Clal Insurance Enterprises Holdings Ltd.

Periodic Report for 2022

March 30, 2023

This report is an unofficial translation from the Hebrew language and is intended for convenience purposes only.

The binding version of the report is the Hebrew language only

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Part A

Description of the Corporation's Business

Comment Regarding the Implementation of the Provisions of the Securities Regulations (Periodic and Immediate Reports), 1970 (the "Securities Regulations") in this Report

In accordance with Regulation 8c of the Securities Regulations, the provisions of Regulations 8(b), 8a and 8b of the Securities Regulations with respect to the periodic report do not apply to information in the periodic report of a corporation which consolidated or which proportionately consolidated an insurer, or whose associate company is the insurer, insofar as such information applies to the insurer.

Clal Insurance Company Ltd. is an insurer, as defined in the Control of Financial Services (Insurance) Law, 1981, and is the primary material company in Clal Insurance Enterprises Holdings Group Ltd. (the "Group"). The Group also includes Clal Credit Insurance Ltd., a subsidiary of Clal Insurance Company Ltd., which is also an insurer, as well as managing companies which operate in the pension and provident segment, including Clal Pension and Provident Funds Ltd. and Atudot Pension Fund for Salaried Employees and Self-Employed Workers Ltd., which also hold an insurer's license.

This report, with respect to the aforementioned insurance, pension and provident business operations, was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with the provisions specified in the Regulatory Codex of the Capital Market, Insurance and Savings Authority, Volume 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic reports of insurance companies, which applied the aforementioned Securities Regulations, with certain adjustments as required for insurance activities, including the specification of details different from those specified in the Securities Regulations.

This report was prepared in consideration of the outline and principles which were published by the Israel Securities Authority on December 12, 2012, in legal position number 105-25, regarding the shortening of reports, according to the most current version, as updated from time to time.

In cases where this chapter in the periodic report also includes forward looking information, as defined in the Securities Law, 1968, this means that the information constitutes uncertain information about the future, which is based on the information that is available to the Group as of the publication date of the report, and includes estimates or intentions of the Group as of the publication date of the report. Actual results may differ significantly from projected results or from the results which are implied based on this information. In certain cases, sections containing forward looking information can be identified by the appearance of words such as "the Company / the Group intends" "it is expected that", etc.; however, such information may also be phrased differently. Unless noted otherwise, according to the Company's estimate, each of the regulatory directives which were published in the last year and which is described in this report, in itself, is not expected to have a significant impact on the Company's financial results.

This chapter includes a general and summary description of the long term savings products (pension, insurance and provident), insurance coverages and investment contracts. The full and binding conditions are the conditions specified in each policy and/or insurance contract and/or regulations, as applicable. The description is provided for the purpose of this report only, does not constitute advice, and may not be used to interpret the policies and/or insurance contracts and/or regulations, as applicable.

The periodic report, including all of its constituent parts, should be read as a single unit.

Part I - The Company's Activity and Description of the Development of its Business Affairs

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Part I - The Company's Activity and Description of the Development of its Business Affairs

1. Introduction

1.1. Description of the Company's business affairs for the year ended December 31, 2022

This Part A provides a description of the Company's business as of December 31, 2022, and the development of its business affairs during 2022 (the "Reporting Period"). The report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970, and in accordance with the provisions set forth in the Regulatory Codex of the Capital Market, Insurance and Savings Authority, Volume 5, Part 4, Chapter 1, regarding the description of the corporation's business in the periodic report of insurance companies. See the remark on this subject in the introduction to the report (page 4).

For details regarding the holdings of shares of the companies mentioned in this report, the data regarding the holdings of any company also include all of the holdings in that company through wholly-owned subsidiaries of the holding company.

The holding rates are presented in numbers rounded to the nearest whole percentage, unless specified otherwise.

The materiality of the information included in the periodic report, including the description of material transactions, was evaluated from the perspective of the Company, where in some cases, the description was expanded in order to provide a comprehensive picture of the described subject.

1.2. Index

For the sake of convenience, in this periodic report, the following terms will have the significance listed alongside them:

1.2.1. General

IDB Development -	IDB Development Corporation Ltd.
Alrov -	Alrov Properties and Lodgings Ltd.
Stock Exchange -	The Tel Aviv Stock Exchange Ltd.
Davidoff -	Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd.
The Financial Statements -	The Company's financial statements as of December 31, 2022
Commissioner -	The Commissioner of the Capital Markets, Insurance and Savings Authority
2023 Economic Arrangements Bill -	The Economic Program Bill (Legislative Amendments to Implement the Economic Policy for Budget Years 2023 and 2024), 2023
The Authority -	The Authority of the Capital Markets, Insurance and Savings Authority.
The Corporation or The Company -	Clal Insurance Enterprises Holdings Ltd.
Insurance Law -	The Control of Financial Services (Insurance) Law, 1981
Companies Law -	The Companies Law, 1999

Pension Advice Law -	The Control of Financial Services Law (Pension Advice, Marketing and Clearing System), 2005
Provident Funds Law -	The Control of Financial Services (Provident Funds) Law, 2005
Long Term Savings -	Life insurance, pension, provident and study funds
Clalbit Finance -	Clalbit Finance Ltd.
Clalbit Systems -	Clalbit Systems Ltd.
Clal Insurance -	Clal Insurance Company Ltd.
Clal Credit Insurance -	Clal Credit Insurance Ltd.
Clal Agency Holdings -	Clal Agency Holdings (1998) Ltd.
Clal Pension and Provident Funds -	Clal Pension and Provident Funds Ltd. (formerly Meitavit Atudot Pension Fund Management Company Ltd. (“Meitavit Atudot”))
Clal Finance -	Clal Finance Ltd.
Canaf -	Canaf - Clal Financial Management Ltd.
Economic Solvency Regime -	As defined in the Regulatory Codex of the Capital Market, Insurance and Savings Authority, Volume 5, Part 2, Chapter 2, Section B, and associated directives issued by the Commissioner regarding the adoption of the economic solvency regime.
Atudot Havatika -	Atudot Pension Fund for Workers & Self-Employed Workers Ltd. (formerly Shevach)
Clal Group or the Group -	The Company and companies under its direct and/or indirect control
NIS -	New Israeli Shekel
Investment Regulations -	The Control of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Managing Companies and Insurers), 2012
Securities Regulations -	The Securities Regulations (Periodic and Immediate Reports), 1970
WPI -	Warburg Pincus Financial Holdings (Israel) Ltd., whose name was changed, after the reporting year, to Seamax Holdings Ltd.

1.2.2. Terms

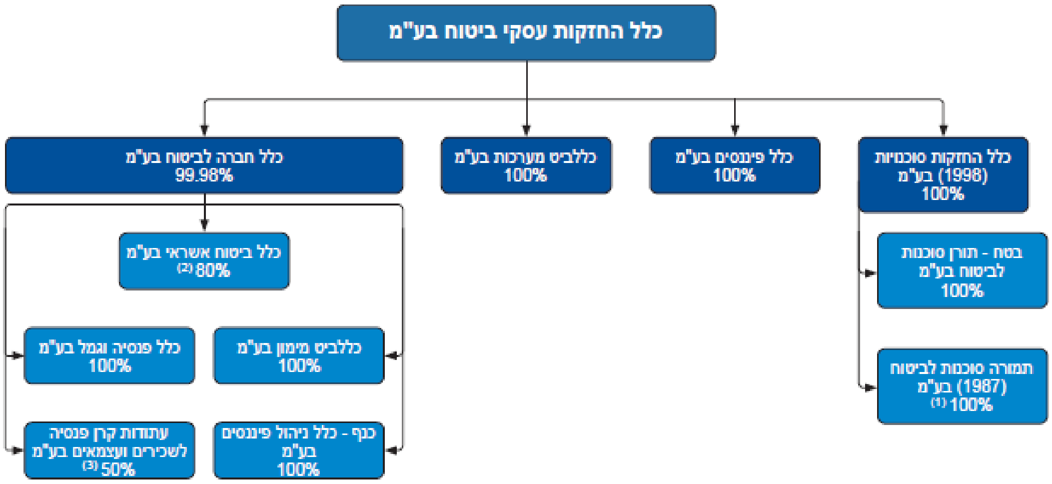
Designated Bonds -	CPI-linked government bonds issued by the state to insurance companies (of the "HETZ" type) and to pension funds (of the "Meiron" and "Arad" type), at interest and for a predetermined period.
Managers Insurance -	A commercial name for a life insurance plan for salaried employees, which is approved as a provident fund of the insurance type.
Individual Insurance -	Insurance prepared for individual policyholders - private individuals with whom the insurance company engages on an individual basis.
Investment-Linked Insurance / Investment-Linked Contracts -	An insurance plan according to which the insurance benefits to which the beneficiary is entitled depend on the returns generated by certain investments of the insurer.
Collective Insurance -	Insurance which is prepared by a certain policyholder for a group of people with shared characteristics, such as employees of an employer, members of provident funds, or members of a corporation.
Institutional Entity -	Insurer and managing company.
Insurance Premiums / Premiums -	The amount paid by the policyholder to the insurer with respect to the insurance contract, in consideration of the insurer's undertaking to pay, upon the occurrence of the insurance event, insurance benefits to the beneficiary.
Contributions -	The amount deposited by a member in a pension fund and/or provident fund.
Fees -	The total sum of all amounts which are added to net premiums to cover the insurer's expenses.
Managing Company -	Managing company of pension funds and/or provident funds.
Underwriting -	The process of evaluating the risk and reaching a decision regarding whether to insure the risk, and if so in which conditions / at what cost, in accordance with the Company's guidelines and past experience.
Financial Margin -	The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year per policyholder, times the average reserve for the year in the various insurance funds. The financial margin in investment-linked contracts is the total amount of fixed and variable management fees. The financial margin includes gains (losses) from investments carried to comprehensive income, and does not include the Company's additional income charged as a percentage of the premium or of the deposit (such as management fees from deposits), and is calculated before deduction of investment management expenses.
Net Premiums -	Insurance premiums minus fees.

Accrual -	The total sum of amounts accrued in a pension fund and/or provident fund and/or insurance fund and/or individual insurance policy which are credited to their members / policyholders.
Retention -	The part of the insurance which the direct insurer keeps, and which is not covered by reinsurance.
Insurance Benefits -	Amounts which are required for payment in accordance with an insurance contract, upon the occurrence of an insurance event.
Solvency Ratio -	The ratio between recognized capital (the total capital of an insurance company, less deductions and amortization in accordance with the economic solvency regime) and the solvency capital requirement (the required capital of an insurance company in order to maintain solvency, calculated according to the provisions of the economic solvency regime).

2. The Company's activity and description of the development of its business affairs

2.1. Diagram of holdings

Presented below is a diagram illustrating the structure of the Company's primary holdings, as of the publication date of the report:[1,2]



	Clal Holdings Insurance Enterprises Ltd.				
Clal Insurance Company Ltd. 99.98%			Clalbit Systems Ltd. 100%	Clal Finance Ltd. 100%	Clal Agency Holdings (1998) Ltd. 100%
Clal Pension and Provident Funds Ltd. 100%	Clal Credit Insurance Ltd. 80% (2)	Clalbit Finance Ltd. 100%			Betach – Thorne Insurance Agency Ltd. 100%
Atudot Pension Fund for Workers and Self-Employed Workers Ltd. (3) 50%		Canaf – Clal Financial Management Ltd. 100%			Tmurah Insurance Agency (1987) Ltd. 100%

2.2. The Company's year of incorporation and form of incorporation, the Company's controlling shareholders and changes in control

The Company was incorporated and registered in Israel on November 12, 1987. On February 28, 1988, the Company published its first prospectus, and its shares were listed for trading on the stock exchange.

As of the reporting date, the Company is a company without a control core. For additional details and for details regarding the changes in the control of the Company, see Notes 1(a)-(c) to the financial statements.

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1 Part D of the report - Additional Details Regarding the Corporation, section 6, includes details regarding all of the material companies which are held by the Company and its subsidiaries. Inactive companies were not specified.
(1) In May 2022, the merger of Davidoff with and into Tmura was completed.
(2) The balance of shares is held by Atradius Participation Holdings S.L., a third party which is not related to the Company.
(3) The balance of shares is held by Bituach Haklai Central Cooperative Society Ltd., a third party which is not related to the Company.
2 During the period after the reporting year, on March 27, 2023, the transaction involving the acquisition of 100% of WPI's shares by the Company was closed. WPI holds 100% of the shares of Max IT Finance Ltd., which holds all (100%) of the shares of Max Insurance Agency (2020) Ltd. For additional details, see Note 42(j) to the financial statements.

2.3. **<u>Description of the Company's business affairs and the general development of the Company's business affairs</u>**

The Company is a holding company which is primarily engaged in the insurance, pension, provident and finance segments, and in the holding of similar assets and businesses (such as the holding of insurance agencies), and as of the reporting year, the Group is one of the largest insurance and finance groups in Israel. During the reporting year, the Group's activities were focused primarily on three operating segments (see diagram in section 2.1 above): long term savings, non-life insurance and health insurance.

Insurance activity

The Group's activities in the insurance segment are generally performed in Israel. The insurance activities are performed by Clal Insurance, excluding credit insurance business operations, which are performed through Clal Credit Insurance.

Clal Insurance began operating in Israel in 1962, as a government insurance company under the name "Yovel Israel Insurance Company Ltd." (hereinafter: "**Yovel**").

In 1978, Yovel was acquired by Clal (Israel) Ltd., and its name was changed to Clal Insurance Company Ltd. Over the years, Clal Insurance acquired and merged various insurance companies, including Ararat Insurance Company Ltd., Elite Insurance Company Ltd., Eitan Insurance Company Ltd., and Aryeh Israeli Insurance Company Ltd., and also acquired insurance portfolios in Israel. In 1992, Clal Insurance acquired a part of the insurance portfolio of the insurance company "HaSneh", as well as the insurance portfolio of the insurance company "Zur Shamir". Subsequently, insurance companies which had been acquired by Clal Insurance were merged into it, including Ararat, Elite, Eitan and Aryeh. The aforementioned acquisitions and mergers contributed to Clal Insurance becoming one of the largest insurance groups in Israel.

In 1998, Clal Insurance acquired the Israeli Clal Insurance Company Ltd., whose name was changed to Clal Credit Insurance Ltd. For additional details regarding the shareholders agreement in Clal Credit Insurance, see section 10.17.3 below.

Beginning in 2006, the Group's health insurance and long-term care insurance activity was concentrated in Clal Health Insurance Company Ltd. ("**Clal Health**"). In March 2013, the merger of Clal Health with and into Clal Insurance was completed, in a manner whereby all of the assets and liabilities of Clal Health were transferred to Clal Insurance, and Clal Health was dissolved without liquidation.

Pension and provident funds

In the long term savings segment, in the pension and provident branches, the Group operates through Clal Pension and Provident Funds, and holds a managing company of an old pension fund which manages an old actuarially balanced pension fund, through Atudot Havatika, which is held by Clal Insurance and Bituach Haklai Central Cooperative Society Ltd., in equal parts.

The development of Clal Pension and Provident Funds is described below:

In 2004, Clal Insurance acquired Meitavit Pension Fund Management Company Ltd. (hereinafter: "**Meitavit**"), a company specializing in the management of new pension funds, and in 2006, merged it with Atudot Pension Fund (1996) Ltd., and changed its name to Meitavit Atudot.

In 2007, provident funds of Israel Discount Bank Ltd. and provident funds of Bank Hapoalim Ltd., which were partly held jointly with KGM Central Provident Fund of the Histadrut Employees Ltd., were acquired by the Group.

In 2010, the activity of Clal Provident Funds Ltd. was merged into Meitavit Atudot, whose name was changed, following the merger, to Clal Pension and Provident Funds. Clal Pension and Provident Funds became, following the merger, a managing company of provident funds for annuities and provident funds for savings, as well as capital based provident funds, with respect to amounts which were deposited in them until 2008, study funds, central funds for severance pay, provident fund for investment, and central provident fund for participation in budgetary pension.

With respect to Atudot Havatika - in 2007, the management of Atudot Havatika was transferred from S.B.H. Pension Fund Management Ltd. (50% of which was acquired by Clal Insurance in 2005) to Atudot Havatika. Atudot Havatika is currently held by Clal Insurance and Bituach Haklai Central Cooperative Society Ltd., in equal parts. Atudot Havatika received, during the reporting year, investment management services from Canaf.

2.4. <u>Material changes in the Company's macro-economic environment during the reporting year</u>

For details regarding material changes in the Company's macro-economic environment during the reporting year, see Part B of the Report - Board of Directors' Report, section 3.

2.5. <u>Material changes in the Company's business affairs during the reporting year, until the publication date of the report</u>

Presented below is a description of the material changes which occurred in the Company's business affairs during the reporting year and until the publication date of the report, by operating segments:

2.5.1. <u>General</u>

2.5.1.1. The Company's conduct as a company without a control core; Appointment of directors in the Group; and aspects of corporate governance

For details regarding the Company's conduct as a company without a control core, regarding the control outline and the status of the permit for control of Clal Insurance, regarding the appointment of directors in the Company and in Clal Insurance, and regarding parties which hold a holding permit with respect to the Company, and Alrov's submission of a request for a control permit, which, in accordance with Alrov's reports, was dismissed at this stage by the Commissioner, see section 11.3 below, and Note 1 to the financial statements.

2.5.1.2. **Rating**

On January 26, 2023, S&P Global Ratings Maalot Ltd. published a rating of ilAA-, stable outlook, for the Company and for the bonds it will issue, at a scope of up to NIS 350 million.

On February 9, 2023, S&P Global Ratings Maalot Ltd. updated the rating for the bonds such that the rating of ilAA- will apply to bonds which the Company will issue at a scope of up to NIS 400 million.

For additional details, see Notes 25 and 42(d) to the financial statements.

For details regarding the rating of Clal Insurance and Clalbit Finance, see Note 25(e) to the financial statements.

For details regarding the bond issuance, see section 2.5.1.6(e) below.

2.5.1.3. **Interest rate environment and its effects**

For details regarding changes in the insurance reserves due to the increase of the interest rate curve, and its effect on discount rates in life insurance and in the long-term care branch, see Note 38(e)(e1)(d) to the financial statements. For details regarding best practices in the calculation of reserves for non-life insurance, see Note 38(e)(e2)(4) to the financial statements.

2.5.1.4. **Capital requirements in accordance with the implementation of an economic solvency regime**

In accordance with the Commissioner's directives, during the reporting year, the insurance companies in the Group calculated the economic solvency ratio as of December 31, 2021 and as of June 30, 2022, and are expected to calculate the economic solvency ratio as of December 31, 2022, and to publish it together with the publication of the Company's financial statements for the first quarter of 2023.For details regarding the results of the calculations which were published during the reporting year, see Part B of the Report - Board of Directors' Report, section 2.3.3.

For details regarding the capital management policy and the minimum solvency ratio target which were determined by the Board of Directors of Clal Insurance in June 2021, see section 2.3.3 in Part B of the Report - Board of Directors' Report, and Note 16(e) to the Company's financial statements.

2.5.1.5. **Update to the set of demographic assumptions in life insurance and update to the mortality improvement model for insurance companies and for pension funds**

In June 2022, **a circular was published regarding an "amendment to the provisions of the consolidated circular regarding the measurement of liabilities" - update to the set of demographic assumptions in life insurance, and update to the mortality improvement model for insurance companies and pension funds"**, which includes an update to the default assumptions which will be used by the institutional entities to calculate their liabilities and factors for annuity recipients in pension savings products, and also includes recommendations regarding the prediction of the rates of future improvements in mortality. Due to the aforementioned update to actuarial assumptions, an update and increase is required in life insurance reserves in the amount of NIS 627 million. For details regarding the consequences of the foregoing circular, see Note 38(e)(e1)(d)(2) to the financial statements. For details regarding the Company's sensitivity to changes in mortality tables, see Part B of the Report - Board of Directors' Report, section 2.2.

2.5.1.6. **Equity transactions and issuances**

During the reporting year, the Group executed several significant equity transactions which were intended to strengthen the capital of the Company and of Clal Insurance, and to allow flexibility in leveraging additional business opportunities in the following areas of insurance and finance:

(A) Publication of shelf prospectuses

- On July 24, 2022, the Company published a shelf prospectus which allows it, inter alia, to issue ordinary Company shares, preferred shares, bonds, bonds convertible into ordinary shares, warrants exercisable into ordinary shares, and warrants exercisable into bonds or into bonds exercisable into ordinary shares, and marketable securities. On July 24, 2022, Clalbit Finance published a shelf prospectus which allows it, inter alia, to issue bonds, warrants exercisable into bonds, and marketable securities.

(B) Issuance of Company shares

On January 16, 2022, the Company issued 6,410,700 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company's shelf offering report dated January 13, 2022, which was published by virtue of the shelf prospectus dated August 29, 2019. The gross issuance proceeds amounted to a total of approximately NIS 506 million. For details regarding the designation of the issuance proceeds, see Note 42(j) to the financial statements. For details regarding a derivative claim which was filed and struck out following a motion to withdraw, see Note 41(b1) to the financial statements. The issuance proceeds will also be used to finance the Max transaction - for details, see section 2.5.1.8 below.

(C) Issuance of bonds in Clalbit Finance

On September 22, 2022, Clalbit Finance raised a total of NIS 598,770,000 par value of bonds (Series L), for a total (gross) consideration of approximately NIS 495,183,000, by way of a series extension in accordance with a shelf offering report of Clalbit Finance dated September 22, 2022, which was published by virtue of a shelf prospectus dated July 25, 2022. The issuance proceeds were deposited in Clal Insurance and are recognized as Tier 2 capital of Clal Insurance, subject to the quantitative regulatory restrictions.

(D) Early redemption of bonds in Clalbit Finance

In December 2022, Clalbit Finance redeemed the bonds (Series H), through full early redemption, in accordance with their terms.

(E) Issuance of bonds in the Company

On February 13, 2023 the Company issued, as part of the preparation for closing the Max transaction (as specified in section 2.5.1.8 below), and in order to create a liquidity cushion and financial flexibility for the Company, two bond series, as part of a public issuance in accordance with the Company's shelf offering report dated February 9, 2023, which was published by virtue of the shelf prospectus dated July 25, 2022. which was published on July 24, 2022, as specified below:

- NIS 249,100,000 par value of the Company's bonds (Series A). The bonds bear annual interest at a rate of 4.7%.

- NIS 150,000,000 par value of the Company's bonds (Series B). The bonds bear annual interest at a rate of 2.8%, and are convertible into Company shares such that each NIS 85 par value of the bonds (Series B) will be convertible into one ordinary share of the Company, as specified in the trust deed of the bonds (Series B).

The gross issuance proceeds with respect to the two series amounted to a total of approximately NIS 400 million. For additional details, see Part B of the Report - Board of Directors' Report, section 4.4, and Note 25(d) to the financial statements. For details regarding the designation of the issuance proceeds, see Note 42(j) to the financial statements.

On March 27, 2023, the Company issued 4,970,310 with a par value of NIS 1 each, in a private allocation, as part of the consideration in the Max transaction.

