067		143,524
Payments and change in liabilities with respect to insurance contracts, in retention	(62,255)	(117,043)	(795,321)		(974,619)
Commissions and other acquisition costs	(41,771)	46,003	204,878		292,652
General and administrative expenses	(15,942)	(16,971)	(60,851)		(93,764)
Financing income	-	-	1,986	10	1,996
Total comprehensive income before taxes on income	17,809	8,542	27,074	55,699	109,124
Liabilities for insurance contracts, gross, as of December 31, 2023	77,415	114,753	2,307,877		2,500,045

* 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, 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	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:

	Three-month period ended March 31, 2023 (unaudited)						
	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors**	Other liability sectors*	Total
	NIS thousands						
Gross premiums	69,962	182,658	44,398	26,697	14,593	11,681	349,989
Reinsurance premiums	(961)	-	(5,859)	(24,475)	(14,562)	(10,364)	(56,221)
Premiums in retention	69,001	182,658	38,539	2,222	31	1,317	293,768
Change in balance of unearned premiums, in retention	(12,849)	(51,863)	(7,559)	(366)	1	(440)	(73,076)
Premiums earned in retention	56,152	130,795	30,980	1,856	32	877	220,692
Gains on investments, net	2,545	1,210	348	593	52	428	5,176
Commission income	-	-	291	7,326	2,194	1,527	11,338
Total income	58,697	132,005	31,619	9,775	2,278	2,832	237,206
Increase in insurance liabilities and payments with respect to insurance contracts	(59,069)	(127,616)	(23,432)	(11,676)	(777)	(10,317)	(232,887)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	1,423	-	1,270	12,494	1,023	8,608	24,818
Increase in insurance liabilities and payments with respect to insurance contracts, in retention	(57,646)	(127,616)	(22,162)	818	246	(1,709)	(208,069)
Commissions, marketing expenses and other acquisition costs	(7,800)	(18,213)	(8,190)	(6,584)	(1,901)	(1,587)	(44,275)
General and administrative expenses	(3,144)	(5,265)	(3,761)	(434)	(173)	(121)	(12,898)
Financing income, net	-	392	313	4	-	3	712
Total expenses	(68,590)	(150,702)	(33,800)	(6,196)	(1,828)	(3,414)	(264,530)
Total comprehensive income (loss) before taxes on income	(9,893)	(18,697)	(2,181)	3,579	450	(582)	(27,324)
Liabilities with respect to insurance contracts, gross, as at March 31, 2023	944,843	488,166	133,793	311,763	101,495	222,010	2,202,070
Liabilities with respect to insurance contracts, in retention, as at March 31, 2023	798,791	488,166	128,438	35,084	2,228	36,334	1,489,041

(*) 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 38% of the total premiums attributable to these sectors.

Note 4 - Segment Information (cont'd)

Additional information relating to general insurance segment (continued):

	Compulsory motor vehicle	Motor vehicle property	Home	Professional liability	Other property sectors*	Other liability sectors**	Total
	Year ended December 31, 2023 (audited)						
	NIS thousands						
Gross premiums	262,348	693,630	160,263	93,840	57,302	34,322	1,301,705
Reinsurance premiums	(3,548)	-	(31,940)	(86,355)	(56,967)	(30,084)	(208,894)
Premiums in retention	258,800	693,630	128,323	7,485	335	4,238	1,092,811
Change in balance of unearned premiums, in retention	(6,687)	(94,354)	(6,565)	561	(7)	(418)	(107,470)
Premiums earned in retention	252,113	599,276	121,758	8,046	328	3,820	985,341
Gains on investments, net and financing income	26,764	12,792	3,542	6,360	585	4,024	54,067
Commission income	-	-	1,208	28,925	9,501	7,096	46,730
Total income	278,877	612,068	126,508	43,331	10,414	14,940	1,086,138
Payments and change in insurance liabilities with respect to insurance contracts, gross	(234,392)	(495,094)	(74,136)	(70,497)	(16,959)	(28,310)	(919,388)
Share of reinsurers in increase of insurance liabilities and payments with respect to insurance contracts	18,146	-	3,399	63,072	16,245	23,205	124,067
Payments and changes in liabilities with respect to insurance contracts, in retention	(216,246)	(495,094)	(70,737)	(7,425)	(714)	(5,105)	(795,321)
Commissions, marketing expenses and other acquisition costs	(35,080)	(93,201)	(37,511)	(25,273)	(7,006)	(6,807)	(204,878)
General and administrative expenses	(13,266)	(28,995)	(14,966)	(1,717)	(1,206)	(701)	(60,851)
Financing income	-	1,064	902	12	1	7	1,968
Total expenses	(264,592)	(616,226)	(122,312)	(34,403)	(8,925)	(12,606)	(1,059,064)
Total comprehensive income (loss) before taxes on income	14,285	(4,158)	4,196	8,928	1,489	2,334	27,074
Liabilities with respect to insurance contracts, gross, as at December 31, 2023	983,018	518,429	129,270	345,109	107,719	224,332	2,307,877
Liabilities with respect to insurance contracts, in retention, as at December 31, 2023	843,536	518,429	124,175	40,075	2,577	37,313	1,566,105