2.5.1.7. **Impact of the coronavirus crisis on the Company's activity**

During the reporting year, the impact of the coronavirus pandemic, on global markets in general, and on the Company's fields of activity in particular, decreased to a very low level. During the reporting year, the coronavirus pandemic did not significantly affect the Company's activities or results. However, since some of the insurance branch in which the Company is engaged are characteristically "long tail", the full effects may have not yet materialized in full, and could materialize over time.

2.5.1.8. **As part of the realization of Clal Group's business strategy regarding the diversification of the Group's profit sources, inter alia, through the acquisition of financial operations which are synergistic with the Group's operations, the Group took the following actions during the reporting year:**

- On August 12, 2022, the Company engaged with WP XII Financial Investment B.V. (the "**Main Seller**") in an agreement in which the Company will acquire the entire issued and paid-up capital of WPI (the "**Acquisition Agreement**" and the "**Max Transaction**").

  WPI is a holding company which was incorporated in Israel, and which holds Max IT Finance Ltd. and additional companies which are controlled by the investment fund Warburg Pincus, through the main seller (approximately 70%). The remaining shares of WPI are held by Menorah Mivtachim Group (around 9%), members of Clal Insurance Group (around 9%), Allied Holdings Ltd. (around 5%), and several individual shareholders who also include consultants and employees of Max IT Finance Ltd. (hereinafter, respectively:

"Max" and the "Additional Sellers"). Max is engaged in the issuance, clearing and operation of payment cards, and in the provision of payment solutions and financial products, including credit to private and business customers.

In addition to its stake in Max, WPI holds the entire issued and paid-up capital of Milo Brom Holdings Ltd., which is engaged in the field of contactless payment technologies (mostly portable terminals, e-commerce clearing, and digital invoices).

On March 27, 2023, following the fulfillment of all of the suspensory conditions for closing the transaction, in accordance with the acquisition agreement, the Company acquired WPI's entire issued and paid-up capital.

For additional details regarding the Max transaction, see Note 42(j) to the financial statements.

2.5.2. Reforms and regulatory restrictions

The Group's member companies are engaged in a highly regulated market, and deal with the consequences of significant regulatory reforms, in the various segments of insurance and savings. In recent years, and also during the reporting year, reforms have been promoted which are mostly intended to directly or indirectly reduce premiums and management fees, to unify products, or to encourage competition, with increased transparency to customers. Noteworthy reforms include, inter alia, the establishment of a default pension fund by the Commissioner as a means of reducing the management fees and allowing new players to enter the market, reducing the management fee rate for annuity recipients, updating the mechanism for setting investment expenses in pension funds and provident funds, and updating the management fee mechanism in accordance with the types of investment tracks, intervention in the terms and/or tariffs of products, including loss of working capacity insurance, life insurance risk, health insurance, personal accidents and compulsory motor. Changes to the claim settlement method, and directives regarding its implementation, particularly in long-term care and loss of working capacity products, and detailed regulation of the process of addition to insurance. A regulatory arrangement is also in place which creates changes to the engagement structure and in the reciprocal relationships between institutional entities, agents, employers and customers, which has effects on operational and competitive levels, and in a manner which affects the ability of institutional entities to link their income to their expenses. The application of some of the reforms continued or began during the reporting period, while others are expected to be applied in the future and/or are in various stages of regulatory process or discussion. At this stage, it is not possible to estimate the full impact of the steps which are being implemented in the insurance, pension and provident market in Israel. The entire set of applied and proposed changes, the intervention in tariffs and in management fees, the sale processes, the operational burden due to the pace, scope and complexity of the regulatory changes, and the need to implement adjustments to the automation systems and work processes, have implications on the business model in the branch, and currently affect and will continue to affect the insurance market in Israel in the coming years, and the profitability thereof, including, inter alia, the value of new business (VNB) which will be sold, the embedded value with respect to the Company's business operations, and the solvency ratio in accordance with the economic solvency regime which applies to the Group's institutional entities.

The information presented on all matters associated with the regulatory changes constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. These changes, and the actual implications thereof, may differ from the forecast, including, inter alia, in light of the uncertainty involving their occurrence, and involving all of their implications, which are dependent, inter alia, on the conduct of distributing entities, distributing entities and policyholders, and on the reciprocal relationship between the various reforms.

2.5.3. Long term savings segment

2.5.3.1. **Reforms in the segment**

In recent years, the Authority has promoted reforms and regulatory changes in the long-term savings segment, and during the reporting year, it completed a process of reducing management fees for annuity recipients in pensions and life insurance. Additionally, during the reporting year the Authority promoted a comprehensive reform in the pension savings segment which is based, inter alia, on the recommendations of the Commissioner's advisory committee regarding the evaluation of direct expenses, from November 2021, which is intended to increase competition in the branch, while improving and increasing the sophistication of the field of investment management, and improving transparency to savers, and the ability to compare between products. For details regarding the aforementioned reforms and changes, see sections 6.2 and 6.1.2.3 below. As part of the above, the Company continued the implementation of significant reforms during the reporting year, including, inter alia, with respect to the clearing house activity and the operational interface between employers and institutional entities on all matters associated with deposits to provident funds (in accordance with the provisions of the circular the provisions of the circular regarding the payment deposit method to provident funds) (see section 6.2.1(b) below); The Company's activity in the long-term savings segment was also affected by reforms that have been implemented in recent years, including the continued operation of chosen pension funds (see section 6.2.1(a) below), changes to the compensation structure of agents following the legislative amendments involving the payment of commissions without linkage to the management fees which are collected from customers (see section 10.8.1.1 below), and non-approval of risk tariffs in managers insurance (see section 6.1.2.1 below).

2.5.3.2. **Reduction of management fee rate for annuity recipients**

In February 2022, regulations entered into effect which mostly include a proposal to set the maximum management fees for annuity recipients at 0.3% of total assets held against liabilities for the annuity recipient (instead of the current maximum limit of 0.5% or 0.6%, depending on the product type). In the regulations, it was determined that the aforementioned maximum limit be applied to anyone who begins receiving an annuity from a pension fund, beginning from the date when the amendment enters into effect, also to insurance policies which will be marketed from that date onwards. The regulations, as phrased, also apply the above maximum limit to recipients of survivor annuities with respect to old age pension recipients on the aforementioned date.

For additional details, see section 6.1.2.3 below.

2.5.3.3. **Direct expenses in the execution of transactions**

In October 2022, the **Control of Financial Services Regulations (Direct Expenses Due to Execution of Transactions**), were published, which included, inter alia, cancellation of the quantitative restriction on the collection of direct expenses, and instead established a closed list of direct expenses which can be collected. It was further determined, with respect to external management fees, that the restriction will be determined for a specific year in advance, by the institutional entity itself. For additional details, see sections 6.1.2.3 and 10.5.5.1(a) below.

2.5.3.4. **Investment tracks**

In September 2022 and December 2022, two circulars were published regarding investment tracks in provident funds, in which updates were made to the specialized investment tracks which an institutional entity is entitled to manage, while adopting the provisions regarding direct expenses with respect to the execution of such transactions. For details, see sections 6.1.3 and 10.5.5.1(b) below.

2.5.4. Non-life insurance segment

2.5.4.1. **Subrogation rights of the National Insurance Institute**

In November 2021 a legislative amendment was approved, as part of the Economic Arrangements Law, regarding the mechanism of account settlement between the National Insurance Institute and the insurance companies, regarding the National Insurance Institute's subrogation right towards the insurance companies in claims submitted by virtue of compulsory motor policies. In accordance with the aforementioned amendment, from January 2023 onwards, all of the insurers are required to submit to the National Insurance Institute, with respect to road accidents, the following percentages of the compulsory insurance premiums which will be collected in each year: with respect to road accidents during the years 2023-2024 - 10%; and with respect to road accidents beginning in 2025 and thereafter - 10.95%. It was further determined in the aforementioned amendment that a previous legislative amendment from March 2018, within the framework of the Economic Arrangements Law for 2019, which established a global payment obligation for subrogation claims with respect to the years 2014 to 2018, will be canceled. Due to the above, the settling of accounts with respect to specific subrogation claims in which accounts are settled separately for each claim, will remain in effect with respect to claims which occurred until December 2022. For additional details, see section 7.1.1.1(d) below.

2.5.5. Health insurance segment

2.5.5.1. **Reforms in the segment**

During the reporting year, the Commissioner published a reform in the health insurance segment which includes a new structure for the health insurance market, which will include five layers of insurance coverage, whereby the first layer includes a standard basic health policy in all of the insurance companies, and detailed provisions regarding the insurance sale process (including a provision regarding the prohibition against selling individual health insurance policies to insurance applicants who have individual health insurance policies of the reimbursement type, which provide them with similar insurance coverage, without canceling the existing policy, and a directive stipulating that discounts at a fixed rate will be given for a minimum period of ten years). For additional details, see section 8.1.2.1 below.

The prohibition against offering policyholders to purchase insurance for surgeries and alternative treatments to surgery in Israel as part of the first layer may affect the product's sales volume.

After the reporting year, the 2023 Economic Arrangements Bill was published, in which it is proposed to establish provisions according to which, inter alia, in case the member is insured under the Additional Health Services of a health fund, in parallel with its holding of a surgery policy of the "First Shekel" type in an insurance company, coverage for private surgery in Israel will be claimed in the Additional Health Services, and the surgery in question is covered by the insurance company, the insurance company will reimburse the health fund through which the surgery was performed with respect to the surgery's costs, in accordance with the terms and arrangements in the aforementioned provisions. For additional details, see section 8.1.2.1 below.

2.5.5.2. **Changes in the personal accidents branch**

During the reporting period, Clal Insurance continued implementing its policy of not marketing personal accidents insurance policies to new customers. To the best of the Company's knowledge, as of the reporting date most of the insurance companies are not marketing personal accidents insurance according to the new framework. For additional details, see sections 7.1.1.4(d) and 8.1.2.1(c) below.

2.5.5.3. **Discontinuation of marketing long-term care insurance to new customers**

During the reporting period, Clal Insurance continued implementing its policy of not marketing long-term care insurance to new customers, including individual long-term care policies and collective long-term care policies. For additional details, see section 8.1.2.2(a) below.

2.5.6. Additional regulatory changes in the Company’s operating segments

For details regarding additional material regulatory changes which affected the Company’s business affairs during the reporting year, see the operating segments and section 10.2 below.

2.5.7. Significant events which occurred after the reporting year

2.5.7.1. For details regarding significant events which occurred after the reporting year in connection with the status of markets in Israel and around the world, and the effects thereof, see Part B of the Report - Board of Directors’ Report, section 3.

3. Operating segments

The Group has three main operating segments, as specified below:

3.1. Long term savings segment (see section 6 below)

This segment includes the Group’s activities in the life insurance branch, the pension funds branch and the provident funds branch.

The issue of pension security in Israel is comprised of three main layers: **Compulsory layer managed by the state** - National Insurance; **Compulsory layer managed by the institutional entities** - Beginning in 2008, within the framework of the compulsory pension for salaried employees with respect to compensation and severance pay, which are deposited with institutional entities (and beginning in 2017, also compulsory pension for the self-employed (see section 6.1.4 below)); **And the optional layer** - pension savings beyond the compulsory later, which is managed by institutional entities, as well as individual savings channels.

The products in the segment primarily provide savings products for the retirement period (the “**Savings**”). Additionally, most of the products in the segment combine, or can combine, insurance coverages for various risks, including insurance coverage for cases of death, disability, loss of working capacity and critical illness (the “**Risk**”). (See section 6.1 below.)

The activities in the life insurance branch were performed during the reporting year through Clal Insurance. The activities in the pension and provident branches were performed during the reporting year through the holdings of Clal Insurance in the following companies:

Clal Pension and Provident Funds - A wholly (100%) owned subsidiary of Clal Insurance, which operates, inter alia, as a managing company of annuity-paying provident funds [new pension funds and provident funds for savings] and capital based provident funds of various types: personal provident funds for compensation and severance pay, study funds, central severance pay funds, provident funds for investment and central provident funds for participation in budgetary pension.

Atudot Havatika - A subsidiary of Clal Insurance, which is owned 50%, which manages an old balanced pension fund (Atudot pension fund).

3.2. **<u>Non-life insurance segment</u> (see section 7 below).**

This segment includes the Group's operations in the non-life insurance branches.

Non-life insurance is divided into the property insurance branches, the liabilities insurance branches, and other branches, which include insurance policies of various types.

Property insurance - Including coverage with respect to loss or physical damage which was caused to the policyholder's property, as a result of the materialization of the risks specified in the policy, within the framework of the "specific risks" specified in the policy, or within the framework of "all risks" (coverage against any sudden accidental and unexpected loss or damage, excluding damage or loss which has been expressly excluded).

Liability insurance - Including coverage with respect to the policyholder's legal financial liability towards a third party which is not the policyholder, up to the liability limit specified in the policy.

The Company's activities in this segment include the compulsory motor insurance segment, the motor property insurance branch, liabilities insurance branches and other property and others insurance branches.

The activities in the credit and foreign trade risks insurance branch were performed during the reporting year through Clal Credit Insurance, a subsidiary controlled 80% by Clal Insurance.

3.3. **<u>Health insurance segment</u> (see section 8 below).**

This segment includes the Group's activities in health insurance, in the illness and hospitalization branch (which includes, inter alia, illness and hospitalization, and international travel insurance), in the long-term care and personal accidents branch, with respect to insurance policies which were sold in the past. This segment includes insurance plans designed for individual policyholders, and insurance plans designed for collectives. The activity in this segment also includes personal accidents insurance (up to one year) which are marketed to collectives.

Most of the Group's activities in this segment are concentrated in the Health Division of Clal Insurance.

4. <u>Investments in the Company's capital and shares</u>

4.1. <u>Investments in the Company's capital which were performed during the last two years, until the publication date of the report</u>

On January 16, 2022, the Company issued 6,410,700 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company's shelf offering report dated January 16, 2022, which was published by virtue of the shelf prospectus dated August 29, 2019, which was extended until August 28, 2022, as stated above. The gross issuance proceeds amounted to a total of approximately NIS 506 million.

On February 13, 2023, the Company issued NIS 150,000,000 par value of the Company's bonds (Series B). The bonds are convertible into Company shares such that each NIS 85 par value of the bonds (Series B) will be convertible into one ordinary share of the Company, as specified in the trust deed of the bonds (Series B). For additional details, see section 2.5.1.6(e) above.

As part of the consideration in the Max transaction, the Company allocated to offerees, on the transaction closing date, 4,970,310 ordinary Company shares with a par value of NIS 1 each (the "**Allocated Shares**"). The allocated shares constituted, immediately after their allocation, approximately 6.29% of the Company's issued and paid-up capital, and approximately 6.05% of the Company's issued and paid-up capital, fully diluted. For additional details, see Note 42(j) to the financial statements.

Except for the aforementioned issuances, during the last two years, until the publication date of the report, no investments were made in the Company's capital, excluding exercise of options.

4.2. **Details of material over the counter transactions which were performed by interested parties in the Company with respect to the Company's shares in the last two years[3]**

In 2022 an issuance of 6,410,700 Company shares with a par value of NIS 1 each was performed. In the public issuance Company shares were purchased, inter alia, by its interested parties.

In 2023, an issuance of NIS 150,000,000 par value of the Company's bonds (Series B), which are convertible into Company shares, was performed. As part of the public offering, Bonds (Series B) of the Company were acquired, inter alia, by its stakeholders.

During the last two years, interested parties in the Company executed transactions with the Company's shares, on the stock exchange and off the stock exchange, in coordinated transactions, which the Company reported on a routine basis[4]. Alrov, an interested party in the Company, executed transactions for the acquisition of Company shares, as stated above, and as part of a public offering, such that it currently holds 15% of the Company's shares. For details regarding Alrov's letters in connection with the share issuance, and a derivative claim which was filed and struck out in a motion to withdraw, see Note 41(b1) to the financial statements. For details regarding the permit for control of the Company and of the institutional entities under its control, which was given to Dona Engineering & Construction Co. Ltd., see Note 1 to the financial statements.

5. Dividend distribution

In the last two years, until the publication date of the Company's report, the Company did not distribute any dividends.

Dividend distributions in the Company are significantly affected the ability of investees to distribute dividends, including in light of the capital requirements which apply to them.

For details regarding restrictions on dividend distributions by virtue of the regulatory capital requirements which apply to member companies in the Group, and by virtue of the Commissioner's directives and the Company's fulfillment thereof, see Note 16 to the financial statements.

As of the reporting date, the balance of distributable earnings, as defined in section 302 of the Companies Law, amounted to a total of approximately NIS 4.7 billion. It is hereby clarified that the aforementioned balance does not constitute an indication of the Company's ability to distribute earnings in the future

For additional details regarding the Company's capital requirements, and the management thereof, and regarding the capital target which was determined by Clal Insurance, see Note 16 to the Company's financial statements.

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3 For details regarding sales and acquisitions on the stock exchange and off the stock exchange in coordinated transactions involving the Company's shares by interested parties, see the Company's current reports on the matter.

4 See footnote 2 above.

Part II - Description and Information Regarding the Company's Operating Segments

6. Long term savings segment

6.1. Products and services

6.1.1. Description of the operating segments and insurance coverages

The products in the segment mostly constitute savings products for salaried employees and the self-employed, private savings products, coverage in case of death, coverage in case of disability, coverage in case of loss of income due to loss of working capacity.

Life insurance products

Life insurance products constitute contractual commitments between the insurer and the policyholder, and include insurance plans which allow the accrual of savings, for different time periods, and insurance plans and/or combinations in insurance plans which allow insurance coverages for death, loss of working capacity, disability and long life (old age annuity).

Holders of policies which include a savings component who have reached the end of the insurance period are entitled to insurance benefits (generally, the amounts which have accrued in the savings component of the policy), in accordance with the policy terms. The policyholder may choose to receive these amounts, subject to the provisions of the legislative arrangement, in a one-time amount ("**Capital Payment**"), in lifetime payout installments ("**Annuity**"), or as a combination of the two. In some annuity products, the policyholder benefits from an annuity factor which is protected against extended life expectancy, and which is determined on the acquisition date of the policy, or on the commencement date of the payment of the annuity to the policyholder, or which can be acquired once the policyholder reaches at least age 60.

Pension funds

Pension funds constitute a mutual insurance fund, and operate in accordance with regulations which may change from time to time. A pension fund member is entitled to receive, beginning on the retirement date, lifetime annuity payments, which are based on annuity factors which do not guarantee life expectancy, and the annuity may change from time to time, in accordance with the actuarial balance of the fund.

There are two types of pension funds: (a) comprehensive pension funds, which allow pension savings for old age annuity purposes, as well as death and disability insurance coverages. The comprehensive pension funds partially benefit from guaranteed returns (for details regarding the exchange of designated bonds with the returns supplementation mechanism, see section 10.5.5.1(c) below), and deposits can be made to them up to the maximum limit set forth in law (see details in section 6.1.1.1 below); and (b) general (supplementary) pension funds, which do not benefit from guaranteed returns, and which are not subject to a maximum deposit limit. The general pension funds allow pension savings for the purpose of the old age annuity, and also allow the purchase of death and disability insurance coverage.

Provident funds

Provident funds provide savings solutions for the long term (such as provident funds for compensation and severance pay, and provident funds for savings), medium term (study funds) and savings for individual funds with independent status (provident funds for investment). These funds are generally without insurance coverage.

Funds which have accrued in provident funds for compensation and severance pay and in provident funds or savings are withdrawable as a one-time amount or as an annuity (through the transfer thereof to a pension product, which allows them to be withdrawn as an annuity), according to the period during which they were deposited. Monies which have accrued in favor of a member in study funds are withdrawn in a one-time payment. Funds which have accrued in provident funds for investment may be withdrawn either as a one-time payment, or as an annuity with tax benefits.

The provident fund branch also includes central provident funds (mostly central funds for severance pay), in which the member is the employer, where the deposited funds are intended to ensure the rights of its eligible employees. Beginning in 2011, it is no longer possible to deposit funds in central provident funds for severance pay; however, funds may be transferred between central funds for severance pay.

The total management fees which are collected by Clal Pension and Provident Funds from the central funds for severance pay are of a scope which is immaterial for the Company.

6.1.1.1. Presented below are the main distinctions between the current main products:[5]

	Life insurance	New comprehensive pension funds	Provident funds
Engagement type	A **contractual undertaking** between the insurer and the policyholder. The undertaking cannot be changed other than in accordance with the provisions the policy.	The member is a member of a fund, which are operated and managed by the managing companies, in accordance with the provisions of **their regulations**. The regulations may change from time to time, and in general, the member's rights and obligations are determined according to the regulations which are in effect as of the eligibility date.	
Insurance coverage[6]	The insurance coverage can be adjusted to the customer's needs.	The insurance coverage is included in the provisions of the regulations, and can be adjusted as part of the options set forth therein, and additionally, supplementary insurance coverage can be acquired from the insurer.	The basic version does not include insurance coverage; however, the acquisition of insurance coverage from the insurer is possible.[7]

[5] In provident funds and pension funds, a complete separation is applied between the assets of the managing company and its liabilities, and the assets of members which have accrued in the provident funds and pension funds, and the assets of members which are not included in the financial statements of the managing company.

[6] Under the **Control of Financial Services Regulations (Provident Funds) (insurance coverages in provident funds), 2012**, it is currently possible to acquire from an insurer, within the framework of and out of the pension deposits, insurance coverage to cover risks of death, risks of disability, and insurance coverage for release from the payment of premiums in case of disability, to members of pension funds, provident funds and insurance.

[7] As of the reporting date, Clal Pension and Provident Funds and, to the best of the Group's knowledge, most entities in the market, do not market the aforementioned insurance coverages to active members of provident funds which are managed by them.

	Life insurance	New comprehensive pension funds	Provident funds
Annuity factor[8]	In all annuity-based policies which include a guaranteed annuity factor, the annuity factor is protected against changes in life expectancy. Beginning in 2013, it is no longer possible sell policies with annuity factors which include a life expectancy guarantee (hereinafter: “**Guaranteed Annuity Factors**”), except to policyholders aged 60 or older.	The annuity factor is not protected against changes in life expectancy, and may change until the retirement date. After retirement, the annuity factor does not change; however, the annuity may change from time to time, in accordance with the actuarial balance of the principal.	No underlying factor
Mutual insurance	None	A mutual insurance fund. The members’ rights are affected, inter alia, by demographic data of all members in the fund, such as health condition and life expectancy. The actuarial assumptions are evaluated from time to time and affect the rights of all members and annuity recipients in the pension fund, which may change accordingly.	None
Guaranteed return mechanism	A guaranteed return mechanism exists which involves the issuance of HETZ bonds in guaranteed return policies that were sold until the end of 1990 only. For details, see section 6.1.1.2 below.	A guaranteed return mechanism exists with respect to 30% of the total assets in the fund, which is comprised of designated bonds and a returns supplementation mechanism. See details in section 10.5.5.1(c) below.	None[9]

8 The annuity factor is used to determine the annuity amount by converting the savings amount into a monthly annuity. The savings amount is divided by a conversion factor which represents the life expectancy (hereinafter: the "**Annuity Factor**”). In the pension funds and in collective life insurance policies which do not include a life expectancy guaranteed annuity factor, the annuity factor is determined proximate to the date when the annuity begins to be received, and in annuity-based policies only it is insured from that date onwards.

9 Excluding a limited number of guaranteed return provident funds backed by Accountant General deposits.

	Life insurance	New comprehensive pension funds	Provident funds
Management fees[10]	Rate of accrual and of deposits[11], for details regarding the scope of collected management fees, see Note 30 to the financial statements.	Rate of accrual and of deposits[12], see details in section 6.1.2.2 below.	
Beneficiaries[13]	Beneficiaries who are defined by the policyholder, in his discretion.	As specified in the regulations - mostly survivors.	Beneficiaries who are defined by the member, in his discretion.
Regulatory restriction on the deposit amount[14]	No restriction. For details regarding the limit on contributions to managers insurance, see section 6.1.2.1 below.	Up to 20.5% of twice the average salary in the economy.	No restriction.

For a description of the products in the segment, see section 6.1.2 below.

6.1.1.2. **Pension savings products differ from one another also in the way in which savings funds are invested**

Some of the savings funds are invested in the free market, while others are backed by government bonds and/or by an alternative returns supplementation mechanism, in accordance with legislation, as specified below:

- **Life insurance**

In policies which were sold until the end of 1990, returns for policyholders in life insurance policies with a savings component were determined as a guaranteed rate or represented in a guaranteed insurance amount ("**Guaranteed Return Policies**"). The guaranteed returns changed according to the policy type and the policy issuance date. The commitment to guaranteed returns is mostly backed by designated bonds. The balance of assets is invested in accordance with the Investment Regulations (the "**Free Assets**").

As of December 31, 2022, the holding of the designated bonds constitutes approximately 74% of total assets held against liabilities with respect to guaranteed return policies. Over the years, the Group has redeemed some of the designated bonds, with the aim of achieving surplus returns, and it cannot repurchase designated bonds with respect to the part of the reserves which it redeemed. As a result, the Group's exposure in free investments has increased. In accordance with the mechanism for settling of accounts which was determined vis-à-vis the Ministry of Finance, the

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10 The above includes the possible regulatory management fees in currently sold products, and does not include management fees and expenses of various kinds which are collected in all or some of the products, for example, with respect to variable management fees, investment management expenses, policy factor or collection factor, etc.

11 In traditional guaranteed-return policies, there are no management fees, and the Company's revenues come from the financial margin. In traditional policies and in policies of the "Preferred" (Meitav) type, there are no management fees as a rate of the deposits.

12 Study funds do not include management fees as a rate of deposits.

13 Subject to the provisions of the law, survivors' rights are possible with respect to the severance pay component in the policy.

14 Does not include reference to restrictions according to the terms of the products. Additionally, all of the pension products include a tax benefit up to the maximum limit set forth in the Income Tax Ordinance.

holding of designated bonds will be decreased over the period of the guaranteed return policies up to a rate of 50% of total assets held against liabilities with respect to guaranteed return policies, and with respect to the remainder, Clal Insurance is exposed with respect to its undertaking to guarantee returns for policyholders. Clal Insurance, buyer purchased designated bonds with respect to new deposits, according to the possible rates, in accordance with the type of policy, and the date of its issuance.

Policies which were issued since the early 1990's primarily include investment-linked policies in which the savings funds are invested by the insurance companies in free investments, primarily in the capital market, wherein returns less expenses are applied in favor of the policyholder, in accordance with the results of the investment portfolio, and less management fees, as specified below.[15]

For details regarding the balance of insurance reserves with respect to insurance plans of the profit sharing and guaranteed return types, see Note 20 to the financial statements.

- **Pension funds**

At present, the old and new comprehensive pension funds enjoy guaranteed returns up to a maximum rate of 30% of total assets, where some of the assets of the fund which are backed by designated bonds, which bear real interest at an annual rate of 4.86%, and some are backed by the returns supplementation mechanism (as specified below). However, the rate of guaranteed members for members in the new pension funds who, prior to January 1, 2004, were already eligible for a pension, will amount to 70% of total assets.

Additionally, the State of Israel provides "compensation" to the old balanced pension funds, with respect to the reduction of the issuance of designated bonds, which was performed over the years, by guaranteeing the difference between the interest on the old bonds of the "Meiron" type (5.57%) and (A) (4%) with respect to the assets which are invested in the free market; (B) 4.86%, with respect to the part of the assets invested in new designated bonds of the "Arad" type, and through a returns supplementation mechanism.

The Ministry of Finance also designates a security cushion for the old funds, in order to protect the members and retirees of those funds against volatility in returns. Atudot Havatika is currently in discussions with the Authority regarding the manner of implementation of the safety cushion outline which was adopted by Atudot Havatika. For details regarding the audit report which was received by Atudot Havatika in connection with members' rights, including in connection with the safety cushion, see Note 41(d)(2) to the financial statements.

In October 2022 a new mechanism entered into effect which is intended to guarantee the stability of pension savings, through supplementing the returns to an annual rate of 5.15%, plus an index (the "**Returns Supplementation Mechanism**"), instead of guaranteeing returns through designated bonds. For details regarding the returns supplementation mechanism and the implementation thereof, see section 10.5.5.1(c) below.

Accordingly, in July 2022, amendments were published to the consolidated circular, and to circulars regarding provisions for the management of new funds, and regarding rules for increasing the rate of crediting returns to annuity recipients in new pension funds, in order to adjust them for the implementation of the returns supplementation mechanism. The aforementioned amendments included, inter alia, provisions which were intended to adjust the interest rate which is used for discounting and for returns in the calculation of liabilities to annuity recipients in new comprehensive funds, to the target return with respect to the mechanism's assets, such that, with respect to members who retire before January 1, 2023, the discount rate will be an effective annual interest rate of

[15] With respect to profit sharing policies, the annuity is linked to the investment index, after deducting management fees and nominal interest.

4.26% (unchanged), or another rate to be determined by the Commissioner from time to time; and with respect to members who retire beginning on January 1, 2023, the discount rate will be an effective annual interest rate of 4.38%, in light of the change in the nominal interest rate which serves as the basis for the retirement conversion factor for those members, and the cost of the insurance coverages from that date onwards.

The mechanism described above benefits members to a certain degree, due to the growth of the guaranteed returns, while on the other hand, it changes the standard practice regarding the method for guaranteeing returns, from the contractual mechanism to the mechanism prescribed in a legislative arrangement, such that Clal Pension and Provident Funds is unable to estimate its continuity over years. For details regarding other consequences, see section 10.5.5.1(c) below.

For details regarding the method for investment of free assets, see section 10.5 below.

Crediting of returns in new comprehensive pension funds

In accordance with the **Control of Financial Services Regulations (Provident Funds) (Crediting of Returns in New Comprehensive Pension Funds), 2016** (hereinafter: the "**Crediting of Returns Regulations**"), the method for crediting returns to members and retirees in new comprehensive pension funds (the "Designated Bond Returns"), is performed in a manner whereby designated bond returns are credited to annuity recipients according to the ratio between 60% of the total assets of annuity recipients and the total principal assets which were invested in designated bonds; whereas, for members who are not annuity recipients, the crediting of designated bond returns is done according to the balance of returns in the fund due to the investment in designated bonds, after the returns have been credited to the annuity recipients.

Further to the implementation of the returns supplementation mechanism, as stated above, in May 2022 an amendment to the Crediting of Returns Regulations was published, in which it was determined that the crediting of returns in guaranteed return channels will be done in a way that matches the crediting of returns with respect to the fund assets which are in designated bonds, except for the rate of return (5.15% in the guaranteed return investment channel, as compared with 4.86% on designated bonds).[16]

The Commissioner is entitled to increase the rate of crediting guaranteed returns, whether by virtue of designated bonds or by virtue of a guaranteed return investment track, to annuity recipients in a certain fund, if he has found that the rate of crediting guaranteed returns to members who are not annuity recipients, exceeds half a percent relative to another fund, and that the aforementioned difference may disrupt the actuarial balance in the fund.

The Crediting of Returns Regulations, the allocation of designated bonds and the returns supplementation mechanism by age groups, created variability in the method for guaranteeing returns between members which belong to the same age group in the various pension funds. These regulations, in combination with provisions pertaining to annuity updates, inter alia, in accordance with deviations between the returns which will be achieved, in practice, on the free investments, and the rates of return which were prescribed in law, and which reflect the rate of return represented upon the initial calculation of the annuity, such that the deficit with respect to members who leave will not be imposed on all of the funds' members (and therefore allows active members to join the fund shortly before they reach retirement age), all created an advantage for the pension funds over other pension products, particularly beginning

16 Beginning in early 2025, for members aged 50 or older (who are not annuity recipients), the crediting of designated bond returns and the returns supplementation mechanism will be implemented according to the ratio of between 30% of the total accrued balances in the fund to members of this group, and the total fund assets in the guaranteed return channel; whereas, for members who are not annuity recipients, the crediting of designated bond returns and the returns supplementation mechanism is done according to the balance of returns in the fund due to the investment in a guaranteed return channel, after the returns have been credited to the annuity recipients and to members over age 50.

from the stage near retirement age, and even created a preference for joining or transferring to certain pension funds, in accordance with the mix of ages of the fund's members.

This trend could lessen due to the fact that the acceptance of members at retirement age could create a negative preference for new members to join funds in which the rate of assets associated with annuity recipients is high, relative to other pension funds, as specified above. During the years preceding the reporting year, there was a certain increase in transfer requests of members and policyholders towards their retirement date. During the reporting year, there was an additional increase in transfers of policyholder members in the Group near retirement age, and an increase in amounts transferred by members and policyholders, as stated above (see section 6.4.5 below).

- **Provident funds**

Since the mid-1980's, designated bonds[17] have not been issued for the provident funds, and the assets are invested in accordance with the restrictions specified in the Investment Regulations.

6.1.2. **Details regarding the primary details included in the operating segment**

Presented below is a description of the products and services which were managed by the Company during the reporting year.

6.1.2.1. **Life insurance branch**

(A) General

The Group markets insurance to the self-employed and employees, as well as individual insurance and collective insurance, as specified below.

- **Individual policies and policies for salaried employees and the self-employed**

The policies generally combine savings and insurance coverage such as risk and loss of working capacity. Some of the insurance policies are intended for salaried employees and the self-employed, are approved as provident funds, receive tax benefits and constitute a part of the social security net for salaried employees and the self-employed, whereas individual policies, which include savings, are not approved as a provident fund, but receive tax benefits with respect to insurance coverage in case of death and/or loss of working capacity, which is purchased within the framework of the policies, and in certain conditions also with respect to the component of the returns which were accrued with respect to the savings.

[17] Excluding a limited number of guaranteed return provident funds.

- **Collective insurance**

The collective insurance agreement is intended to provide insurance coverage in case of death, with optional additional coverage for accident, illness and disability risks, as well as insurance coverage in case of loss of working capacity. The insurance policies do not include any savings component, for groups including over 50 policyholders which share ties, and is marketed primarily to groups of employees, and are subject to the provisions of specific regulations on the matter.

The insurance amount in collective life insurance is generally equal for all of the Group members, or is determined according to age, salary or another objective criterion, or a combination of the above. The insurance amount in collective loss of working capacity insurance was determined, inter alia, based on various indicators, including occupation, salary, age and gender.

In accordance with the legislative arrangement and/or in accordance with the terms of the collective policy, a policyholder regarding whom the collective policy has expired, is entitled, under certain predetermined conditions, to acquire a personal policy with no need for a medical underwriting process, according to the premiums which applied at the time of the transition to all policyholders at an insurer, with a similar individual policy.

In April 2022, **regulations regarding collective loss of working capacity insurance policies** were published, in which additional provisions were determined which pertain, inter alia, to the receipt of the policyholder's advance consent as a condition for adding them to a collective loss of working capacity policy, for raising the premium, and for changing the scope of insurance coverage; the insurer's obligations to submit notice when making changes to the policy terms, and when concluding the insurance coverage thereunder; and the required scope of insurance coverage in individual loss of working capacity insurance policies which are offered upon the conclusion of the collective policy (hereinafter: "**Continuing Policy**"), and limiting the amount of premiums which can be collected with respect thereto as a proportion of the premium which was paid in the collective policy.

The provisions apply to collective loss of working capacity insurance policies which are signed beginning from July 2022, and to the renewal of collective policies from that date onwards, even if they were signed before then.

In light of the provisions of the regulations regarding the conditions in which the Company is required to offer a continuing policy to holders of collective loss of working capacity policies, as of the publication date of the report the Company is not marketing new collective loss of working capacity policies, and currently existing policies of this kind are policies which were marketed in the past, and are renewed from time to time.

(B) Details regarding the main insurance plans in the life insurance segment

The Group's life insurance portfolio includes several different insurance plans, in accordance with the types of products which were sold over the years. Presented below are details regarding the main products:

- **Traditional insurance**
  - **Policy of the traditional combined type** - A policy which includes two components, savings and risk (death). The premium is derived from the insurance amount, the policyholder's age, the insurance period, etc., and cannot be separated and attributed to the policy components. The insurance amount is paid as a one-time amount at the end of the insurance period (generally at age 65), or in case of death before the end of the insurance period, excluding amounts which are paid at the end of the insurance period, which were deposited after January 2008, which are paid as annuities.
  - **Policies of the traditional "pension" type** - are policies in which most premiums (which are derived from the insurance amount, the policyholder's age, the insurance period, and more) is intended for the payment of a stipend, to be paid in accordance with the policy terms and subject to the provisions of the legislative arrangement. The pension amount to be paid, and the premium amounts, were determined on the policy issuance date.
  - **Traditional savings policies** are policies in which the entire premium which has accrued in respect thereof is paid as a single payment, excluding amounts which are paid at the end of the insurance period, which were deposited after January 2008, for policies which are subject to the Provident Fund Regulations (policies for salaried employees and the self-employed), which are paid as annuities. The redemption value is determined on the policy issuance date, and is derived from the premiums. In case of death before the end of the insurance period, the amount which has accumulated until that date is paid.

In policies of the traditional type, it is not possible to increase the amount of deposits in the policy, including with respect to salary increase beyond the rate of the CPI's increase, and in these cases, an additional policy could be prepared with respect to the increase in the deposit amount, or in the salary, as applicable.

Policies of the traditional type was the only product sold until 1982 as individual insurance, compensation for the self-employed and managers. Policies of the mixed, pension and traditional types - savings continued being marketed as managers insurance until June 2001, and as individual insurance and as compensation for the self-employed until the end of 2003, in addition to other products which were sold in parallel.

- **Insurance of the preferred type (Meitav, Meitavit)**

The main characteristics of this product include:

- The policy is divided into two components - after deducting expenses in a fixed amount, a certain percentage of the premiums is accrued as savings, and the balance of premiums is designated for the acquisition of insurance coverage in case of death, and as operating and marketing expenses (the "**Risk Component**"). Until the end of the 1990's, the original premium rate which was designated to savings in these policies was mostly 72%. From the beginning of 2000's, the rate designated to savings was originally, for the most part, 80% and higher. Over the years, changes have been made to the mix of components, as stated in some of the policies.

- With respect to deposits which were made until 2000, the policyholder can choose, proximate to the annuity receipt date, whether to receive the accrued savings as a capital payment or as a pension, according to the annuity factor which was determined in the policy on the policy acquisition date. With respect to deposits which were made beginning in 2000, the policyholder was required to choose, on the acquisition date, between a deposit to: (A) A capital policy or a capital rider attached to the fixed-payment policy - in which it is possible to designate the accrued savings to a capital track, with no option for conversion to a pension payment; and (B) An annuity-paying policy (or an annuity-paying rider attached to a capital policy), under which the accrued savings can be converted into an annuity payment based on an annuity factor with guaranteed life expectancy, which was determined on the purchase date of the policy and/or rider, whichever is later, subject to the policy terms;

- In policies marketed until 2000, policyholders who reached retirement age have the option to choose among several possible annuity receipt tracks. In all of the tracks, annuities are paid based on guaranteed annuity factors.

  Beginning in 2001, the policyholder is entitled to payment of an annuity based on a guaranteed life expectancy annuity factor, throughout his entire lifetime, and in one track only, which includes guaranteed payment of a minimum of 240 monthly annuity payments, to the beneficiary and/or beneficiaries; In additional tracks, the annuity factor is determined on the annuity receipt date, in accordance with the policy terms.

Policies of the preferred type was marketed in the life insurance branch from 1983 until the end of 2003. The policies were marketed as individual insurance, as compensation insurance for the self-employed and as managers insurance.

- **Insurance of the profile type**

- Since 1999, the Group has marketed a line of products under the trade name "profile", including various types, which differed from the products that were marketed before that time, inter alia: (a) by separating between the components of savings, risk and expenses / management fees; (b) by allowing the possibility to adjust the insurance coverages in accordance with the policyholder's choice; (c) by allowing the possibility to manage the savings through several investment tracks with daily (instead of monthly) returns; (d) in the rate of management fees, which do not change depending on returns; (e) by allowing the option to designate the accrued savings to a capital track and/or to an annuity paying track in the same policy.

Since 2008, it has been possible to designate the contributions in policies subject to the Provident Fund Regulations to an annuity paying track only. In parallel, regarding funds which were contributed to a capital channel until 2008, conversion to annuity was made possible in accordance with the annuity factors which were known on the date of the request. The policyholder is currently entitled to request conversion of an annuity-paying capital amount beginning from age 60 only.

Since 2004, Clal Insurance has marketed several additional types of profile policies. These policies are differentiated from one another, inter alia, in the structure and rate of management fees, and in the annuity factors.

- During the reporting year, life insurance policies with annuity factors were marketed to persons aged 60 or older in an immaterial scope.

  For details regarding new products, see section 6.1.3 below.

  Under the aforementioned profile policies, the default track involves the payment of an annuity with a guaranteed life expectancy annuity factor, throughout his entire lifetime, and in case of his death before payment to the policyholder of a minimum number of guaranteed monthly annuity payments (240 payments), the balance of the annuities will be paid to the beneficiaries. There are also alternative tracks to receive an annuity, as chosen by the policyholder. In policies which were marketed until 2013, the annuity factors in the alternative tracks and in policies which were sold since 2013, the annuity factors in all of the tracks are determined on the retirement date, except with respect to policyholders who purchased the policy after age 60, and who chose an insurance plan with annuity factors which include a life expectancy guarantee.

- Over the years, profile policies of the managers, self-employed and individual types were marketed, some with insurance coverages and others without insurance coverages, some with annuity factors which include a life expectancy guarantee, and others without annuity factors which include a life expectancy guarantee.

Traditional policies and preferred policies which included a savings component and which were sold until the end of 1990, are guaranteed return policies, where some of the Company's liabilities to holders of such policies are backed by designated bonds. Policies which include a savings component, which were sold from 1991, are generally investment-linked policies.

For details regarding the management fees which are collected in the main life insurance policies, see Note 20 to the financial statements.

For details regarding a restriction on the sale of life insurance products in case of death, as part of the risk tariffs approval (as this term is defined below), see section 6.1.2.1 below.

For details regarding restrictions on contributions to managers insurance under the 2023 Economic Arrangements Bill, see section 6.1.2.1 below.

- **Products including "risk" insurance coverage**

The risk products (insurance in case of death and/or disability and/or loss of working capacity and/or critical illness) are sold, or were sold in the past, as independent policies and/or as riders / additions to "traditional", "preferred", or "profile" policies.

The main risk coverages include:

- **Pure risk insurance - individual** - Life insurance in case of death, without a savings component. The plan guarantees to beneficiaries a predetermined insurance amount if the policyholder passes away during the insurance period. The insurance benefits are paid to beneficiaries as one-time compensation, or as a monthly amount for the period determined in the policy, in accordance with its terms. In case of a risk plan which is intended to cover the balance of debt on a mortgage loan, the insurance amount is updated according to the interest rate determined in the policy, and the insurance benefits are paid to the irrevocable beneficiary, while the remainder, if any, is paid to the beneficiaries. Since the last quarter of 2018, the Company has allowed the purchase of life insurance in case of death which is intended to cover the debt in the balance of a mortgage loan to people with life-shortening disabilities (as this term is defined in law, and in accordance with the process prescribed in law), subject to a qualification period of two and a half years.

- **Loss of working capacity insurance** - An insurance plan which pays monthly compensation, at a rate of which generally does not exceed 75% of the policyholder's salary, subject to certain underwriting restrictions in case of a salary increase. The insurance benefits are paid in monthly payments, commencing from the end of the waiting period, and for as long as the policyholder is incapable of working, but no later than the end of the insurance period. In addition to the monthly compensation payments which are paid to the policyholder, the policyholder is released, in general, from premium payments and they are paid by the insurance company for as long as the policyholder is incapable of working, but no later than the end of the insurance period ("**Release**").

- **Supplementary disability pension insurance (pension fund umbrella)** - Loss of working capacity insurance for a pension fund member which is intended to expand the insurance coverage which is given according to the pension fund regulations, in certain cases where there is no eligibility for payment of a disability annuity according to the pension fund regulations, such as in case of loss of working capacity, or with respect to the qualification period specified in the pension fund regulations.

- **Critical illness insurance -** For details regarding the sale of critical illness insurance, see section 8.1.2.1(a) below.

- **Accidental death insurance** - An insurance plan which guarantees the payment of a one-time amount in case of death due to an accident. For additional details regarding the discontinuation of marketing of this coverage due to the personal accidents circular, see section 6.2.2(c) below.

- **Accidental disability insurance** - An insurance plan which guarantees payment of a one-time amount in case of disability due to an accident. For additional details regarding the discontinuation of marketing of this coverage due to the personal accidents circular, see section 6.2.2(c) below.

<u>Restriction of the sale of life insurance products in case of death</u>

In February 2019, the Authority approved new tariffs for life insurance products in case of death (risk) of insurance companies in Israel, including a significant reduction in the approved tariffs of risk products which are sold from that date onwards, and in parallel, the Authority ordered a change to the mechanism for payment of commissions to insurance agents in connection with the repayment of commissions in insurance policies which were canceled by the policyholders (hereinbefore and hereinafter: the "**Risk Tariffs Approval**"). The tariffs were originally approved for a period of two years, and were later extended until December 31, 2023. For details regarding the proposed mechanism for the repayment of commissions in case of policy cancellation, see section 6.1.4.1 below.

Additionally, as part of the approval of risk tariffs, as stated above, and as of the publication date of the report, tariffs for the sale of risk coverages in managers' insurance policies, and compensation for the self-employed, have not yet been approved for most of the companies in the market. In light of the above, the insurance companies discontinued marketing the risk coverages in managers' insurance policies, and compensation for the self-employed. The absence of approved tariffs for the sale of risk coverages as part of managers' insurance policies resulted in a significant decrease in sales of managers insurance, and as a result, also led to a decline in sales of loss of working capacity coverage which is sold through managers insurance, and resulted in a certain increase in the sales of other pension products, mostly pension products, including the pension funds which are managed by Clal Pension and Provident Funds.

Limit on contributions to managers insurance

In light of the 2023 Economic Arrangements Bill, in February 2023 approval was given, in a government decision, that the Minister of Finance will determine in the regulations that contributions may not be made to new insurance funds (which are opened after the directive enters into effect) except out of the part of the salary which exceeds the monthly guaranteed salary limit, as defined in the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, i.e., up to 20.5% of twice the average market salary (hereinafter: the "**Limit On Contributions To Managers' Insurance**"). It was further determined that holders of existing policies should be informed of these limits. The foregoing draft regulations were published in March 2023.