(*) Other property sectors reflect mainly the results of the property insurance sector, which accounts for 98% 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 46% 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, 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**

Three-month period ended March 31, 2023 (unaudited):

	Policies not containing savings element – Risk sold as single policy – Private
	NIS thousands
Gross risk premiums	**39,972**
Payments and change in liabilities with respect to insurance contracts, gross	**20,374**

Year ended December 31, 2023 (audited):

	Policies not containing savings element – Risk sold as single policy – Private
	NIS thousands
Gross risk premiums	162,323
Payments and change in liabilities with respect to insurance contracts, gross	73,770

Note 4 - Segment Information (cont'd)

Additional information relating to healthcare segment:

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.

Three-month period ended March 31, 2023 (unaudited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	32,467	10,677	* 43,144
Payments and change in liabilities with respect to insurance contracts, gross	24,013	8,095	32,108

* 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, 2023 (audited):

	Long-term	Short-term	Total
	NIS thousands	NIS thousands	NIS thousands
Gross premiums	130,535	55,387	* 185,922
Payments and change in liabilities with respect to insurance contracts, gross	93,844	31,141	124,985

* 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 deployment of the capital requirements until December 31, 2024.
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 21, 2024, the Company published the economic solvency ratio report for the December 31, 2023 data on its website. According to the Solvency report, the Company has a capital surplus, regardless of the transition provisions. Related disclosure is provided in section 3 (Solvency-II-based economic solvency regime in insurance companies) of the Directors' Report.

   The calculation performed by the Company, for the December 31, 2023 data has been reviewed by the independent auditors of the Company in accordance with ISAE 3400 – The Examination of Prospective Financial Information. This standard applies to the examination of the Solvency calculations and is 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, 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**

		March 31, 2023 (unaudited)		
		Measured at fair value through profit or loss	Loans and receivables	Total
		NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments	(1)	1,845,024	-	1,845,024
Non-marketable debt instruments	(2)	-	93,457	93,457
Other	(3)	114,960	-	114,960
Total		1,959,984	93,457	2,053,441

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

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

		December 31, 2023 (audited)		
		Measured at fair value through profit or loss	Loans and Receivables	Total
		NIS thousands	NIS thousands	NIS thousands
Marketable debt instruments	(1)	1,989,353	-	1,989,353
Non-marketable debt instruments	(2)	-	116,969	116,969
Other	(3)	131,371	-	131,371
Total		2,120,724	116,969	2,237,693

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

	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**

	March 31, 2023	
	(Unaudited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	624,740	643,569
Other debt assets:		
other non-convertible debt assets	1,220,284	1,274,024
Total marketable debt assets	1,845,024	1,917,593

	December 31, 2023	
	(Audited)	
	Carrying amount	Amortized Cost
	NIS thousands	NIS thousands
Government bonds	875,655	886,167
Other debt assets:		
other non-convertible debt assets	1,113,698	1,137,668
Total marketable debt assets	1,989,353	2,023,835

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, 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**

	March 31, 2023 (Unaudited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	540	616
Presented at amortized cost, excluding bank deposits	92,917	92,784
Total non-marketable debt assets	93,457	93,400

	December 31, 2023 (Audited)	
	Carrying amount	Fair value
	NIS thousands	NIS thousands
Bank deposits	579	585
Presented at amortized cost, excluding bank deposits	116,390	116,317
Total non-marketable debt assets	116,969	116,902

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

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

	March 31, 2023 (Unaudited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	114,960	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, 2023 (Audited)	
	Carrying amount	Cost
	NIS thousands	NIS thousands
Marketable financial investments	131,371	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.