Insofar as the regulations regarding the limit on contributions to managers' insurance become final, this could, in combination with the provisions which are proposed in the 2023 Economic Arrangements Bill, regarding standard commissions (for details, see section 10.8.2.2.A.1 below), insofar as they are enacted, and insofar as it is determined that life and pension insurance products constitute alternatives to one another, such that standard commissions will be paid for them, increase the trend of decreasing sales of managers insurance, and affect the transfers from that product to the pension product.

The information presented on all matters associated with the limit on contributions to managers' insurance constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. The actual changes, and the effects thereof, may differ from the forecast, due to the final wording of the regulations which will be enacted on the matter, and the approved wording of the provisions regarding standard commissions; the conduct of the competing institutional entities and distributing entities; and the preferences of customers.

6.1.2.2. **Pension funds and provident funds branches**

Pension funds and provident funds are managed by managing companies, in accordance with the provisions of the regulations. The regulations are dynamic and may change from time to time, with the Commissioner's approval. Notice regarding significant changes is sent to the members. In general, members' rights are determined according to the fund regulations which are in effect as of the date of eligibility. Beginning in 2018, the regulations of managing companies in the various products are standard in terms of their structure, due to the version unification process which the Authority initiated.

During the reporting year, no mergers of provident funds or of investment tracks in provident funds were performed. As of the reporting date, the provident funds and investment tracks which are managed by Clal Pension and Provident Funds include the following:

<table>
<tr><th>Fund name</th><th colspan="2">Investment tracks</th><th>Fund type</th></tr>
<tr><td rowspan="14">Clal Tamar</td><td rowspan="3">Age-dependent investment model</td><td>Track for persons aged 50 or less</td><td rowspan="14">Personal provident fund for compensation and severance pay and provident fund for savings</td></tr>
<tr><td>Track for persons aged 50 to 60</td></tr>
<tr><td>Track for persons aged 60 or older</td></tr>
<tr><td colspan="2">Bonds maximum 25% stocks</td></tr>
<tr><td colspan="2">CPI-linked bonds</td></tr>
<tr><td colspan="2">NIS</td></tr>
<tr><td colspan="2">Stocks</td></tr>
<tr><td colspan="2">Short term NIS</td></tr>
<tr><td colspan="2">Bonds</td></tr>
<tr><td colspan="2">Halacha</td></tr>
<tr><td colspan="2">Bonds maximum 15% stocks</td></tr>
<tr><td colspan="2">S&P 500 tracker</td></tr>
<tr><td colspan="2">Combined marketable[18]</td></tr>
<tr><td colspan="2">Flexible index tracker[19]</td></tr>
<tr><td rowspan="2">Bar Gemulim fund</td><td colspan="2">Bar A - guaranteed return</td><td>Guaranteed return provident fund</td></tr>
<tr><td colspan="2">Bar C</td><td>Personal provident fund for compensation and severance pay</td></tr>
<tr><td rowspan="8">Clal Study Fund</td><td colspan="2">General</td><td rowspan="8">Study fund</td></tr>
<tr><td colspan="2">Short term NIS</td></tr>
<tr><td colspan="2">CPI-linked bonds</td></tr>
<tr><td colspan="2">Stocks</td></tr>
<tr><td colspan="2">Bonds</td></tr>
<tr><td colspan="2">Halacha</td></tr>
<tr><td colspan="2">Bonds maximum 15% stocks</td></tr>
<tr><td colspan="2">S&P 500 tracker</td></tr>
<tr><td rowspan="6">Clal Provident for the Future</td><td colspan="2">General</td><td rowspan="6">Provident fund for investment[20]</td></tr>
<tr><td colspan="2">Bonds</td></tr>
<tr><td colspan="2">Government bonds</td></tr>
<tr><td colspan="2">Stocks</td></tr>
<tr><td colspan="2">Bonds maximum 15% stocks</td></tr>
<tr><td colspan="2">Short term NIS</td></tr>
</table>

18 Beginning on January 1, 2023.

19 See footnote 16 above.

20 Monies held in a provident fund for investment may be withdrawn as a one-time amount at any time, without tax benefits in the deposit, while paying capital gains tax only. Amounts which will be deposited in a provident fund for investment and withdrawn as an annuity during the retirement period (according to the rules for recognized annuities) will be exempt from capital gains tax and from income tax. The total payments which a member is entitled to deposit in all of their accounts in a provident fund for investment will not exceed NIS 70,000 per year, linked to the known index as of July 1, 2016.

Fund name	Investment tracks	Fund type
	Halacha	
	S&P 500 tracker	
General fund for severance pay		Central severance pay fund
Hadas		
Clal - employer severance pay		
Clal Barzel - central fund for severance pay		
Clal Provident central track-based fund		
Clal budgetary		Central fund for participation in budgetary pension

For details regarding the reform regarding investment tracks in pension products, see section 6.1.3 below.

<u>Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group's member companies in 2022:</u>

		Managed assets as of December 31, 2022 (NIS in thousands)	Contributions in 2022 (NIS in thousands)	Net accrual in 2022 (NIS in thousands)	Average rate of management fees from assets in 2022	Average rate of management fees from deposits in 2022
Pension Fund Atudot Havatika		12,166,861	185,717	(203,482)	0.28%	3.63%
New pension funds	Clal Pension	96,299,703	7,882,436	9,517,110	0.17%	1.63%
	Clal Supplementary Pension	3,367,703	537,991	665,655	0.32%	0.71%
Provident funds for compensation and severance pay and provident funds for savings		29,236,143	643,501	2,267,697	0.47%	0.08%
Provident fund for investment		2,412,625	792,656	840,126	0.64%	
Study fund		21,124,504	2,714,194	6,710,008	0.53%	
Other[21]		1,914,957	1,023	(45,465)	0.68%	
Total		**166,522,496**	**12,757,518**	**19,751,649**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

21 Includes central provident funds for severance pay, central provident funds for participation in budgetary pension and provident funds for sick pay.

Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group's member companies in 2021:

		Managed assets as of December 31, 2021 (NIS in thousands)	Contributions in 2021 (NIS in thousands)	Net accrual in 2021 (NIS in thousands)	Average rate of management fees from assets in 2021	Average rate of management fees from deposits in 2021
Pension Fund Atudot Havatika		**13,572,504**	**199,018**	**(171,042)**	**0.28%**	**3.63%**
New pension funds	**Clal Pension**	90,242,032	6,582,648	6,338,335	0.19%	1.72%
	Clal Supplementary Pension	2,993,351	350,945	337,534	0.36%	0.43%
Provident funds for compensation and severance pay and provident funds for savings		28,876,694	1,062,940	2,189,762	0.45%	0.07%
Provident fund for investment		1,790,883	818,513	1,048,624	0.64%	
Study fund		15,897,288	1,721,685	3,955,003	0.55%	
Other[22]		2,140,752	452	(155,611)	0.68%	
Total		**155,513,504**	**10,736,201**	**13,542,605**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

22 See footnote 20 above.

Presented below are details regarding managed assets, contributions, net accrual, ratio of management fees from assets and ratio of management fees from deposits of the pension funds and provident fund which were marketed by the Group's member companies in 2020:

		Managed assets as of December 31, 2020 (NIS in thousands)	Contributions in 2020 (NIS in thousands)	Net accrual in 2020 (NIS in thousands)	Average rate of management fees from assets in 2020	Average rate of management fees from deposits in 2020
Pension Fund Atudot Havatika		**12,013,897**	**208,087**	**(145,100)**	**0.28%**	**3.63%**
New pension funds	**Clal Pension**	72,497,732	6,021,058	3,802,944	0.20%	1.83%
	Clal Supplementary Pension	2,347,543	286,706	195,650	0.40%	0.10%
Provident funds for compensation and severance pay and provident funds for savings		24,228,794	476,101	(1,023,459)	0.46%	0.06%
Provident fund for investment		632,466	228,037	123,878	0.65%	-
Study fund		10,397,365	1,410,576	293,543	0.58%	-
Other[23]		2,089,533	398	(373,215)	0.67%	-
Total		**124,207,330**	**8,630,963**	**2,874,241**		

* Net accrual - deposits plus incoming transfers less redemptions and outgoing transfers.

6.1.2.3. **Management fees and expenses in the various products**

1) Presented below are tables describing the rate of maximum management fees in the different main products[24], in accordance with the legislative arrangement, including the **Control of Finance Services Regulations (Provident Funds) (Management Fees), 2012** (hereinafter: the "**Management Fees Regulations**"):

[23] See footnote 20 above.

[24] The foregoing does not include management fees and expenses of various kinds which are collected in some of the life insurance policies, for example, including with respect to the management of investment portfolios, the policy factor or collection factor, etc.

Life insurance

Pension product	Maximum annual management fees
Investment-linked life insurance plans which were marketed until the end of 2003, of the "traditional" and "preferred" types[25]	Fixed management fees up to 0.6% of the accrual + variable management fees up to 15% of the real returns which were achieved, less fixed management fees. In case of loss, the insurance company is not entitled to the variable management fees, until the cumulative loss specified in the policies has been recouped.[26]
Investment-linked life insurance plans which were marketed from January 1, 2004 until the end of 2012	2% of the accrual + +0% of the deposits, or a lower rate of the accrual and a higher rate of the deposits (according to a mix approved by the Commissioner - where the management fees from deposits are in the range from 0% to 13%).
Investment-linked life insurance plans which were marketed since January 2013	Up to 1.05% of the accrual (plans which were marketed in 2013 - up to 1.1% of the accrual) + up to 4% of the deposits
Annuity recipients	Up to 0.6% of the accrual for policies which were sold beginning on January 31, 2022. Up to 0.3% of the accrual for policies which were sold beginning on February 1, 2022. For details regarding the amendment to the Management Fees Regulations and the reduction of the management fee rate for annuity recipients, see this section below.

The Company's income from guaranteed-return policies is due to the financial margin, insofar as any is created, between the guaranteed returns in designated bonds and the profits from the investments on the free assets and the liabilities towards policyholders.

Pension funds

Pension product	Annual management fees beginning in 2014
Balanced old fund	According to specific permits which were given by the Commissioner
Comprehensive new pension fund	Up to 0.5% of the accrual + up to 6% of the deposits
General (supplementary) new pension fund	Up to 1.05% of the accrual + up to 4% of the deposits
Annuity recipients in comprehensive pension fund	Up to 0.5% of total assets held against the fund's liabilities to all annuity recipients, for those who began receiving an old age annuity until January 31, 2022[27]. Up to 0.3% of the accrual for annuity recipients who began receiving annuities beginning on February 1, 2022. For details regarding the amendment to the Management Fees Regulations and the reduction of the management fee rate for annuity recipients, see this section below.

[25] "Profile" policies which were sold until 2003 included a different pricing mechanism.

[26] See Note 3(n)3 to the financial statements.

[27] Excluding assets held against liabilities of the fund, to those who were entitled to an annuity or disability annuity before January 1, 2004.

Annuity recipients in general pension fund	Up to 0.6% of total assets held against the fund's liabilities to all annuity recipients, for those who began receiving an old age annuity until January 31, 2022. Up to 0.3% of the accrual for annuity recipients who began receiving annuities beginning on February 1, 2022. For details regarding the amendment to the Management Fees Regulations and the reduction of the management fee rate for annuity recipients, see this section below.

Provident funds[28]

Pension product	Annual management fees beginning in 2014
Personal provident fund for compensation and severance pay, provident fund for savings and provident fund for investment	Up to 1.05% of the accrual + up to 4% of the deposits
Central provident fund	Up to 2% of the accrual (without management fees from deposits)
Study funds	Up to 2% of the accrual (without management fees from deposits)

2) Additional supplementary arrangements were also established, including as specified below:

- With respect to policyholders and members with whom contact has been lost - management fees can be collected at a rate of up to 0.3% of the accrual, or the rate which is collected in the policy or in the member's account, as applicable, on the date when contact was lost, whichever is lower.[29]

  In practice, the Group's institutional entities collect average management fees, which are lower than the maximum limits specified above, in accordance with specific agreements and discounts, due to the existing competition in the market, and in accordance with regulatory directives which apply to the provision of discounts on management fees (for additional details regarding the competition in the market, see section 6.3 below).

Management fees for annuity recipients

The default fund circular determines that the management fees which will be collected by the managing company of the fund that was chosen as a default fund, from annuity recipients who retire during the winning period (even if they joined through methods other than the default), will not exceed a rate of 0.3% per year (as compared with a maximum rate of 0.5%, in accordance with the law which was in effect until January 31, 2022). For details regarding the market share of the chosen default funds, see section 6.3.1(2) below.

In February 2022, the draft **Control of Financial Services Regulations (Provident Funds) (Management Fees)(Amendment), 2021** entered into effect (hereinafter: the "**Management Fees Regulations - Annuity Recipients**"), which mostly include setting the maximum management fees for annuity recipients at 0.3% of total assets held against liabilities for the annuity recipient (instead of the maximum limit of 0.5% or 0.6%, depending on the product type).

28 Excluding guaranteed return provident funds, in which the management fees are determined in accordance with the provisions of the regulations.

29 With respect to a member/policyholder who has been found, who is not a deceased member/policyholder - the institutional entity is entitled to collect, retroactively, additional management fees, in a manner whereby the management fees which will be collected with respect to the period beginning from one year after the date when contact was lost, until the date when the member/policyholder was found, will be at a rate of up to 0.5% of the accrued balance in their account (instead of 0.3%).

In the amendment, it was determined that the aforementioned maximum limit will be applied to anyone who begins receiving an annuity from a pension fund, beginning from the date when the amendment enters into effect, also to life insurance policies which will be marketed from that date onwards. The regulations apply the aforementioned maximum limit also to recipients of survivor annuities with respect to old age pension annuity recipients, on the aforementioned date.

The reduction of management fees for annuity recipients, discounts on management fees which are given to annuity recipients, in combination with the undertaking to provide discounts throughout the entire lifetime of the member and their survivors, resulted, in 2022, in a decrease in management fee revenues collected from annuity recipients, including survivors, relative to the management fees which would have been collected, if not for the aforementioned change.

The Company estimates that the rate of the Company's revenues from management fees which will be collected from annuity recipients (relative to the scope of managed assets for recipients of those annuities) will continue decreasing in the coming years, as additional members retire, from whom management fees will be collected at a rate of 0.3%, and the reduction (due to death) of the number of annuity recipients from whom management fees are collected at an annual rate of 0.5%. The Company also believes that the reduction of management fees for annuity recipients has contributed, during 2022, to the continuation of the trend of increasing transfers of policyholders before retirement from life insurance products to pension products; however, the Company is unable to estimate the extent to which the foregoing reduction has contributed to the trend.

For details regarding the management fees which were collected by the Group's member companies in the various products in the years 2020 to 2022, see section 6.1.2.2 above, and Notes 20 and 30 to the financial statements.

Expenses in connection with investment management

In addition to the management fees, the institutional entities collect expenses in connection with the management of members' investments for third parties, subject to the provisions of the **Control of Finance Services Regulations (Provident Funds) (Direct Expenses Due To Execution Of Transactions), 2008** (hereinafter: the "**Direct Expenses Regulations**"), which specify the types of expenses which can be charged to members.

Up to and including the reporting year, the Direct Expense Regulations have imposed a cumulative quantitative annual limit, at a rate of 0.25% of the assets, on the amount of expenses which may be charged to members with respect to part of the expenses.

Beginning in January 2023, the aforementioned limit was canceled, and a mechanism was established according to which the institutional entity will determine, with respect to each track or provident fund management by it, the max limit on external management fees (and not all of the direct expenses) for the relevant fiscal year, without establishing a cap on those commissions in the regulations. Restrictions were also established regarding the types of expenses which are permitted for the different types of investment tracks which will be created after January 1, 2023. The institutional entities were also obligated to give information to members and policyholders, on their date of addition, and as part of the annual statements, regarding the direct expenses.

For details in connection with the aforementioned regulations, see section 10.5.5.1(a) below.

The total amount of expenses which are collected from members constitutes an additional component of the effect on returns for customers in the various savings products, and also constitutes an additional component for comparison between the competing entities, and as a result, affects the competition in the branch.

There is uncertainty regarding the consequences of the aforementioned provisions, due to the uncertainty regarding the disclosure which may be required on the subject of direct expenses, and due to the multiplicity of tracks, which could create an excess of information, and difficulty in comparing the performance of the various tracks.

The information presented on all matters associated with the Direct Expense Regulations constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. The actual consequences could differ from those which were forecasted, in light of the disclosure which may be required regarding the collection of the direct expenses; competition in the market; the conduct of the competing institutional entities and distributing entities; and the preferences of customers.

6.1.3. New products

- **General:**

During the reporting year, marketing began of individual policies which allow making one-time deposits and regular contributions to the same policy, "combined financial savings".

Changes to profile policies during the reporting year:

Further to the reduction of the management fees for annuity recipients in policies which were marketed beginning from February 2022, and further to the changes in the mortality tables in June 2022, in 2022 the Commissioner approved new annuity factors in profile policies, which are expected to be marketed beginning in April 2023.

Changes in the regulations of pension funds during the reporting year:

Clal Pension and Provident Funds works, from time to time, subject to the Commissioner's approval, to amend the regulations of the funds which it manages, due, inter alia, to the regulatory changes and the need to perform operational adjustments.

(A) Comprehensive pension fund - "Clal Pension"

In January 2022, an amendment to the regulations of the comprehensive pension fund "Clal Pension" entered into effect, which included the addition of an option for members requesting to receive an old age annuity, aged over 67, to choose a maximum period of guaranteed payments, provided that, at the end of the period, their age does not exceed 87, as well as the addition of a dedicated insurance track for members who transferred from another fund, in a manner which will maintain the coverage which they were entitled to receive in the fund from which the transfer was done, subject to the restrictions specified in the regulations.

(B) General pension fund - "Clal Supplementary Pension"

In January 2022, an amendment to the regulations of the general pension fund "Clal Supplementary Pension" entered into effect, in which the wording of the regulations was adjusted according to the wording of the regulations of the comprehensive fund "Clal Pension". As part of the above, inter alia, a stock-based investment track was added to the supplementary fund. It was determined that in case of deposits in an amount exceeding the maximum limit of monthly deposits to the comprehensive fund, the deposits will be transferred to an insurance track in the supplementary fund, which is parallel to the member's insurance track in the comprehensive fund, and that those deposits will be subject to the members' choices, as they applied in the comprehensive fund, with respect to certain insurance coverages in the fund.

(C) Old pension fund - Atudot Pension Fund for Workers & Self-Employed Workers ("Atudot Havatika")

No changes were made to the regulations of the pension fund Atudot Havatika.

On April 14, 2021, the Commissioner approved the fund's request to amend the fund's regulations. The amendment included, inter alia, a request for the Commissioner's approval to update the actuarial assumptions and mortality factors which were published in insurance circular 2019-1-10, and an amendment to the fund's regulations regarding the mechanism for reducing pension annuities with respect to the safety cushion. Within the framework of the request to amend the regulations included, the fund was required to re-calculate the required total sum of subtractions with respect to the safety cushion outline which was adopted by the fund in the past, due to the fact that, in accordance with the outline, and during the years when the fund was required to make a 1.15% reduction from the CPI's total increase over five years, the indices were low or negative in practice. In accordance with the calculations of the fund's actuary, the updated total required subtraction is 6.235% (instead of 5.75%). According to the fund regulations which were approved, as stated above, it was determined that the difference between the total subtractions made in practice, and the new updated subtraction, will be subtracted in two batches and regardless of the index rate, the first on April 15, 2021, and the second on January 15, 2022. Accordingly, the fund implemented reductions in those months.

- **Changes after the reporting year**

Investment tracks reform

As part of the reform in the pension savings segment, in January 2023 certain provisions entered into effect in an amendment to the circular regarding investment tracks in provident funds, which significantly updated and expanded the variety of specialized investment tracks which an institutional entity is entitled to manage, in order to increase competition in the pension savings branch. Most of the circular's provisions will enter into effect on January 1, 2024.

The main provision which entered into effect on January 1, 2023 is the obligation to create two new investment tracks: "marketable combined" and "flexible index tracker" - tracks which will mostly be managed through marketable assets and through index-tracking instruments, respectively. Further to the above, the Group's institutional entities created new investment tracks, as specified below.

For additional details regarding the investment tracks reform, see section 10.5.5.1(b) below.

Changes in life insurance products after the reporting year

In January 2023, amendments to the annex of investment tracks in managers' insurance policies and compensation for the self-employed of the "profile" type entered into effect, in which two new investment tracks were added: "combined marketable" and "flexible index tracker", following the investment tracks reform.

Changes in the regulations of pension funds after the reporting year

In January 2023, amendments to the regulation of the comprehensive pension fund "Clal Pension" and to the general pension fund "Clal Supplementary Pension" entered into effect, which mostly included the following:

1. The addition of two new investment tracks: "combined marketable" and "flexible index tracker", following the investment tracks reform.

2. Setting the rate of management fees which will be collected from annuity recipients who began receiving annuities beginning on February 1, 2022, and from the survivors of those annuity recipients, at 0.3%, in light of the amendment to the Management Fees Regulations, as stated in section 6.1.2.3 above.

3. Update to the actuarial assumptions, including the effective interest rates (as stated in section 6.1.1.2 above) and the mortality tables, in accordance with the provisions specified in Note 38(e1) to the financial statements.

Changes to provident fund regulations after the reporting year

In January 2023, an amendment to the regulations of the provident fund Clal Tamar entered into effect, which mostly included the addition of two new investment tracks: "combined marketable" and "flexible index tracker", further to the investment tracks reform.

6.1.4. Main markets, trends, and changes in supply and demand

The issue of social security in Israel is comprised of a compulsory layer, which is managed by the state, and beginning in 2008, an additional compulsory later which is managed by institutional entities, within the framework of the Compulsory Pension Ordinance, which pertains to all salaried employees in the market, and requires employers to deposit, on behalf of their employees, funds with respect to the compensation and severance pay components, according to the rates specified in the Compulsory Pension Ordinance, within the framework of the comprehensive pension arrangement which was determined as the default arrangement, or within the framework of an insurance fund for annuities, which includes coverage in case of death and disability.

Beginning with the salaries for January 2017, the minimum rates of deposit for all employees and employers in the market are 6% for the employee's component, 6.5% for the employer's compensation component, and 6% for the severance pay component, whereby the rate of employer deposits will be uniform for all types of pension products. It was further determined that the employer's payment, as stated above, will include the acquisition of loss of working capacity coverage for the employee, however, in any case, the employer's contributions to the compensation component will not fall below 5% of the effective salary, and the employer's total costs with respect to the compensation component and the loss of working capacity coverage together will not exceed 7.5% of the effective salary. The effective salary will be the salary for which deposits are made in accordance with the agreement with the employee, but no less the guaranteed salary in accordance with the extension order regarding compulsory pension.

Since 2017, the self-employed are also obligated to contribute to an annuity paying provident fund, according to rates which were determined (deposits at a rate of 4.45% up to half of the average market salary, and at a rate of 12.55% on income exceeding half of the average market salary, and no more than the average market salary), according to their level of income (hereinafter: the "**Compulsory Pension for the Self-Employed Law**").

There are also deposits in the optional layer, which are due to employees' and employers' deposits which constitute a beneficial arrangement, and deposits of self-employed members beyond the legal obligation. The aforementioned optional layer includes deposits at a rate or in an amount which exceed those required by law, as well as deposits to savings channels, some of which do not receive tax benefits, or receive reduced tax benefits.

6.1.4.1. **Life insurance branch**

Trends in supply and demand: During the reporting year, pension was the main pension product which was marketed by the institutional entities to the general public, further to the ongoing trend in recent years, of regulatory encouragement of deposits to pension products, such as the partial backing of mechanism to guarantee returns up to a rate of 30% and increasing the rate of guaranteed returns[30], the determination of pension as a default product within the framework of the Compulsory Pension Ordinance and additional regulatory changes, including the cancellation of guaranteed annuity factors in insurance, except for customers aged 60 or higher, the non-approval of tariffs for the sale of risk coverages within the framework of the managers' insurance policies (see section 6.1.2.1 above), and setting the management fee rate for annuity receipts in pension funds at 0.3% of total assets held against liabilities for the annuity recipients (see section 6.1.2.3 above).

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30 For details regarding the replacement of the designated bonds with the returns supplementation mechanism, and regarding the crediting of returns with respect to the fund assets for which there are guaranteed returns for pension fund members of various ages, see section 10.5.5.1(c) below, and section 6.1.1.2 above.

Since February 2019 there has been a decrease in sales of managers' insurance policies, due to the competitive conditions in the segment, and the absence of approved tariffs in managers insurance. During the reporting year, there was a certain increase in additions to the Company's life insurance products with combined savings, relative to last year, inter alia, due to the launch of a managers insurance product with improved management fees. However, these sales are still significantly lower than the scope of managers insurance sales before the non-provision of approval for risk tariffs in case of death in managers insurance. During the reporting year there was also an increase in sales of the Company's risk and mortgage associated risk products, relative to last year. In parallel, during the reporting year there was a certain increase in the scope of risk policy cancellations (including mortgage associated risk) which were sold in the past, due to the increase in discounts which were offered in the market by competing entities. For a description of the effects of the absence of approved tariffs in managers' insurance, see above.

After the coronavirus crisis caused significant effects in 2020, including the impairment of financial assets in the portfolio of investments managed by the Company, and the decline in total deposits to pension and other products, from late 2020 until the reporting year, upon the recovery in the labor market, there was an increase in total deposits to pension and other products, in parallel with positive returns in 2021, and negative returns in 2022.

During the reporting year, and in light of the situation in markets, negative returns were recorded in the portfolios.

- **Scope of activities**[31]: In accordance with the Commissioner's publications, assets in the life insurance branch in the Israeli insurance market as of September 30, 2022, amounted to approximately NIS 441 billion, of which NIS 354 billion were assets in the new life insurance portfolio (profit sharing policies), as compared with approximately NIS 455 billion as of September 30, 2021, of which NIS 371 billion were assets in the new life insurance portfolio, i.e., a decrease of approximately 3% in total assets, and a decrease of approximately 5% in the assets of the new life insurance portfolio.

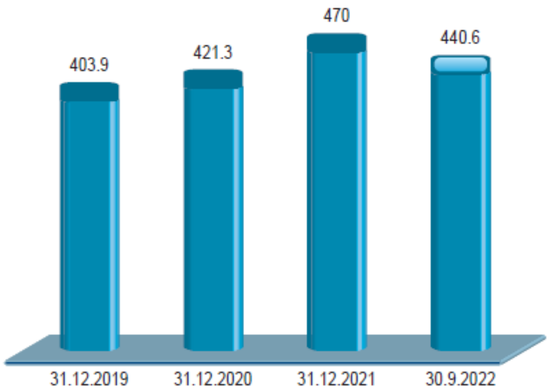
  As of September 30, 2022, assets in the new life insurance portfolio which are managed by Clal Insurance amounted to approximately NIS 97 billion, of which approximately NIS 77 billion of assets in the new life insurance portfolio (profit sharing policies), as compared with approximately NIS 99 billion as of September 30, 2021, of which approximately NIS 79 billion of assets in the new life insurance portfolio, in other words, a decrease of approximately 2% in total assets, and a decrease of approximately 3% in assets of the new life insurance portfolio. These rates were lower than the rates of decrease in the branch.

  As of December 31, 2022, assets in the new life insurance portfolio which are managed by Clal Insurance amounted to approximately NIS 98 billion, of which approximately NIS 78 billion of assets in the new life insurance portfolio (profit-sharing policies), as compared with approximately NIS 102 billion as of December 31, 2021, of which approximately NIS 83 billion in assets in the new life insurance portfolio.

  As of September 30, 2022, assets in the life insurance portfolio which are managed by Clal Insurance constituted approximately 22.1% of total assets in the life insurance market, as compared with approximately 21.8% as of September 30, 2021.

31 The scope of assets in life insurance is based on the amount of insurance liabilities.

Development of assets in the market in the life insurance portfolio
In the years 2019-2022
NIS in Billions



The decrease in assets as of September 30, 2022 relative to December 31, 2021 was mostly due to the decreased returns in most of the investment channels in the capital market, which led to a decrease in the scope of managed assets in the life insurance segment.

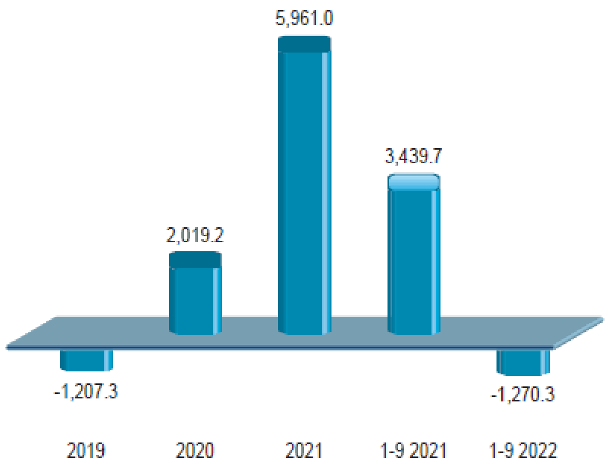
For additional details regarding the change in premiums and redemptions in insurance products, see section 6.4.2 below and Part B of the Report - Board of Directors' Report, section 2.2.1.1.

- **Profitability**[32]: In accordance with the Commissioner's publications, total comprehensive loss before tax from insurance business operations in the life insurance market in the first nine months of the reporting year amounted to approximately NIS 1,270 million, as compared with income of approximately NIS 3,440 million in the corresponding period last year.

  The profitability in life insurance is based, inter alia, on the aggregate result of the following components, component the policy: The financial margin in the guaranteed return life insurance portfolio, the management fees collected from accrual and/or from the investment profits and/or from the deposits in investment-linked policies, the difference between premiums collected to cover insurance risks and expenses, and their actual cost, policy lifetime, investment gains, changes in the changes in the risk-free interest rate curve, the effects of increased life expectancy in policies with guaranteed annuity factors, commissions and other expenses.

32 The loss which is presented in life insurance in 2019 is before the restatement due to the retrospective adoption of the provisions of the circular issued by the Capital Market, Insurance and Savings Authority regarding the measurement of liabilities - liability adequacy test.

Total comprehensive income before tax in life insurance on the market level
2019 to September 2022
- **NIS in millions**



The cumulative results of the insurance companies in the Israeli insurance market in the life insurance branch during the first nine months of 2022 were mostly affected by the significant decrease in investment income, due to decreased returns in most of the investment channels in the capital market. Due to the capital market returns, variable management fees were not collected in the first nine months of 2022 in investment-linked policies of the "preferred" type, and in traditional policies. The total management fees (variable and fixed) which were collected in the first nine months of 2022 amounted to approximately NIS 2,431 million, as compared with a total of approximately NIS 4,381 million in the corresponding period last year.

The market for life insurance products in the first nine months of the reporting year was characterized by an increase in the redemption rate. For details regarding the redemption rate of life insurance policies in the Group during the reporting year, see section 6.4.2 below and Part B of the Report - Board of Directors' Report, section 2.2.1.1.

Liabilities with respect to lifetime payout annuities, regarding policies which are in effect, for which annuities have not yet been withdrawn, are calculated, inter alia, in accordance with the projected life expectancy, and according to the probability of the annuity in policies which are in effect. In recent years, there has been an trend of growth in the annuity realization rate, over the withdrawal of savings funds in a capital amount, in addition and in parallel to the existing increase in life expectancy. The Company updates the liabilities with respect to annuity recipients from time to time. For details regarding the changes due to the update to the demographic assumptions following the mortality tables circular, and regarding improvements to the model, see Notes 38(e)(e1)(d)(2) and (3) to the financial statements. For details regarding the impact of the circular entitled "**amendment to the provisions of the consolidated circular regarding the measurement of liabilities - update to the series of demographic assumptions in life insurance and update to the mortality improvement model for insurance companies and pension funds**", which resulted in an increase and update of life insurance reserves in the amount of NIS 627 million during the reporting year, see Note 38(e)(e1)(d)(2) to the financial statements.

In December 2022, the Company received a letter which extended the period of the tariffs for life insurance products in case of death (risk), which were approved by the Authority as part of the approval of risk tariffs in September 2019, until December 31, 2023. As part of the extension of the risk tariffs approval, the Authority determined that the insurance companies are required to implement a new mechanism for the repayment of commissions on risk policy cancellations (hereinafter: the "**New Mechanism for Repayment of Commissions in Risk Cancellation**"). According to the current mechanism, the cancellation of in the years during the first years after their purchase will result in a gradual repayment of non-recurring sale commissions (first year commissions) which will be paid by the insurance companies to agents with respect thereto; however, the new mechanism for repayment of commissions in risk cancellation determines that the foregoing repayment of commissions will be for a shorter period of three years, and will only apply in cases where the rate of the discount which was given to the customer does not change throughout the lifetime of the policy. The new mechanism for the repayment of commissions in risk cancellation applies beginning from April 2023.

As part of the 2023 Economic Arrangements Bill, which includes, inter alia, provisions regarding arrangements which will apply to compensation which is paid by the institutional entities to the insurance agents, a provision was included which stipulates that insurance agents, including pension insurance agents, will repay to the institutional entity the proportional part of the brokerage fees which were paid to them, upon cancellation of the policy or transfer of the accrued balance, in the period until 6 years after the policy creation date, according to conditions which will be determined. For additional details, see section 10.8.2.2.A.2 below.

The foregoing mechanism, as well as the provisions of the Economic Arrangements Law regarding the repayment of brokerage fees, is intended to reduce the current phenomenon of "replacement" in the insurance and pension market, in which policies are canceled, and new policies are purchased instead for the same customer, and this mechanism may therefore result in increased retention rates in the risk insurance portfolio.

The information presented on all matters associated with the new mechanism for repayment of commissions in risk cancellation, and the 2023 Economic Arrangements Bill in connection with the reimbursement of commissions, constitutes forward looking information, which is based on the Group's assumptions and estimates as of the publication date of the report. Actual implementation may differ significantly from the forecast, and depends significantly on the final mechanism which will be established. the conduct and preferences of license holders; the conduct of competing entities; and the conduct of members and policyholders with respect to their products.

The discontinuation of sale of coverage for accidental death and accidental disability, due to the adoption of the adoption of the provisions of the personal accidents circular, and due to the absence of approved tariffs for those products in most companies in the market, led to a decrease in the sale of life insurance products in recent years. For additional details regarding the personal accidents circular, see section 6.2.2(c) and 8.1.2.1(c) below. For details regarding the uncertainty regarding the tariff approval for accidental death and accidental disability products, see section 6.2.2(c) below.

For the Company's financial information in the life insurance branch, see also Note 20 to the financial statements.

After the reporting date there was an increase in redemptions from short- and medium-term savings products which are managed by the institutional entities (financial savings policies, study fund and study funds). The Company believes that this increase in redemptions was due to a combination of factors, including the interest rate environment and the situation in markets in Israel and around the world, the needs of customers, and investment alternatives due to the interest rate environment. The Company is unable to assess, at this stage, whether the foregoing increase is ongoing, nor its scope. For additional details regarding the effect of various factors on the situation in markets, see **Part B of the Report - Board of Directors' Report, Section 3**, and **Note 38(c)(2)** to the financial statements.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.1 below.

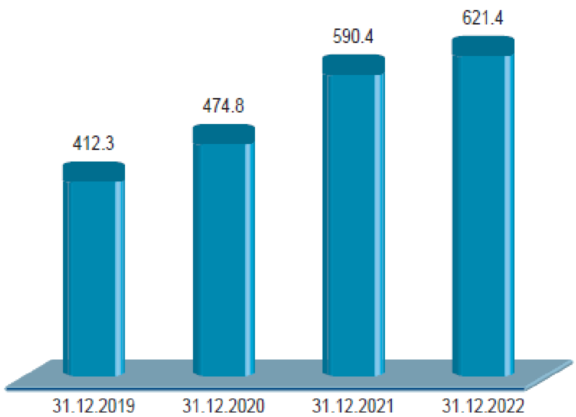
6.1.4.2. **Pension funds branch**

- **Trends in supply and demand**: In recent years, the trend of preference for pension products over insurance and provident products has continued and intensified, and pension products have continued being the leading pension-type product available in the market. As a result, during the reporting year the trend continued of increasing new members of pension products managed in Clal Pension and Provident Funds.

Over the years, the state has encouraged pension savings in the annuity paying channel, inter alia, by backing part of the investments in pension funds through a guaranteed return mechanism (for details, see section 10.5.5.1(c) below); the Compulsory Pension Ordinance, in which it was determined that the default, so long as the policyholder has not chosen otherwise, is to join the pension fund; restrictions on the possibility for insurers to sell new life insurance plans with annuity factors which include a life expectancy guarantee; Default funds (for details, see section 6.2.1(a) below); the crediting of designated bond returns to annuity recipients in pension funds (for details, see section 6.1.1.2 above); and the non-approval of risk product tariffs as part of managers insurance (for details, see section 6.1.2.1 above). All of the above have created a preference among customers, in recent years, for the annuity product, which is purchased in the pension fund, despite certain advantages of insurance over pension products.

- **Scope of activities**: In accordance with publications issued by the Commissioner, the scope of accrued assets in the new and general pension funds in the pension market as of December 31, 2022 amounted to approximately NIS 621.4 billion, as compared with approximately NIS 590.4 billion in the corresponding period; i.e., an increase of approximately 5.3%. The increase in the scope of accrued assets was mostly due to deposits throughout the year, which were offset from the decrease in returns on managed assets. The share of the comprehensive and general pension funds in the Group out of the total market for comprehensive and general pension funds, as of December 31, 2022, amounted to approximately 16.0%, as compared with a rate of 15.8% in the corresponding period. The net accrual in the market for comprehensive and general pension funds with respect to deposits during the reporting year amounted to approximately NIS 55.3 billion, as compared with approximately NIS 43.4 billion in the corresponding period.

Development of assets in the new and general pension funds market
In the years 2019-2022
NIS in billions



- **Profitability**: Profitability in pension funds is based, inter alia, on the difference between the management fees charged by managing companies, and actual expenses. The management fees and expenses are affected by the number of members, the scope of accrued assets, and the amounts of deposits, are also affected by the capital market returns.

  The intense competition in the pension market is reflected in discounts on management fees to members. The creation of chosen default funds has caused a decline in the average rate of management fees for new members, existing members and annuity recipients. The management fee rate proposed by the currently operating chosen pension funds were updated, in a process whose results were published in September 2021, and the Company is unable, at this stage, to estimate their long term effects.

For details regarding provisions in connection with the increased competition in the pension savings market, and the implications thereof, and regarding the competition over annuity recipients, see section 6.2.1 below and 6.1.2.3 above. For details regarding the scope of assets, accrual and average management fees, see section 6.1.2.2 above. For the Company's financial information in the pension fund branch, see Note 20 to the financial statements.

A series of regulatory changes which were applied in recent years resulted in increased competition in the pension branch. However, in recent years there has been significant business growth in the Company's activity in the pension and provident branches, which led to growth in operating profitability.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.3 below.

- In the old pension funds branch, no change occurred in supply and demand, in light of the fact that these funds are closed to the joining of new members.

6.1.4.3. **Provident funds branch**

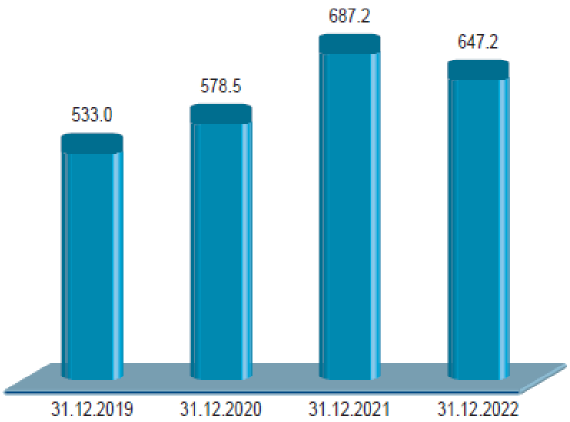
- **Trends in supply and demand:** The demand for provident products, which are mostly savings product only, was mostly focused on the provident fund product, mainly involving the transfer of existing accruals between the different institutional entities, and the receipt of one-time deposits upon the member's retirement or death (pursuant to amendment 190), with respect to study funds and provident funds for investment - in new deposits, and in transfers of existing accruals between the different institutional entities; along with competition over management fees and returns.

- **Scope of activities**: In accordance with the Commissioner's publications, the total assets in provident funds in the provident fund market amounted as of December 31, 2022 to approximately NIS 647.2 billion, as compared with approximately NIS 687.2 billion as of December 31, 2021, a decrease of approximately 5.8%. This decrease was mostly due to the decrease in returns on managed assets, which was partly offset by the net positive accrual of approximately NIS 25.1 billion, which together caused (after deducting the collection of management fees) a decrease of approximately NIS 40 billion in the assets of provident funds in the market.

  For details regarding redemptions from short- and medium-term savings products which are managed by the institutional entities after the reporting date, see above.

  As of December 31, 2022, the scope of provident fund assets managed in the Group constitute approximately 8.5% of total assets in the provident fund market, as compared with approximately 7.1% as of December 31, 2021.

Development of assets in the provident fund market
In the years 2019-2022
NIS in billions



- During the reporting year, the trend involving the transition of members and accrual between the provident funds continued. According to the Group's estimate, this trend us due to the competition between the funds over returns, the competition over management fees, and the increased transparency in the branch.

  For the Company's financial information in the provident fund branch, see section 6.1.2.2 above.

- **Profitability**: Profitability in the provident funds is based, inter alia, on the difference between the management fees charged by the managing companies, and the actual rate of expenses. The management fees are affected by the competition on the market, the scope of accrued assets and returns in the managed assets, as well as regulatory changes. During the reporting year, average management fees declined, mostly in the study funds.

- **Customers**: During the reporting year, no material changes occurred in the mix of customers in the branch. For additional details, see section 6.4.4 below.

6.1.5. **<u>Material expected changes in the Company's share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products</u>**

Life insurance policies, pension funds and provident funds serve as alternative products to one another, in light of the fact that they are long term savings products, which confer entitlement to tax benefits, and in which insurance coverages can be combined. Following the regulatory changes, the uniformity between the various products has increased, as reflected, inter alia, in terms of the structure of management fees, in the ability to sell insurance coverages to members and in the absence of guaranteed annuity factors. According to the Group's assessment, the pension product will continue being the leading product in the market, inter alia, in light of the Compulsory Pension Ordinance, the Compulsory Pension for the Self-Employed Law (for details, see section 6.1.4 above), the provisions in connection with default funds (for details, see section 6.2.1(a) below), the existence of guaranteed return mechanisms (for details, see section 10.5.5.1(c) above), improved factors for annuity recipients through pensions, relative to managers' insurance (although the factors are not guaranteed), and the absence of tariff approval for risk products within the framework of managers' insurance products (for details, see section 6.1.2.1 above).

During the reporting year, the Group was the third largest group in the pension market, and had a certain relative advantage, in light of the fact that it markets the entire variety of products in the segment.

6.1.5.1. **Life insurance branch -**

In accordance with the Commissioner's publications, during the reporting year, the Group was the second largest group in the life insurance branch, in accordance with the scope of managed assets, as defined by the Commissioner. The Company is not aware of any expected material changes to its overall share in the life insurance branch, which depends, inter alia, on the conduct of competing institutional entities, on the preferences of policyholders and members, on the conduct of distributing entities, and on the effects of regulatory changes in the pension savings segment, with respect to managed assets and new sales, and the feasibility of continued future sales of risk insurance as part of managers' insurance policies.

The fact that the annuity-paying insurance policies which were sold in the past and which include annuity factors which include a life expectancy guarantee (as well as policies which are currently sold to people aged 60 or older), have a relative advantage over the pension funds for customers, with respect to the period after retirement age, due to the fact that they are not subject to regulatory provisions and do not include an actuarial balancing mechanism. On the other hand, the existence of a guaranteed return mechanism for annuity recipients or for members close to retirement age in pension funds, and the rate of management fees which are collected from annuity recipients, may affect the share of the insurance branch in the pension savings market.

The absence of approved tariffs for the sale of insurance in case of death (risk) in managers' insurance policies (for details, see section 6.1.2.1 above) also led to an increase in the preference for purchasing pension products, at the expense of insurance products.

Another additional which could arise for the pension product is due to the relative costs of the insurance coverages in the pension fund, relative to their cost in the managers insurance product, and the amount of management fees in the pension product vs. the managers insurance product.

6.1.5.2. **Pension funds branch -**

During the reporting year, the Group was the third largest group in the pension funds branch, in accordance with the scope of managed assets, as defined by the Commissioner. According to the Company's estimate, in the coming years, the pension products will continue being leading products in the pension savings market. The Company estimates that the share of Clal Pension and Provident Funds in the pension branch will be affected, inter alia, by the rate of management fees which will be collected, by returns, by service, and by the competition between institutional entities, the conduct of distributing entities, the preferences of policyholders and members, and the relevant regulatory directives.

As stated above, the share of Clal Pension and Provident Funds in the pension branch is affected, and is expected to continue being affected, to a significant degree, by the default funds, in light of the rate of management fees collected therein, and their direct and indirect effects on competition in the market. For details, see section 6.2.1(a) below, in light of the operational advantage of those funds regarding the addition of new members, which dictate that it is not necessary to fill out a form in order to join them; and the impact of changes in the mechanism for ensuring the stability of pension funds and crediting of guaranteed returns (both by virtue of designated bonds, and by virtue of the returns supplementation mechanism) on the age groups, between the different pension funds. For details, see sections 10.5.5.1(c) below and 6.1.1.2 above. The Company believes that the multiplicity of competitors, regulatory changes in recent years, and the intense competition in the segment (both on the joining date and regarding the transfer of existing members), which is reflected, inter alia, in the competition over management fees and returns, affect the rates of retention and new sales of the various pension products, and may affect the Company's market share.

The continued absence of approved tariffs for the sale of risk coverages in managers' insurance policies, as specified above, may continue to result in a continued preference for pension products.

Additionally, the continued growth of members' requests to transfer to pension funds proximate to their date of retirement could also have a significant impact on the Company's business results. During the reporting year, there was an increase in the amounts for which transfers were made for members proximate to their retirement date, and the Company believes that this is a trend which could increase in the coming years.