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.

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

Motions to certify class actions (cont'd)

2. On January 8, 2017, a petition to certify a class action was filed against the Company and another insurance company (hereinafter: "the respondents").

The petition alleges the overcharging of policy holders and the breach of the enhanced duties of the insurance companies to their policy holders, as reflected in the ability to update age and/or years of driving experience when moving into another age and/or driving experience bracket, which entitle the policy holders to discounted insurance rates.

The claim amount for all class members in relation to the Company is estimated at NIS 12,250 thousand. The amount of personal damages sought of the Company is negligible.

On July 18, 2019, the court accepted the parties' joint motion for a procedural arrangement. Evidentiary hearings were held in October through November 2020 and March through May 2021.

On June 28, 2021, the petitioners filed a motion for the amendment of the minutes of the evidentiary hearings held on April 22, 2021 and May 19, 2021. On July 11, 2021, the court accepted the motion.

On February 9, 2022, another evidentiary hearing was held in the case, in which the declarants on behalf of Menora Mivtachim Ltd. testified.

On March 3, 2022, petitioners 1-12 submitted an update notice to the court, pursuant to which, in February 2022 a ruling was issued in PC 48191-07-14 Litvinov vs. Call (hereinafter: "**the Litvinov Matter**"), rejecting the motion to certify a class action. The notice also stated that the named plaintiff in the Litvinov Matter is planning to appeal the ruling to the Supreme Court. In addition, the notice states that the representative of the petitioners believes that it would be appropriate to suspend the proceedings here in the evidentiary hearing stage, pending a ruling by the Supreme Court on the expected appeal in the Litvinov Matter.

On March 10, 2022, the respondents submitted their response to the petitioners' notice.

The evidentiary hearing that was scheduled for March 20, 2022 was converted into a pre-trial hearing in which the issue of the suspension of proceedings was discussed.

The court issued a ruling, suspending the proceedings in the case pending the issue of a ruling on the appeal in the case of Litvinov. The court ruled that these are not similar or identical matters, but noted that. at this stage, the ruling on the appeal that would be submitted has bearing on the proceedings and could have substantial implications on the furtherance of proceedings. Should the proceedings be renewed following the issue of a ruling by the Supreme Court and subject to such ruling, they would pick up from the point on which they were suspended, prior to the testimonies of the defense on behalf of the respondents and subject to necessary changes in light of the Supreme Court's ruling.

On April 25, 2022, an appeal was filed with the Supreme Court regarding the Central District Court's ruling in the Litvinov Matter.

On March 10, 2024, a ruling was issued, rejecting the appeal in the Litvinov Matter.

On March 24, 2024, petitions 1-12 filed a motion to summon the parties to a hearing. On April 10, 2024, the respondents submitted their preliminary response to the petitioners' notice, as well as a motion to instruct them to clarify their notice.

On May 5, 2024, the petitioners submitted their response. The respondents are required to submit their response to the response by June 3, 2024.

A hearing in the case has been scheduled for June 16, 2024.

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

Motions to certify class actions (cont'd)

3. On January 16, 2020, a petition to certify a class action was filed against the Company and 3 other companies (hereinafter: "the respondents").

The petition alleges that the Company does not provide original windowpanes with Israeli accreditation to policyholders as stipulated in the terms of service concerning windowpanes.

On March 23, 2020, the petitioners submitted a notification, presenting to the respondents the details of the requested amendment to the certification petition that has been furnished to the respondents. On the same day, the court permitted the amendment of the certification petition on the basis of the petitioners' notification.

On March 23, 2020, the court accepted the petitioners' motion to amend the certification petition. On October 27, 2020, the Company submitted a statement of response to the certification petition. On December 16, 2020, the petitioners submitted their response to the respondents' response to the certification petition.

A court hearing was held on March 18, 2021. In the hearing it has been determined that the parties will consider, within 45 days, a possible amendment to the relevant clause in the service appendices towards the advancement understandings that will facilitate a consensual termination of the claim.

On July 13, 2021, the petitioners submitted an update notification, pursuant to which the discussions between the parties have not been successful. On October 4, 2021, a hearing was held to examine the reason for the parties' inability to reach understandings.

On November 2, 2021, the parties submitted another notice, informing the court that the discussions between the parties did not evolve into an understanding and, accordingly, requesting that the court rule on the motions concerning the discovery of documents and questionnaires and a motion to subpoena a witness for the presentation of documents.

On December 10, 2021, the court issued a ruling, rejecting substantially all of the motions. The Company was required by the court to answer two questions only and to attach the full agreement with Ilan Car Glass, with the commercial data redacted.

On September 7, 2022, a pretrial hearing was held, in which dates have been set for the submission of summations by the parties. On September 14, 2022, the respondents submitted their answers to the questionnaire that they had been requested to fill out. The petitioner submitted his summations on November 15, 2022; the respondent submitted its summations on March 29, 2023, and on May 29, 2023 the petitioner submitted its response summations.

4. 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.

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

Motions to certify class actions (cont'd)

4. (contd.)

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.

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.

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

Motions to certify class actions (cont'd)

4. (contd.)

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.

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. The petitioners are required to submit their response summations by May 20, 2024. Supplemental arguments' hearings in the case have been scheduled for June 2, 2024 and June 19, 2024.

5. 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.

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

Motions to certify class actions (cont'd)

5. (contd.)

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).

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.

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

Motions to certify class actions (cont'd)

5. (contd.)

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. The petitioners are required to submit their response summations by May 20, 2024. Supplemental arguments' hearings in the case have been scheduled for June 2, 2024 and June 19, 2024.

6. 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.

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

Motions to certify class actions (cont'd)

6. (contd.)

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.

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.

In January 2024, an evidentiary hearing in the case was held, in which dates have been set for the submission of summations, as follows:

The petitioner submitted its summations on April 8, 2024; the respondent is required to submit its summations by July 8, 2024.

7. On August 5, 2021, a claim and a motion to certify the claim as a class action have been filed against the Company.

The petitioner is a vehicle third party, whose car has been damaged by a vehicle that is insured by the Company. The claim alleges that, in instances where the damage is not actually repaired by the third party, the Company does not indemnify the third party for the full amount of the damage, as specified in the third party's appraiser's report.

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

Motions to certify class actions (cont'd)

7. (contd.)

The petitioner estimates the damages of the class at more than NIS 2.5 million (jurisdiction of the District Court).

The amount of personal damages sought of the Company is negligible.

The parties have agreed to perform a sample in order to assess the potential scope of the class. Within this framework, an external auditor was appointed to audit the data that would be presented by the Company in the sample.

On May 9, 2023, the parties received the draft report of the external auditor and conducted negotiations based thereon. On February 25, 2024, a motion was filed with the court for the approval of a compromise arrangement, pursuant to which the respondent will give its representatives that handle third-party vehicle claims instructions with regard to the handling of claims; in addition, it has been agreed on a payment of compensation and professional fees in a total amount of NIS 120,000. The court ordered the publication of the motion and set a period of 45 days for the filing of objections, if any.

As the set period has elapsed with no objections submitted, the parties are awaiting the Attorney General's ruling on the motion to approve a compromise arrangement.

8. 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.

The hearing in the case scheduled for October 30, 2023 has been postponed due to the security situation and rescheduled for January 2, 2024.

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.

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

Motions to certify class actions (cont’d)

9. 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, 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. An evidentiary hearing in the case has been scheduled for September 25, 2024.

10. 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.

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.

11. 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.

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

Motions to certify class actions (cont'd)

11. (contd.)

On November 9, 2023, the petitioners submitted a motion to amend the certification motion by way of addition of two petitioners and two respondents. On the same day, the court ruled against the motion to amend, inter alia, due to the additional and increased workload that this would create for the court.

The respondents are required to submit their response to the certification motion by May 23, 2024. The petitioners' response to the response is to be submitted by June 2, 2024.

A pretrial hearing of the case has been scheduled for July 7, 2024.

	Number of claims	The amount claimed - NIS thousands
Pending petitions for certification of class actions:		
Amount of claim specified	6	108,524
Amount of claim not specified	5	-
Total	11	108,524