6.1.5.3. **Provident funds branch -**

During the reporting year, the Group was the fifth largest group in the provident funds branch, in accordance with the scope of managed assets, as defined by the Commissioner. The Company's share in the provident fund branch is affected, inter alia, by the competition between the institutional entities and investment houses, which is affected by the returns of the provident funds, the amount of management fees, and the service which will be given to members.

The study funds differ from the other pension savings products due to the fact that they provide the possibility for medium term savings, which grants eligibility for tax benefits. The Company's share in the study fund branch is affected, inter alia, by the competition between the institutional entities, which is affected by the returns of the study funds, the variety of investment tracks, management fees, and the service which will be given to members.

During the reporting year, the Company's method of dealing with competition in the market, particularly in terms of returns and management fees, and the possibility to transfer provident funds for investment, resulted in a significant increase in total managed assets in the provident funds for investment which are managed by Clal Pension and Provident Funds. For details regarding changes in the scope of deposits to provident funds for investment, see section 6.1.2.2 above.

The information presented on all matters associated with the future changes in the Company's share in the markets, in the various pension products, constitutes forward looking information, which is based on the Group's estimates and assumptions as of the publication date of the report. The changes, and the effective implications thereof, may differ from those which were predicted, in light of the many regulatory changes which are at the initial stages of implementation; future regulatory changes, if any, which could affect the Company's share in the different markets; competition in the market; the conduct of the competing institutional entities and distributing entities; and the preferences of customers.

6.2. Restrictions, legislation, standardization and special constraints which apply to the operating segment

The activity in this segment is subject to the provisions of the law which apply to insurers, pension funds and provident funds which are active in the segment - including the Insurance Law, the Provident Funds Law, the Pension Advice Law and the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964 and subject to the Commissioner's directives which are published from time to time. Provident funds and pension funds are managed by managing companies; insurance funds are managed by insurance companies.

The activity in this segment requires a license from the Commissioner, in accordance with the Insurance Law and the Provident Funds Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance. A managing company of provident funds which manages a pension fund is required to obtain an insurer license, which also constitutes a managing company license, for all provident funds under its management. A managing company to which an insurer license has been given, as stated above, is currently entitled to manage all types of provident funds, excluding insurance funds. A managing company may manage one comprehensive new pension fund, one new general pension fund, one old pension fund and provident funds.

A managing company is also entitled to engage in another segment which pertains to a pension product that was approved by the Commissioner, subject to the approved terms, provided that the engagement is regulated in accordance with the provisions of the Provident Funds Law, the Insurance Law or the Pension Advice Law. Additionally, any provident fund which is managed by a managing company requires approval for the management of a provident fund, which must be renewed annually.

The Insurance Law prescribes that a permit for control of an insurer will not be given to any person if, after the issuance of the permit, that person will have a holding exceeding 15% of the total long term savings assets, as defined in the Insurance Law. The Insurance Law permits a material holding in the long term savings segment if that material holding originates from changes which are due to operating activities. To the best of the Company's knowledge, in accordance with the weighing of the information, which is published on the Commissioner's website, the scope of the Company's holdings in the long term savings segment as of September 30, 2022 is approximately 13.7%.

The operating segment is characterized by significant, extensive, and frequent regulation, both with respect to products which were sold in the past and are still effective today, and with respect to products which are currently sold, which is intended, inter alia, to increase transparency, competition and quality in the market.

Presented below are details regarding significant changes which have been made to the regulatory provisions in the operating segment in recent years:

6.2.1. Increased competition in the pension savings market

In recent years, various directives and regulations were published which resulted in increased sophistication of the market, and in competition and transparency, inter alia, with the aim of allowing pension savers to better adjust the products to their particular needs, and to simplify their decision-making process. Presented below are details regarding the main provisions:

A. Default funds

The provisions of the circular "provisions regarding the selection of provident funds" (hereinafter: the "**Default Fund Circular**"), regarding the selection of chosen pension funds, which are default funds to which members who have not filled out a provident fund new member form, and whose employer has not chosen a default fund in a competitive process they conducted, are added (hereinbefore and hereinafter: "**Default Fund**"), in September 2021 the results of a process were published, which involved the selection of four competing pension funds, including two new pension funds, to serve as chosen funds for a period of three years, with management fees of 1% of the deposits and 0.22% of the accrual, beginning in November 2021.

In accordance with the selection process of chosen funds, the management fees which the default funds will collect from annuity recipients who retire during the winning period (even if they join through ways other than the default), will not exceed 0.3% per year, throughout the entire annuity receipt period.

In parallel, the provisions of the process of selecting chosen funds included an update regarding default annuity paying provident funds or study funds which are chosen in a competitive process conducted by the employer. With respect to that process, in which each managing company is entitled to participate, and for which the criteria include a service level indicator, returns and management fees, it was determined that the employer is also entitled to take into account the risk index (Sharpe index), and it was further determined that the weight which will be given to the proposed rate of management fees for old age annuity recipients who retire during its period of service as a chosen fund, will not exceed 10% of the score.

The creation of the default funds, and the competitive advantages which are available to them, have a significant sector-wide impact on the pension fund market. The provisions of the default fund circular, including the provisions in connection with the determination of management fees as a primary criterion, resulted in the entry of new players into the market, in a decrease of the average management fees which are collected in pension funds and in study funds, and in the past, also resulted in increased transfers from the pension fund of Clal Pension and Provident Funds (including due to the entry of default funds for employers, against which Clal Pension and Provident Funds competes). The above effect was intensified in light of the combined impact of the aforementioned provisions together with the provisions regarding transferring while joining (see section 6.3.1 below).

However, the rate of management fees which are offered by the currently operating chosen pension funds were updated in a process whose results were published in September 2021, and their impact of the reduction of the management fee rate was lessened. Additionally, and due to the increased scope of pension marketing performed by the Company (through agents and directly), the returns which were achieved by the Company, the improvement in service given by the Company, and due to the absence of approved tariffs for the sale of risk coverages as part of managers' insurance (for details, see section 6.1.2.1 above), there was an increase in new member deposits to the pension funds which are managed by Clal Pension and Provident Funds, relative to last year.

B. Removal of operational barriers - Transfer of information in the pension savings segment and the pension clearing house

Over the years, the Authority adopted a series of measures which were intended to lift operational barriers and facilitate the receipt of information, the creation of transparency and the lifting of barriers to transition between different products.

The above included, inter alia, the establishment of the pension clearing house (hereinafter: the "**Pension Clearing House**"), which is used to transfer information between the various entities in the pension savings market (institutional entities, license holders, employers, policyholders and members), and to perform a series of actions (some of which must be performed through the pension clearing house only). Since the establishment of the pension clearing house, provisions were added and updated with respect to the information and requests which must be transferred through the pension clearing house.

For the purpose of implementing the provisions pertaining to the transfer of information through the pension clearing house, a circular gradually entered into effect which determines the structure of a standard record, which is intended for use by the institutional entities, license holders and other consumers of information in the pension savings segment, as part of the various business activities which are performed between them (hereinafter: the "**Standard Structure Circular**"). The provisions of the standard structure circular are updated from time to time, and their implementation involves operational and IT preparation over time.

The standard structure circular includes several interfaces which are intended to create a standard framework for the transfer of information between the various entities, in fixed timetables, including an employers interface, which mostly includes the creation of a structured interface for the transfer of information regarding employers' payments to pension products on behalf of their employees, for the purpose of properly registering their rights in the institutional entity's systems, and information regarding the discontinuation of deposits, and the reason for the discontinuation of those deposits; The events interface through which requests for information and requests to execute transactions are submitted[33]; The holdings and pre-advice interface[34]; The severance pay balances interface[35]; The mobility interface[36]; The employers' interface for information[37] and feedback.

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33 The events interface is an interface which expresses all of the requests that are received by the Company from the clearing house, whether these are requests for information, or requests to perform actions.

34 The holdings interface is an interface which includes data regarding the pension products of policyholders and members, which an institutional entity is required to submit to a license holder further to their request to transfer information regarding the customer.

35 The severance pay balances interface is an interface for the provision of information regarding severance pay balances, to employers with respect to their employees, or to policyholders with respect to their periods of employment at employers.

36 The mobility interface regulates the process of transfer funds between institutional entities, and determines that the transfer of funds which takes place between the institutional entities will be performed through the pension clearing house only.

37 The information interface for employers establish information which the employer is entitled to receive from the institutional entity through the interface, and deadlines for the institutional entity to provide responses to employers.

A draft amendment to the standard structure circular which was published during the reporting year includes the creation of an interface for splitting policies, which pertains to the receipt of provisions regarding the attribution of the deposits to the various products of policyholders, and an events interface, which is intended to allow policyholders and members to execute various transactions involving their pension products.

The clearing house assists and streamlines the processes of transferring information regarding pension funds, removes operational barriers and facilitates the transfer of funds between competing institutional entities, and the identification of those funds, and facilitates the joining of members and collection processes, and therefore assists in increasing competition and in increasing the efficiency of operational processes.

According to the Company's assessment, the use of the various interfaces, primarily the employers interface, and the regulation of the process of transferring information and handling funds, are having positive effects, inter alia, by improving the information which is available to institutional entities regarding the deposits of funds to them, and accordingly, by improving the funds intake process, and reducing the dependence on marketing entities. The process of implementing the ongoing treatment of this issue in the systems of the Group's institutional entities resulted in a significant improvement in the treatment of the pension monies which are managed by the Company. The Group's institutional entities are still in the process of implementing and handling the issues which come up during the implementation of the standard structure circular, including by improving the automation system and the workflows. It is noted that the entry into effect of the directive regarding the reporting requirement on the level of the policyholder, as part of the employers interface (as opposed to reporting on the level of the policy), is expected to add operational difficulty to the association of the deposits to the various pension products of policyholders and members.

C. Commission arrangements with respect to insurance products and pension savings products

For details regarding the Commissioner's position and the amendment to the Control of Financial Services (Provident Funds) (Amendment No. 20) Law, regarding the separation of commissions from management fees; For details regarding a bill regarding providing the possibility for banking corporations to provide pension advice over the phone or by digital means, see section 10.8.1.1 below; and for details regarding the **Control of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006**, pertaining to the distribution commissions which a pension adviser is entitled to receive from an institutional entity, see section 10.8.1.1(b) below. For details regarding provisions with respect to the payment of nominally identical brokerage fees for each group of alternative products (as part of the 2023 Economic Arrangements Bill), see section 10.8.2.2.a.1 below; For details regarding provisions with respect to the obligation of insurance agents to repay brokerage fees which were paid to them upon cancellation of the policy or transfer of accrued funds, in the years after its creation, and the duty of disclosure which will require license holders to disclose to their customers the brokerage fees which is expected to be paid to them, as proposed in the 2023 Economic Arrangements Bill, see sections 10.8.2.2.A.2 and 10.8.2.2.A.3. below; For details regarding provisions as part of the 2023 Economic Arrangements Bill, in connection with prohibition against refusal, by an institutional entity, to engage with a pension adviser, and the terms of such engagement, see section 10.8.2.3 below.

6.2.2. <u>Products - unification of products, transparency and tariff intervention</u>

Over the years, the Authority has implemented a series of actions with the aim of encouraging and focusing on management fees, returns and service, while unifying the various insurance products which are sold in the market, and the drafting thereof. The above included the creation of a standard framework for different products in the segment, including the regulations of pension funds, loss of working capacity policies and personal accidents policies.

A. New tariffs for life insurance products in case of death (risk)

For details regarding tariffs for life insurance products in case of death (risks), which were approved by the Authority in February 2019, and the absence of approved tariffs for the sale of risk coverages as part of managers' insurance, and the implications of the said tariffs, see section 6.1.2.1 above.

B. Circular regarding the settlement of loss of working capacity claims

In December 2020, a circular was published regarding the "settlement of loss of working capacity claims" (hereinafter: the "**Circular Regarding the Settlement of Loss of Working Capacity Claims**"), which includes provisions regarding the settlement of loss of working capacity insurance claims, which are intended to guarantee a claim settlement process which is fair, efficient, transparent and professional, inter alia, through an objective investigation of the loss of working capacity claims by an independent external entity, similarly to the model which currently exists for disability claims in pension funds, while reducing, as much as possible, the burden on the policyholder.

The circular included, inter alia, provisions with respect to the order of activity and timetable which will apply to the insurer in the claim settlement process, including investigating the claim within 20 business days after the date of receipt of the documents which were submitted by the policyholder to the insurer; and restrictions in cases where investigations can be made, and regarding the methods used to make them. Inter alia, it was determined that an investigation will include only documentation of the policyholder's actions as they occurred, and that, within the framework of a decision to reject a claim, which also relies on findings of an investigation, the insurer should be required to attach to its decision the date and location of the investigation, as well as a picture from the investigation, which allows verification of the policyholder's identity.

The circular requires that insurance companies create a list of medical consulting service providers, including specialized physicians with appropriate geographical distribution who are not employees of the insurance company ("**Medical Consulting Service Provider**"). A doctor will be selected from the list in a random and cyclical manner, and any provider of medical consulting services who chooses to do so may be added to the list, in accordance with the rules specified in the circular.

The circular includes an option to refer policyholders, as part of the investigation of their claims, for medical examination by a company physician or by a provider of medical consulting services, in the Company's discretion. Appeals against the medical opinion will be heard a medical committee (which will include physicians from the list of medical consulting service providers, and insofar as the policyholder has so requested - also including a physician on their behalf). Appeals against the decisions of the medical committee will be heard by a medical appeals committee, which will be coordinated by a private company or hospital.

The application date of most of the circular's provisions was September 1, 2021, and they apply to loss of working capacity claims which are first received by an insurance company after the date of the circular's entry into effect.

The described processes, provisions and restrictions set forth in the circular with respect to the settlement of loss of working capacity claims are expected to have an impact on the entire claim settlement process with respect to loss of working capacity claims, both from the operational perspective, and on all matters associated with claim settlement and the tools which will be available to the insurer to ascertain its liability, and as a result, are expected to increase claim settlement costs. However, the Company is unable to estimate the full impact at this preliminary stage of the adoption of the circular, or the intensity thereof.

The information presented on all matters associated with the possible implications of the circular regarding the settlement of loss of working capacity claims, as described above, constitutes forward looking information, which is based on assumptions and estimates made by the Group, and actual results may differ significantly from the forecast, and depend, inter alia, on the manner of actual implementation of the circular's provisions, and the implications of the loss of working capacity claim settlement process, including with respect to claims which will be settled after the application date, based on policies which were marketed and priced before the circular entered into effect.

C. Personal accidents circular

The provisions of the personal accidents circular, which was published in June 2020, include a provision stipulating that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of that circular. The provisions of the personal accidents circular impose burdens on the process of selling accidental death and accidental disability policies, both with respect to obligations will apply to the entity performing the activity of addition to insurance, and in light of the complexity of the sale process itself. As of the publication date of this report, updated tariffs for accidental death and accidental disability policies which are adjusted for the provisions of the personal accidents circular have not yet been approved for Clal Insurance (and, to the best of its knowledge, they have also not been approved for most of the other companies). There is uncertainty regarding the approval of tariffs for the sale of these coverages, and regarding their amount, if approved. In light of the above, as of the reporting date, Clal Insurance (and, to the best of its knowledge, most of the competing companies) is not marketing individual policies offering coverage for accidental death and accidental disability.

For additional details regarding the consequences of the personal accidents circular, including a provision stipulating that coverage for accidental death and accidental disability will be marketed in accordance with the provisions of the personal accidents circular, see section 8.1.2.1(c) below.

6.2.3. Other

6.2.3.1. **Discontinuation of increase in the tax benefit upon withdrawal of pension annuity (amendment to amendment 190)**

In May 2012, the **Amendment to the Income Tax Ordinance (No. 190 and Transitional Provision) Law, 2012** ("Amendment 190") was enacted, which included, inter alia, the expansion, over time, of the tax benefits which are given upon the withdrawal of funds in annuity savings channels. Amendment 190 resulted, over the years, in a certain increase in the retention of funds designated for compensation and accrued funds in provident funds of members who passed away. The Company estimates that the increase of the tax benefits for annuities also led to an increase in the rate of annuity takers. In accordance with the amendment 190, an increase in the tax benefits was expected, over a certain period; however, in the state budget for the years 2023-2024, it is proposed to cancel the continued increase of the tax benefit for pension funds, and the additional tax benefit, which was expected to apply beginning in 2025, will be canceled, and it will remain at a rate of 52%, and will not increase to 67%, as originally determined. The Company is currently unable to assess the effect of this proposal, if and insofar as it is accepted as a binding directive, although it could affect the continued accrual of relevant monies in the funds.

6.3. **Competition**

6.3.1. The competitive conditions in the operating segment and names of the significant competitors in the segment

This segment involves intense competition between all of the institutional entities, both during the stage of joining the pension product and during the savings period, in connection with mobility and maintaining existing accruals between the various institutional entities. There is also competition, regarding policyholders and members who are approaching the time when they will begin receiving the annuity, over the product from which they will receive the old age annuity.

The competition over joining pension funds is intensifying in light of the provisions regarding transferring while joining, according to which, when a member joins a new pension fund, and so long as the member has not requested otherwise, the savings funds which are available to them in inactive accounts in other new pension funds will be transferred to the new pension fund which they have requested to join, while maintaining continuity of insurance (hereinafter: "**Transferring While Joining**").

The combination of the provisions regarding transferring while joining pension funds, with respect to members who joined in the past, and who will join pension funds in the future, together with the default funds, resulted in the past in a significant increase in the scope of assets of the default funds, at the expense of the other entities which are engaged in the market, and adversely affected market shares, accruals and the rate of management fees which are collected in the pension funds that are managed by Clal Pension and Provident Funds (inter alia, because the rate of management fees in inactive accounts which are transferred to other pension funds is significantly higher than the rate of management fees which is collected from inactive monies which are transferred to the pension fund which is managed by Clal Pension and Provident Funds).

Since August 2020, monetary transfers between provident funds for investment have also been allowed.

As stated above, the continued growth of members' requests to transfer to pension funds proximate to their date of retirement could also have a significant impact on the Company's business results. This trend is affected, inter alia, by the provisions of the Crediting of Returns Regulations and the guaranteed returns mechanism in pension funds.

The information presented on all matters associated with the consequences described above constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report. Actual implementation may differ significantly from the forecast, which depends on the competitive conditions; the conduct of the competing institutional entities; the preferences of members and policyholders and their conduct with respect to their products; the implications of other legal provisions in the segment; and their combined impact, together with the aforementioned provisions.

Presented below are details regarding the competitive conditions which affect addition to pension products, and the mobility of the pension products which are managed by the Group's institutional entities. For details regarding the transfer of funds from and to the Group's institutional entities in long term savings branches during the years 2020 to 2022, see section 6.4.5 below.

Life insurance, pension and provident products are partially alternative products with specific emphases in each of them. In light of a series of reforms in the segment, which reduced the variability between the products, and gave preference to annuity products, the cancellation of the guaranteed factors in the insurance funds, the relatively low cost of the insurance coverages in the pension fund, the management fees which are collected, the guaranteed returns on some of the assets in the pension funds, and the creation of default funds, pension funds are the main product which is being marketed to the general public. For details regarding trends in supply and demand during the reporting year, see section 6.1.4 above.

Insurance products which do not receive tax benefits, such as individual policies or pension savings funds which became liquid, as well as provident funds for investment, are products which also compete amongst themselves and against other investment products which are also marketed by financial entities that are not entities overseen by the Commissioner, mostly including banks, portfolio managers and mutual funds.

The competition in the segment is focused on returns, on existence or absence of annuity or guaranteed return factors, the amount of the management fees (and the given discounts), the insurance coverages and the costs thereof, the service level, and supplementary insurance solutions.

In accordance with the Commissioner's publications, as of December 31, 2022, the Group is the fourth largest in the life insurance branch, the third largest in the pension fund branch, and the fifth largest in the provident fund branch, and in total, the Group is the third largest in the pension market, in accordance with the scope of managed assets, as defined by the Commissioner.

The competition in risk and loss of working capacity products takes place between the various insurance companies, and is focused on the given tariffs and discounts, due, inter alia, to the significant similarity between the terms of the products (on this matter see, inter alia, the provisions regarding the determination of tariffs in risk insurance, as specified in section 6.1.2.1 above). Additionally, pension funds which include survivors insurance (in case of the member's death) and disability insurance also constitute competition to the risk and loss of working capacity products, as a supplementary product to managers insurance.

The competition between the products in the segment intensified due to the combined impact of regulatory changes which were made in recent years, including the creation of default pension funds (for details, see section 6.2.1(a) above), the trend of unification between the different products, the removal of operational barriers which delay money transfer processes between the institutional entities, such as the creation of the pension clearing house and the increased use thereof (see section 6.2.1(b) above), the addition to insurance circular[38], and the removal of barriers to mobility. Additional factors which affected competition include the entry of new players into the market, and their stronger position, as well as the continued trend of preference for the pension product, and the discontinuation of sales of risk insurance products under managers insurance.

The competition over the aforementioned products was reflected, inter alia, in the retention ability, in returns, in the amount of collected management fees and in commissions paid to agents. For additional details, see Part B of the Report - Board of Directors' Report, section 2.2.1.1.

Additionally, during the reporting year there was a trend of acquisition of insurance agencies by institutional entities, which may result in strengthening of their sales branches. For details regarding the acquisition of Newcom Agency by Clal Agency Holdings, a subsidiary of the Company, see section 10.8 below.

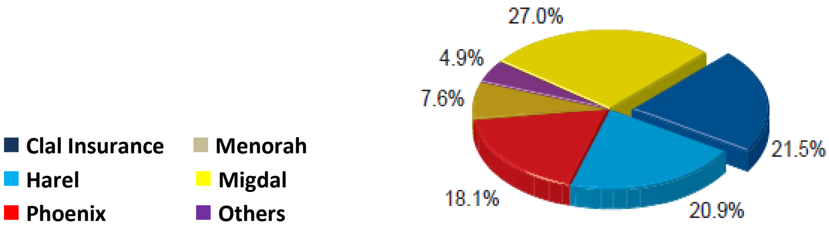
The credit card companies also created, for the first time, insurance agencies owned by them, which use the data of their customers, in accordance with the terms which were determined by the Commissioner. To the best of the Company's knowledge, at this stage these agencies do not market long-term savings products, although some market financial savings products. The Company is unable to estimate the impact of the entry of the credit card companies' insurance agencies open the market for long term savings products.

1) <u>Life insurance branch</u>

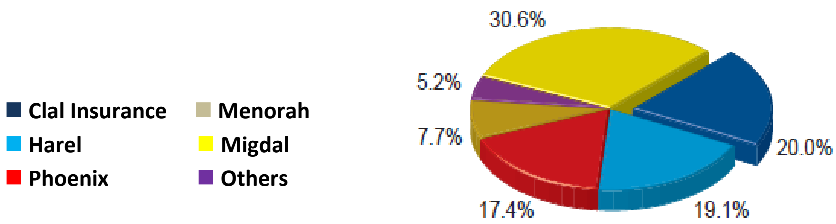
Approximately 95.1% of the life insurance market, in terms of gross premiums earned, is controlled by the five large insurance companies (Clal Insurance, Migdal, Harel, Menorah and Phoenix). Clal Insurance primarily competes against these insurers, against pension funds and against provident funds which provide alternative products and vis-à-vis financial entities. Clal Insurance also competes in the individual insurance segment against the other insurance companies and against financial entities.

[38] The circular regarding addition to insurance, which regulates the conduct of insurance companies and insurance agents when adding an insurance applicant to an insurance plan, included the determination, inter alia, of provisions regarding the process of tailoring the insurance to the customer's specific needs, by querying on the Insurance Mountain website in order to receive information regarding the policyholder's additional insurance policies through other companies; and provisions prohibiting the addition of an insurance applicant to individual insurance which provides compensation, when the policyholder has another policy which provides compensation for an insurance event, except in exceptional cases and/or with the policyholder's consent.

Distribution of premium rates between insurance groups and companies in Israel in the life insurance branch as of September 30,



Distribution of premium rates between insurance groups and companies in Israel in the life insurance branch as of September 30, 2021



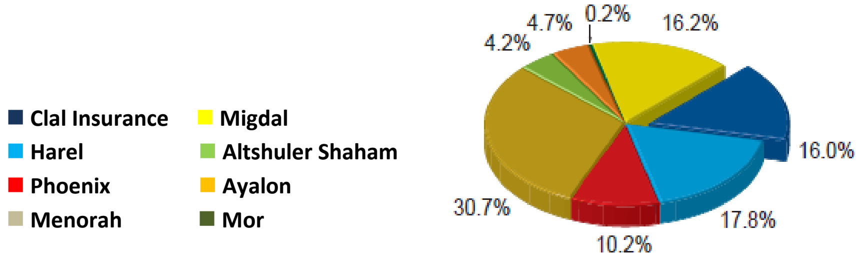
* The scope of premiums in the life insurance branch reflects the premiums which are paid with respect to all policies which are in effect and which were sold over the years, and changes therein do not necessarily indicate a change in supply and demand during the reporting year.

2) <u>Pension funds branch</u>

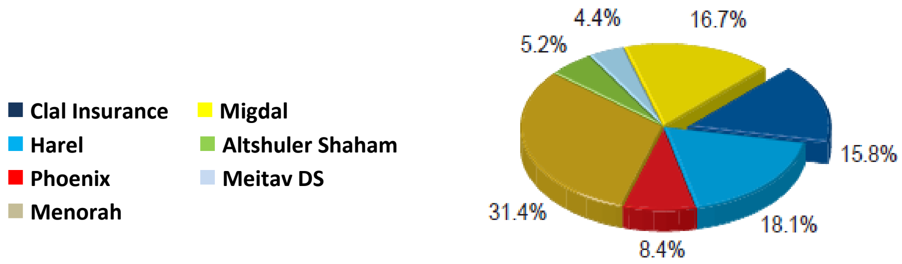
According to the Group's estimate, Clal Pension and Provident Funds competes against the chosen default funds and the managing companies of the large funds, Mivtachim (Menorah) and Makefet (Migdal), and Harel Pension and Phoenix Pension. As stated above, the process of selecting the default funds included the selection of four competing pension funds, including two new pension funds, which commenced activity in 2022.

During 2021, two transactions were closed which involved the acquisition of managing companies of chosen pension funds, and the merger thereof with managing companies operating in the market. On the other hand, the process of selecting default funds (see section 6.2.1(a) above) included the entry of two new competitors into the market. In general, more competitors lead to increased market competition.

Distribution of asset rates in new pension funds between insurance groups and companies in Israel as of December 31, 2022



Distribution of asset rates in new pension funds between insurance groups and companies in Israel as of December 31, 2021

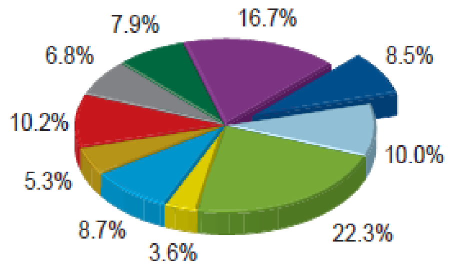


The growth in the Company's market share was due to growth in new members joining the pension fund managed by the Company, the growth in incoming transfers, and the decrease in outgoing transfers. The above was due to the improvement in the Company's position, in terms of returns and service.

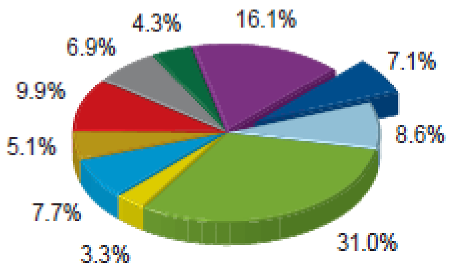
3) Provident funds branch

As of the reporting year, the competition in the branch takes place primarily against the other provident funds for savings. According to the Group's estimate, its main competitors are Altshuler Shaham, More, Meitav DS, Harel, Phoenix, Menorah and Migdal.

Distribution of asset rates in provident funds between private entities and insurance groups in Israel as of December 31, 2022



Distribution of asset rates in provident funds between private entities and insurance groups in Israel as of December 31, 2021



6.3.2. <u>Methods for dealing with competition and factors affecting the Company's competitive position</u>

Dealing with competition in this operating segment takes place on several levels:

- Synergy between the Group's member companies - provision of integrative solutions to customers in all long term savings channels.
- The use of regulatory changes, in order to receive exposure to potential new customers, and to add them as customers.
- Increased operational efficiency - through the improvement of work methods and the improvement of automation systems. For details regarding the improvement of automation and digitization systems, see section 10.10.3.2 below.
- Retaining customers in the existing portfolio and improving customer service – by digitization, activating designated units to handle an issue, creating designated service hotlines, including claims hotlines and employers' hotlines, while presenting a range of existing possibilities in the Group to the customer.
- Expansion of the customer base, both by expanding the distribution channels, including directly, and by increasing the sales volume, product types, and the scope of insurance coverage to existing customers.

- Maintaining a significant scope of activity, and expanding it based on the operations network and the output database.
- A professional and highly skilled investments unit, which aims to achieve maximum returns for policyholders and members, through informed risk management.
- Expansion of the distribution and marketing units, both direct and through agents, by conducting sales promotion campaigns, improving service to agents (including technological improvement in interfaces vis-à-vis agents, and the provision of digital service), recruiting new agents and buying agencies.
- Branding and positioning of the Group.
- Innovation, development of products and adjustment of product to the needs of customers and to changing market conditions, under the regulatory restrictions.
- Competitive tariffs.

The main factors affecting the Company's competitive position include:

- Many years of experience in the life insurance and long term savings segment.
- The Group's reputation in the segment.
- Business ties with distribution and consulting entities over years.
- Direct distribution network.
- The variety of pension products which are sold under one roof.
- Financial stability.
- Returns achieved on savings funds, as compared with the returns of competing entities.
- The service given by the Company to customers and agents, and the claim settlement method.
- Transparency and price - as part of the Commissioner's policy in recent years, significant reforms have been promoted which pertain to transparency, tariff reductions, and increasing competition. These reforms are affecting, and will continue to affect in the coming years, the long term savings segment and the profitability thereof.
- Competitive barriers - for details regarding the lifting of barriers to entry to the market and to the entry of competitors, see section 10.3.1.2 below.

6.4. **Customers**

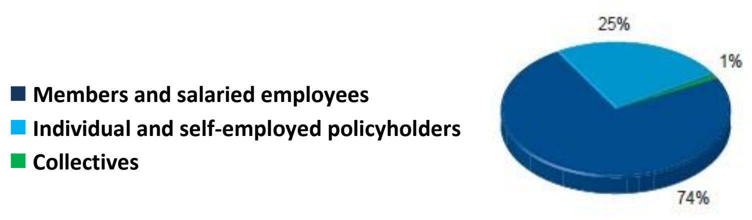
The main types of customers in the long term savings segment include employers, members, individual policyholders, self-employed workers and collectives.

In this segment, the Company is not dependent on any individual customer, or on a limited number of customers. The Company does not have individual customer whose income constitutes 10% or more of the Company's total income in the consolidated reports.

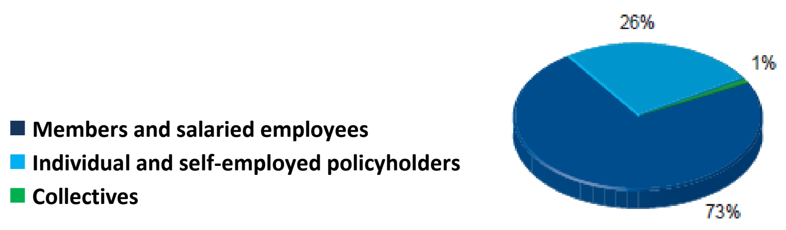
6.4.1. Distribution of Company customers in the life insurance branch by premiums in the years 2022 and 2021

Customer type	2022		2021	
	Gross premiums (NIS in thousands)	Proportion of total sales	Gross premiums (NIS in thousands)	Proportion of total sales
Members and salaried employees	5,049,512	74%	4,688,233	73%
Private and independent policyholders	1,720,889	25%	1,637,458	26%
Collectives	74,046	1%	61,375	1%
Total	**6,844,447**	**100%**	**6,387,066**	**100%**

Distribution of customers in the life insurance branch by gross premiums in 2022



Distribution of customers in the life insurance branch by gross premiums in 2021



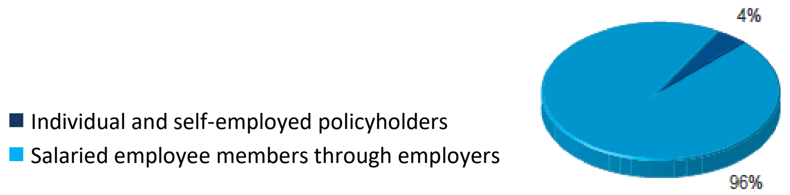
6.4.2. Redemptions in the life insurance branch

In the life insurance branch, the redemption rate from the average reserve during the reporting year was 1.7%, as compared with 1.5 in 2021.

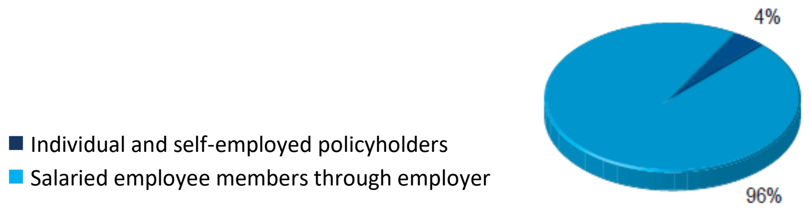
6.4.3. Distribution of the Company's customers in the pension funds branch by contributions for the years 2022 and 2021

Customer type	2022		2021	
	Contributions (NIS in thousands)	Proportion of total sales	Contributions (NIS in thousands)	Proportion of total sales
Salaried employee members	8,048,339	96%	6,625,198	96%
Individual and self-employed policyholders	372,088	4%	308,395	4%
Total	**8,420,427**	**100%**	**6,933,593**	**100%**

Distribution of customers in the pension fund branch by contributions in 2022



Distribution of customers in the pension fund branch by contributions in 2021



6.4.4. Distribution of the Company's customers in the provident funds branch according to contributions in 2022 and 2021

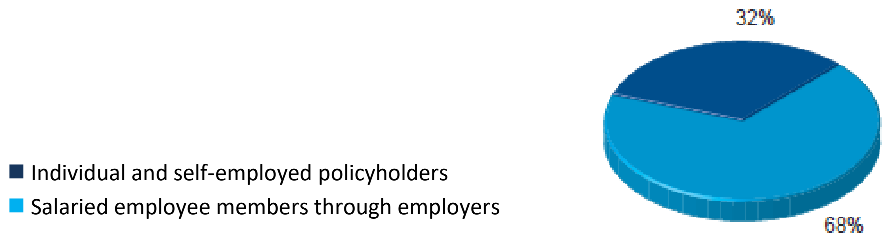
2022

Customer type	Contributions and provident funds (NIS in thousands)	Central severance pay contributions (NIS in thousands)	Contributions / deposits to study funds (NIS in thousands)	Provident funds for investment (NIS in thousands)	Total contributions (NIS in thousands)	Proportion of total contributions (NIS in thousands)
Salaried employee members	367,219	1,023	2,434,731	-	2,802,973	68%
Individual and self-employed policyholders	276,282	-	279,463	792,656	1,348,401	32%
Total	**643,501**	**1,023**	**2,714,194**	**792,656**	**4,151,374**	**100%**

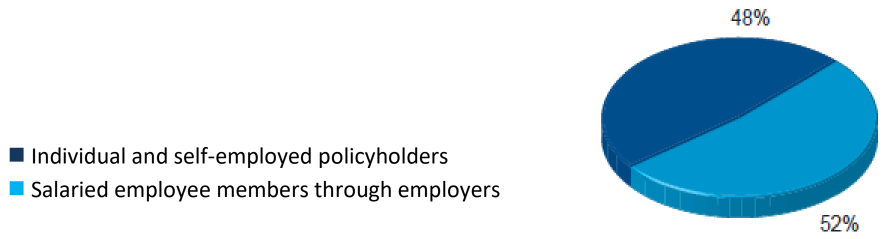
2021

Customer type	Contributions and provident funds (NIS in thousands)	Central severance pay contributions (NIS in thousands)	Contributions / deposits to study funds (NIS in thousands)	Provident funds for investment (NIS in thousands)	Total contributions (NIS in thousands)	Proportion of total contributions (NIS in thousands)
Salaried employee members	322,364	452	1,537,963	-	1,860,779	52%
Individual and self-employed policyholders	740,576	-	183,722	818,513	1,742,811	48%
Total	**1,062,940**	**452**	**1,721,685**	**818,513**	**3,603,590**	**100%**

Distribution of customers in the provident fund branch by contributions in 2020



Distribution of customers in the provident fund branch by contributions in 2021



6.4.5. Information regarding the transfer of funds from and to the Group's institutional entities in the long term savings branch during the years 2020 to 2022:[39]

2022

NIS in thousands	The Group's activity			Total
	Life insurance	Provident funds	Pension	
Transfers to the Group from other entities				
Transfers from other insurance companies	623,679	568,323	931,435	2,123,437
Transfers from pension funds	196,693	197,986	6,459,007	6,853,686
Transfers from provident funds	522,942	8,599,996	116,013	9,238,951
Total transfers to the Group	**1,343,314**	**9,366,305**	**7,506,455**	**18,216,074**
Transfers from the Group to other entities				
Transfers to other insurance companies	220,330	81,148	90,448	391,926
Transfers to pension funds	1,064,923	76,941	3,728,497	4,870,361
Transfers to provident funds	801,679	1,613,659	272,952	2,688,290
Total transfers from the Group	**2,086,932**	**1,771,748**	**4,091,897**	**7,950,577**
Net transfers	**(743,618)**	**7,594,557**	**3,414,558**	**10,265,497**

2021

NIS in thousands	The Group's activity			Total
	Life insurance	Provident funds	Pension	
Transfers to the Group from other entities				
Transfers from other insurance companies	410,033	421,558	481,925	1,313,516
Transfers from pension funds	220,647	276,502	4,443,228	4,940,377
Transfers from provident funds	326,748	5,999,456	43,481	6,369,685
Total transfers to the Group	**957,428**	**6,697,516**	**4,968,634**	**12,623,578**
Transfers from the Group to other entities				
Transfers to other insurance companies	314,826	62,445	111,523	488,794
Transfers to pension funds	804,076	34,749	3,297,783	4,136,608
Transfers to provident funds	856,484	1,506,735	275,410	2,638,629
Total transfers from the Group	**1,975,386**	**1,603,929**	**3,684,716**	**7,264,031**
Net transfers	**(1,017,958)**	**5,093,587**	**1,283,918**	**5,359,547**

[39] It is clarified that the information presented below does not include monetary transfers between the Group's institutional entities.

2020

NIS in thousands	The Group's activity			Total
	Life insurance	Provident funds	Pension	
Transfers to the Group from other entities				
Transfers from other insurance companies	111,701	129,294	150,869	391,864
Transfers from pension funds	66,408	81,039	1,982,382	2,129,829
Transfers from provident funds	62,339	1,089,713	34,134	1,186,195
Total transfers to the Group	**240,448**	**1,300,046**	**2,167,385**	**3,707,879**
Transfers from the Group to other entities				
Transfers to other insurance companies	213,467	61,517	91,713	366,697
Transfers to pension funds	478,118	40,145	2,811,681	3,329,944
Transfers to provident funds	710,211	2,393,677	245,006	3,348,894
Total transfers from the Group	**1,401,796**	**2,495,339**	**3,148,400**	**7,045,535**
Net transfers	**(1,161,348)**	**(1,195,293)**	**(981,015)**	**(3,337,656)**

7. Non-life insurance segment

7.1. Products and services

7.1.1. Description of the insurance branches and the insurance coverages included in the segment

This segment includes the Group's operations in the non-life insurance branches. The non-life insurance segment is traditionally divided into 2 main categories: (a) property insurance and (b) liability insurance.

Operations in property insurance are considered characterized by "short tail claims", due to the fact that the obsolescence period is only three years after the occurrence of the insurance event, and due to the fact that these claims are submitted, in most cases, during the insurance period. On the other hand, compulsory insurance and liability insurance are considered characterized as "long tail claims", due to the fact that the obsolescence period is seven years after the occurrence of the insurance event, and due to the fact that the insurance claim does not become obsolete so long as the third party claim against the policyholder has not become obsolete, and due to the extended period of time which passes between the date of materialization of the cause of action against the policyholder, and the date of the discovery and/or the filing date of the claim, inter alia, in light of the aforementioned obsolescence period, and/or due to the time period which is required to investigate the claim. The obsolescence period of claims for insurance benefits, in case of disability which was caused to the policyholder due to an illness or accident, will begin on the date when the policyholder earns the right to claim insurance benefits in accordance with the terms of the insurance contract.

Presented below is a review of the main branches which are included in the non-life insurance segment:

7.1.1.1. Compulsory motor insurance branch

A. General

Compulsory motor insurance is insurance which is compulsory for all vehicle owners or drivers to purchase pursuant to the Motor Vehicle Insurance Ordinance (New Version), 1970 (hereinafter, respectively: "**Compulsory Motor**" and the "**Motor Vehicle Insurance Ordinance**"), to cover physical injuries of the vehicle owner, any vehicle passengers, and any pedestrians injured by the vehicle, due to the use of a motor vehicle, pursuant to the Road Accident Victims Compensation Law, 1975 (the "**RAVC Law**"). The purchasing of this insurance is compulsory, and failure to do so constitutes a criminal offense. The terms of insurance coverage are in accordance with the wording of the standard policy which was established in the **Control of Financial Services Regulations (Insurance) (Contract Terms in Compulsory Motor insurance), 2010** (hereinafter: the "**Standard Compulsory Motor Policy**")**.**

In March 2021, the Authority published amendments to the Standard Policy - Compulsory Motor, within the framework of the **Control of Financial Services Regulations (Insurance) (Contract Terms in Compulsory Motor insurance (Amendment)), 2021**. The foregoing amendment entered into effect in September 2021. It was determined, inter alia, that a copy of the insurance certificate can be sent as an electronic message; The collection of expenses with respect to the issuance of new certificates of insurance, and with respect to changes to certificates, was canceled; The obligation to return the original certificate when canceling the policy was canceled; Provisions were established regarding the policy cancellation method; And an option was added to insure the vehicle for reduced premiums in case of non-use for periods of 30 days or more. A standard policy of the "trader badge" type was also added, providing specific dedicated coverage for the use of vehicles bearing the identification symbol "in testing".

As of the reporting date, the amendment to the Standard Policy – Compulsory Motor had no significant effects on the Company's financial results.

This operating branch has several unique characteristics, including, inter alia:

Product uniformity: The scope of liability and the scope of coverage for physical harm corresponds to the provisions of the standard compulsory motor policy, which determined binding standard phrasings.

No fault principle: In accordance with the provisions of the RAVC law, the liability of the vehicle driver or of the individual holding possession of the vehicle is absolute and total liability, with no need for proof of guilt.

Designation of cause of action: Any person who was injured in a road accident, and upon whom the RAVC law confers cause of action, must claim their right in accordance with the RAVC law only, and is not entitled to claim their damages in accordance with any other law. Any person who does not have does not have in accordance with this law may sue the party that caused the damage through a tort claim. In general, the insurer of the involved vehicle is required to cover the injured persons in the insured vehicle, and is not entitled to claim subrogation from the party which caused or contributed to or exacerbated the damage, of the compensation which the insurer paid to the injured party.

Special methods of compensation: The RAVC law, and accordingly, the compulsory insurance policy, do not specify the insurance amount, and the compensation due to physical injury is calculated in accordance with the RAVC law and the regulations which were enacted in accordance therewith. These determine, inter alia, in contrast to the Civil Wrongs Ordinance, the maximum compensation limit for the damage components which are not monetary damages, and limit the wage losses which can be claimed to three times the average salary on the market. Except for the aforementioned two heads of damage, the coverage is not restricted as to amount.

B. Special arrangements in the compulsory motor insurance segment

Several arrangements are in effect in the compulsory motor insurance segment which affect insurance tariffs, as specified below:

(1) Residual insurance arrangement (arrangement through the "Pool"):

In light of the fact that, on the one hand, compulsory motor insurance is a legal obligation, while on the other hand, there is no obligation to insure all parties who request to acquire such insurance, by virtue of the **Motor Vehicle Insurance Regulations (Residual Insurance Arrangement and Tariff Establishment Mechanism), 2001**, the residual insurance arrangement was established, which covers individuals using motor vehicles who did not obtain insurance coverage directly from the commercial insurance companies (such as drivers with an insurance past indicating high risk, drivers with a history of license revocations, high risk vehicles such as motorcycles, all-terrain vehicles and/or additional vehicles which were rejected by the insurance companies). The residual insurance arrangement is based on co-insurance of all of the insurance companies operating in the compulsory motor insurance branch, according to which the aforementioned companies are required to participate in the residual insurance arrangement, and jointly bear its losses or profits, in accordance with their share in the total premiums in compulsory motor insurance (the "**Compulsory Market Share**"). **The Group's share in the residual insurance arrangement as of the 2022 underwriting year amounted to a total of approximately 10.68%[40], as compared with a rate of approximately 10.71% in the 2021 underwriting year.**

The insurance companies finance their share in the residual insurance arrangement (within the framework of the "pool") by loading the residual insurance cost onto the other policyholders in compulsory motor insurance in the insurance company through avenues other than residual insurance. Insofar as the loading component is insufficient for the purpose of financing the insurance companies' share in the residual insurance arrangement, they are required to finance the loss in accordance with their share in the market.

40 The specified rate is a temporary rate which is based on the data for September 2022, as published by the Pool.

The loading component which the insurance companies are entitled to collect since July 2020 is 5.5% to 8% of the cost of pure risk[41] of the insurer’s compulsory insurance outside of residual insurance.

In November 2022, an amendment was published to the provisions of the consolidated circular in the compulsory motor insurance branch, which reduced the net premiums in the Pool tariff, in light of the fact that the component which is transferred to the National Insurance Institute will be collected by the Pool and the insurance companies as a separate component, that in order to maintain the current tariff for the Pool’s insurants (hereinafter: the “**Amendment to the Consolidated Circular Regarding the Pool Tariff Due to the Reform in Subrogation Arrangements with National Insurance**”). **The new tariffs of the Pool apply to compulsory motor insurance policies which enter into effect beginning on January 1, 2023.**

For details regarding the subrogation arrangement reform with the National Insurance Institute regarding compulsory insurance claims, see section 7.1.1.1(d) below.

The Company believes that the amendment to the consolidated circular regarding the Pool tariffs following the subrogation arrangement reform with the National Insurance Institute is not expected to significantly affect the Company’s results.

On March 21, 2023, a draft circular was published regarding an additional amendment to the provisions of the consolidated circular in the compulsory motor branch regarding the Pool tariff, in order to update the net premiums in the Pool, so that it does not exceed the subsidization limit specified in the Motor Vehicle Insurance Regulations (Residual Insurance Arrangement), 2001, and the Motor Vehicle Insurance Ordinance (New Version), 1970, and adjust the premiums to the insured risk based on the recommendations of the statistical database operator in the compulsory motor insurance branch, which were published as part of the final report assessing the cost of pure risk in the compulsory motor insurance branch for 2020 (hereinafter: the “**Draft Amendment To The Consolidated Circular Regarding The Pool Tariff Following The Recommendations Of The Statistical Database Operator**”). In accordance with the draft, the circular is expected to apply to compulsory motor insurance policies which apply from July 1, 2023 onwards.

Insofar as the draft amendment to the consolidated circular regarding the Pool tariff following the recommendations of the statistical database operator are published as a binding directive, this could lead to an increase in the Pool prices, and could consequently also affect tariffs in the market.

The Company’s estimates in connection with the amendment to the consolidated circular regarding the Pool tariff following the subrogation arrangement reform with the National Insurance Institute, and due to the draft amendment to the consolidated circular regarding the Pool tariff following the recommendations of the statistical database operator, constitute forward looking information, which is based on estimates and assumptions as of the publication date of the report, and actual results may differ significantly from the forecast, and depend, inter alia, on the final wording of the draft amendment to the consolidated circular regarding the Pool tariff following the recommendations of the statistical database operator, insofar as it is be published as a binding directive, and its impact of market conditions.

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[41] “Cost of pure risk “ - The part of an insurance tariff which does not include profit, expenses and service provision costs, excluding claim settlement costs. The cost of pure risk is based on the past claims experience in the insurance branch for motor vehicles subject to compulsory insurance, plus an estimate of future payments with respect to those claims, and in consideration of the trends which affect the prevalence and cost of claims, in accordance with section 7a of the **Motor Vehicle Insurance Ordinance (New Version), 1970**.

(2) Karnit Road Accident Victims Compensation Fund

Karnit Road Accident Victims Compensation Fund ("**Karnit**") is a corporation which was established in accordance with the RAVC law, for the purpose of paying compensation to eligible individuals in accordance with the RAVC law, who are unable to claim compensation from an insurance company, due to one of the following cases: **(1)** Injury caused by an uninsured vehicle; (2) Unknown insurer (such as "hit and run" accidents); (3) Insurer in liquidation proceedings, or for which an authorized manager has been appointed.

The fund was financed by loading a rate of 1% of the net premiums[42] and of the fee component which is transferred to National Insurance with respect to subrogation claims. This amount is transferred by the insurance companies to Karnit.

(3) Liability regarding the provision of medical services -

In accordance with a legislative amendment from 2009, in which the insurance liability for the provision of medical services which are included in the basket of services set forth in the Second Addendum to the National Health Insurance Law, 1994 (hereinafter: the "**National Health Insurance Law**") and in the Drugs Ordinance, in accordance with section 8(g) of the National Health Insurance Law, due to physical injuries caused to road accident victims, was transferred from the insurers to the health funds, the insurance companies collect a fixed rate of the premiums in order to finance the cost of financing the cost of providing services to road accident victims (hereinafter: the "**Participation Amount**").

In August 2021, the Minister of Finance published the **Damages for Road Accident Victims Ordinance (Financing Cost of Service Provision), 2021**, which included an update to the deductible amount which insurance companies collect from policyholders to a rate of 12.66% of the premiums, beginning in January 1, 2022, instead of the previously collected rate of 9.4%.

The insurers will continue being liable for the remaining medical services that are not included in the Second Addendum to the National Health Insurance Law and in the Medicines Ordinance. The foregoing does not apply to certain population groups, including, inter alia, soldiers and work accident victims, where the insurance liability to cover their medical treatment expenses in case of a road accident remains with the insurers. The participation amount is transferred to the health funds by the insurers, through Karnit and the National Insurance Institute.

C. Tariffs and oversight thereof, the statistical information database and the database to identify insurance fraud in the compulsory motor branch

(1) Variables in the determination of tariffs in the compulsory motor branch and maximum fees

The insurance companies determine the premiums using variables which were approved by the Commissioner as variables which an insurer will be entitled to use for the purpose of determining the tariff (hereinafter: the "**Variables**"). The variables are intended to adjust the risk premium to the insured risk.

Maximum fees

42 Net (insurance) premiums - premiums which reflect the cost of risk, without external loading, such as expenses and commissions.

The consolidated circular establishes arrangements regarding the determination of premiums in the compulsory motor branch, which an insurer is entitled to collect, and the manner by which they are to be submitted to the Commissioner for approval. In accordance with the non-life insurance chapter in the consolidated circular, the risk premium component in the compulsory motor insurance tariff (net insurance premiums) is standard for all policyholders with the same characteristics at the insurer. The insurer is also entitled to collect premiums at a rate of up to 18%[43] of the risk premium, which are intended to cover the insurer's administrative expenses, agent fees and profit. The insurer is entitled to provide discounts with respect to the fee component only, except for vehicle fleets, regarding which the insurer is entitled to provide a discount also on the net insurance premiums (insurance premiums less fees). On this matter – a vehicle fleet includes at least 40 vehicles under the same ownership and insured by the same insurer.

(2) <u>Databases</u>

Statistical database -

In the compulsory motor insurance branch, a statistical database operates which is used to estimate the cost of risks in the compulsory motor insurance branch, and which was created by virtue of the **Motor Vehicle Insurance Regulations (Residual Insurance Arrangement and Tariff Determination Mechanism), 2001**.

The statistical database and the insurance fraud handling database, as specified in this section below, are managed by third parties which are unrelated to the Company and the insurance companies (the "**Database Operator**").

The database operator is authorized by law to collect information from insurers in the insurance branch, and to use it to determine the cost of pure risk (the "**Risk Tariff**"). The risk tariff does not directly obligate the insurance companies; however, the "Pool" tariff is determined by the Commissioner in reference thereto, and additionally, constitutes a relevant indicator, from the perspective of the Commissioner, for the approval of the insurance companies' tariff. **For details regarding the residual insurance arrangement, see section 7.1.1.1(b)(1) above.**

Insurance fraud handling database -

In the compulsory motor insurance branch, an insurance fraud handling database is operated in accordance with the **Motor Vehicle Insurance Regulations (Creation and Management of Databases), 2004**. The database, which concentrates information from all insurance companies, is used to identify suspected cases of fraud in compulsory motor insurance claims, and to prevent insurance fraud in the underwriting process in compulsory motor insurance policies. The cost of financing the operation of the database applies to all insurance companies, in accordance with the rules which were determined by the Commissioner. In accordance with the provisions of the consolidated circular, in general, a certificate of compulsory motor insurance will not be issued for a private or commercial vehicle up to 3.5 tons, or for motorcycles, if the data were not verified through an online database query during the underwriting process.

D. <u>Subrogation rights of the National Insurance Institute</u>

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[43] In November 2022 the Capital Market Authority published an amendment to the provisions of the consolidated circular regarding the compulsory motor insurance branch, which increased the rate of fees in the compulsory motor insurance branch, in a manner whereby, along with the reduction in net premiums (premiums without the medical expenses component, Karnit, and beginning in January 2023, National Insurance subrogation claims), the status quo of the fee amount will be maintained as it was prior to the change in the mechanism for settling accounts (hereinafter: the "**Amendment to the Consolidated Circular Regarding the Fee Rate**"). For details regarding the subrogation arrangement reform with the National Insurance Institute regarding compulsory insurance claims, see section 7.1.1.1(d).

Pursuant to the **National Insurance Law (Consolidated Version), 1995** (hereinafter: the "**National Insurance Law**"), in the event that the National Insurance Institute has paid to an individual who is entitled to a stipend, based on grounds which also constitute grounds for requiring a third party to pay compensation to that entitled individual, in accordance with the Civil Wrongs Ordinance, or in accordance with the RAVC law, the National Insurance Institute will be entitled to claim from that third party compensation for the stipend which it paid, or which it will pay (hereinafter: the "**Third Party**"). The third party will be entitled to deduct from the compensation the stipends which are being paid and/or which will be paid by National Insurance.

The third party which deducted, or which was entitled to deduct, any amount from the compensation which they are required to pay with respect to payments which the National Insurance Institute is entitled to claim from them, must report such amounts to National Insurance, and sanctions for non-reporting were established.

In March 2018, the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for 2019), 2018 (hereinafter: the "**2019 Economic Efficiency Law**") was published, in which changes were made to the mechanism for the settling of accounts between the National Insurance Institute and the insurance companies, with respect to the subrogation right of the National Insurance Institute from the insurance companies in claims by virtue compulsory motor policies. In accordance with the legislative amendment, the specific subrogation arrangement mechanism was canceled, according to which the settling of accounts is performed separately with respect to each claim, and instead it was determined that the insurer will submit to the National Insurance Institute, each year, a fixed annual amount to cover its liability with respect to all of the subrogation claims by virtue of compulsory motor policies both with respect to the past period, from 2014, and from this point forward (hereinafter: the "**New Subrogation Arrangement**" and the "**Fixed Amount**"). In June 2019, the Draft National Insurance Regulations (Transfer of Annual Amount from Insurers to the Institution for Road Accidents), 2019 (hereinafter: the "**New Draft Subrogation Arrangement Regulations**") were published, which were intended to regulate the mechanism for determining the effective amount, and to allow the entry into effect of the 2019 Economic Efficiency Law. Following a hearing which was conducted for the insurance companies, regarding the draft new subrogation arrangement regulations, and the statements made by the insurance companies in the hearing regarding difficulties in realizing the proposed arrangement with respect to the past, the insurance companies and the National Insurance Institute, in collaboration with the Ministry of Finance, reached an agreement according to which an agreement will be signed between the National Insurance Institute and the insurance companies, which determined that the insurance companies will transfer an advance payment to the National Insurance Institute with respect to the settling of accounts for claims from the years 2014 to 2018 (hereinafter: the "**Advance Payment Agreement with National Insurance**"), while the arrangement which was planned in the Economic Efficiency Law for 2019 will be amended by the Ministry of Finance such that the obligation to pay a global amount for cases which occurred during the years 2014 to 2018 will be canceled, and instead, it will be determined that beginning in January 2023 and thereafter, all insurers will be required to transfer to the National Insurance Institute, with respect to road accidents, the following percentages of insurance premiums which will be collected each year: with respect to road accidents during the years 2023-2024 - 10; and with respect to road accidents during the years 2025 and thereafter - 10.95% (hereinafter: the "**Amended Subrogation Arrangement**"); The amended subrogation arrangement will therefore only apply to future events beginning in 2023, while with respect to the past, the parties will continue acting similarly to the situation which existed before the enactment of the Economic Efficiency Law for 2019, and to settle each subrogation claim separately, unless the parties have reached a different specific understanding on the subject (hereinafter, jointly: the "**Understandings**").

Further to the foregoing, in November 2021, a legislative amendment was passed, pursuant to the Economic Arrangements Law, which reflected the understandings described above between the insurance companies, the National Insurance Institute and the Ministry of Finance, and in January 2022, Clal Insurance transferred an advance payment to National Insurance, in accordance with the provisions of the Advance Payment Agreement with National Insurance.

The Company believes that the Understandings and the amendment described above, regarding the regulation of the mechanism for account settlement with respect to road accidents between the National Insurance Institute and the insurance companies, are not expected to have significant implications on claim settlement costs.

The information presented on all matters associated with the definition of the account settlement mechanism with respect to road accidents between the National Insurance Institute and the insurance companies constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the Capital Market Authority's approval of insurance tariffs in the future, and on the premiums which will be collected in the future.

(1) Interest rate for discounting National Insurance annuities

In June 2019, the conclusions of the inter-ministerial committee (which was formed by the Ministry of Justice and the Ministry of Finance) on evaluating the subject of the discount rate for tort damages (hereinafter: the "**Kaminetz Committee Report**"), were submitted. The Kaminetz Committee recommended, inter alia, that the discount rate for tort damages which is used, among other purposes, to discount insurance benefits for policyholders, be kept at the fixed rate of 3% for all injured parties (hereinafter: the "**Determined Discount Rate**"). The committee also recommended to allow changes to the determined discount rate, according to an evaluation mechanism which will be implemented once every two years, based on an evaluation of the returns which are received from investment in AA rated corporate bonds, over a period of 25 years, during the half year preceding the aforementioned date. Insofar as a deviation of over one percent in either direction has been identified, the interest rate will be updated by the Accountant General (hereinafter: the "**Update Mechanism**"), except in extraordinary circumstances, as specified in the committee's recommendations. In August 2019, the Supreme Court gave a ruling regarding a specific case, which accepted the main conclusions of the report and the Kaminetz Committee, kept the discount rate at 3%, and determined that, until a legislative amendment has been enacted on the matter, the update mechanism will be implemented for the purpose of evaluating a significant economic change requiring changes to the discount rate. It was further determined in the ruling, with respect to the discount rates which will be used by insurers for the purpose of discounting National Insurance Institute compensation from the policyholders, and for the purpose of paying subrogation claims to the National Insurance Institute, that until the amendment to the Regulations, according to the committee's recommendations, the insurers' consent to discount National Insurance Institute compensation from insurance benefits for policyholders, according to a discount rate of 3%, will remain in effect. However, it was determined that in light of the damage caused to the injuring parties (including the insurance companies), it is presumed that, until the amendment to the Discounting Regulations, National Insurance will also have recourse to the injuring party, through a demand according to a discount rate of 3% (hereinafter: "**Subrogation Claims of the National Insurance Institute**").

Insofar as a legislative amendment is passed which is consistent with the Kaminetz Committee's report and the ruling regarding the National Insurance Institute, as described above, the Company estimates that the foregoing will not have a significant impact on its financial results.

The information presented on all matters associated with the interest rate for discounting National Insurance annuities in accordance with the future legislative amendment due to the Kaminetz Committee's recommendations and the ruling regarding the National Insurance Institute, constitutes forward looking information, based on the information which was available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the wording of the law which will be approved, and on the future interest rate.

E. Outline regarding light-heavy clearing

In accordance with the RAVC law, each insurer is required to compensate the passengers who were riding in a vehicle which was insured by it. The RAVC law further provides that, with respect to any person who was injured in an accident outside of the insured vehicles, in an accident in which several vehicles were involved, the various insurers will be liable (without proof of guilt), jointly and severally, and amongst themselves the insurers will bear the burden, in equal parts. In accordance with the RAVC law and the **Compensation for Road Accident victims Ordinance (Arrangements for Distribution of Burden of Compensation Between Insurers), 2001**, exceptions were made to the foregoing rule, which pertain to accidents between vehicles which are significantly different from one another, i.e., a motorcycle and another vehicle, or a light vehicle and a heavy vehicle. In these cases, the division orders determine the insurers' "balance payments", i.e., the indemnification which the insurers are entitled to receive from one another with respect to these accidents, for the purpose of balancing out the burden of payment between the insurers, in cases where the risk of the involved vehicles causing damage in a road accident is not clearly balanced. The Israel Insurance Association operates a clearing system which is intended, inter alia, to transfer payments automatically between vehicle insurers in compulsory motor insurance, with respect to the foregoing balancing payments. The outline manager has the authority to serve as an arbitrator in cases where disputes have arisen between the insurers, regarding the involvement of an insured vehicle in an accident. The arrangement was given a conditional exemption from the approval of a restrictive arrangement by the Antitrust Commissioner until August 2020, which was extended to August 2025, through a self-assessment mechanism, in accordance with the **Antitrust Rules (Block Exemption for Joint Ventures) (Transitional Provision), 2006**. The conditions include, inter alia, the restriction of the system's operations to the aforementioned purpose only, the operation of the system by an independent entity which is not related to the insurers, a prohibition against the transfer of information between the parties to the agreement, and giving the possibility for each insurer to join the system.

7.1.1.2. **Motor property insurance branch**

A. <u>General</u>

The motor property insurance branch includes the Group's activity in insurance to cover loss or damage of insured vehicles and damages caused to third party property by the insured vehicles.

Motor property insurance provides a basket of insurance coverages, including: theft, fire, accidental collision, overturn and accidents of any kind whatsoever, damages caused with malicious intent, and the policyholder's liability due to damage which may be caused to third party property as a result of the use of the vehicle during the insurance period ("**Third Party Insurance**"). During the insurance proposal stage, the policyholder is entitled to choose coverage through one of the following alternatives: (1) Comprehensive insurance; (2) Comprehensive insurance without theft coverage; (3) Comprehensive insurance without accident coverage; and (4) Third party insurance only.

The premium tariff with respect to motor property insurance is generally differential, and was determined, inter alia, in consideration of the vehicle's characteristics (primarily the model of the insured vehicle, and its production year), and the characteristics of its drivers (primarily the age of the main driver, drivers who are authorized to drive the vehicle, the license period and the claims experience of the policyholder).

The motor property insurance branch is divided into two main categories:

A) Insurance for private vehicles and commercial vehicles weighing up to 3.5 tons, whose insurance policy is subject to the terms of the standard policy, as determined in the regulations which were enacted on the matter (hereinafter: the "**Standard Motor Property Policy**" and the "**Motor Property Regulations**", respectively)

B) Insurance for vehicles which is not included in the first category (such as trucks, motorcycles, buses, forklifts and all-terrain vehicles), he insurance policy for which is not subject to the terms of the standard motor property policy.

The standard motor property policy sets forth minimum terms and conditions for motor property insurance, which the insurer is entitled to amend only if the amendment is in favor of the policyholder, or at the request of a vehicle fleet owner. Expansions can be added to the scope of coverage given under the standard policy, with the Commissioner's approval.

In June 2021, the Commissioner published an amendment to the Standard Policy – Motor Property - Provisions Regarding the Oversight of Insurance Business (Contract Terms of Private Motor Insurance) (Amendment), 2020 (hereinafter: the "**Amendment to the Standard Policy – Motor Property**"). The Amendment to the Standard Policy – Motor Property included the determination, inter alia, of provisions regarding compensation for advanced safety systems which have been installed in vehicles; Updating the provisions which pertain to the reimbursement of proportional premiums in case of cancellation of the policy by the policyholder, independent of the remaining insurance period, and without a penalty; And an amendment to the insurance history report (a report which is used for the purpose of purchasing insurance in the future) by raising the limit of claim income in the report, from 35% of premiums to a total of NIS 5,000 above the deductible. It was further determined that claims which will be received with respect to a subrogation rate over 75% will be excluded from the report. The amendment to the Standard Policy – Motor Property entered into effect in December 2021.

At this stage, Clal Insurance is still unable to estimate the implications of the amendment to the Standard Policy – Motor Property. This could lead to an increase in the prevalence of claims filed in motor property insurance in low amounts, due to the non-receipt of information regarding accidents in low amounts which will not be included in the insurance history report, and accordingly, it could increase claim settlement costs.

The Company's estimate regarding the impact of the amendment to the Standard Policy – Motor Property constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the conduct of customers, competitors and agents, on the Commissioner's approval of tariff updates, on claim settlement costs and on the insurance tariffs which will be determined over time.

B. Special arrangements regarding the settlement of motor property claims

B1. Arrangement regarding loss adjusters

In order to increase efficiency and shorten claim settlement processes in motor property, and in accordance with the provisions which were determined in the consolidated circular which is published by the insurance companies out of the list of loss adjusters[44] (the "**List of External Loss Adjusters**"), at the policyholder's request. In accordance with the provisions of the consolidated circular, a proposed repair or an assessment by an external loss adjuster who has been chosen by the policyholder out of the list of external loss adjusters (hereinafter: "**External Loss Adjusters**"), constitutes a proposed repair, or an effective assessment, and will be binding towards the party, subject to the right of the insurer and the policyholder to bring remarks towards external loss adjusters regarding technical matters. Additionally, the insurer and the policyholder have the option to appeal the assessment, in accordance with the arrangement set forth in the loss adjusters arrangement.

B2. Arrangement garages

In order to increase efficiency, reduce processing times and reduce prices involved in loss adjustment with respect to motor property claims, the Company engaged with "arrangement garages" with respect to the repair of partially damaged vehicles of policyholders (non-total loss). An arrangement garage is a garage which has engaged with the Company in a service provision agreement as an arrangement garage, in consideration of discounts which are given to the insurer (in replacement part prices and/or in work hour prices) and/or including an undertaking to make use

[44] External loss adjusters include anyone who is not a home loss adjuster. Home loss adjusters are those who may have a conflict of interests due to a special connection with the insurer, such as in case of a loss adjuster who is an employee of the insurance group; a loss adjuster whose income is 30% or more comprised of loss adjustment and other businesses with insurers from the insurance group; and a loss adjustment company in which the insurance group holds over 5% of the means of control.

of replacement parts which are provided by it to the insurer, and which can be obtained at a reduced cost relative to the "book price" on the market (hereinafter: "**Arrangement Garage**"). Clal Insurance allows its policyholders to choose the garage where the vehicle will be repaired; however, it offers to its policyholders various benefits, such as discounts on deductibles, in order to incentivize the policyholders to have their vehicles repaired in one of the arrangement garages with which the Company has engaged. The policyholder has the possibility to agree, when signing the agreement, that in case of an insurance event, the vehicle will be repaired at an arrangement garage, and in exchange, the policyholder will also receive a discount on premiums, and other benefits upon the occurrence of the insurance event (hereinafter: the "**Select Garages Policy**").

B3. Proposed amendments as part of the process of settling motor claims

- **Amendment to provisions regarding settlement of motor property claims**

In August 2022, the Commissioner published a third draft of the circular regarding an "**amendment to the provisions of the consolidated circular - provisions in the motor property branch**" (hereinafter: the "**Draft Circular Regarding Garages and Loss Adjusters**"), which regulates the loss adjustment method for insurance claims in the motor property branch, with respect to the engagement with loss adjusters and with garages, as well as various provisions regarding the processes of policy marketing and loss adjustment.

With respect to garages, the draft includes, inter alia, provisions providing the possibility for any garage which undertakes to fulfill the principles which will be determined the insurance company, and to sign a contractual agreement with it, to serve as an agreed-upon garage, and to provide service to its policyholders, or to third parties (hereinafter: "**Agreed-Upon Garage**"); The insurance company is required to conduct egalitarian negotiations between garages with similar characteristics, and once it has signed an agreement with an agreed-upon garage, any other garage, with similar characteristics, will be allowed to sign an agreement, in the same wording, the hourly rate will according to the agreement between the agreed-upon garage and the insurance company; The cost of replacement parts will be in accordance with a discount which the agreed-upon garage will undertake to give to the insurance company, or the agreed-upon garage will undertake that the price of the replacement parts it supplies will not exceed the price of the replacement parts which were purchased by the insurance company, or which may be supplied by it, or will undertake to use the replacement parts which will be supplied by the insurance company, in accordance with an agreement between the insurance company and the garage; an agreed-upon garage will not begin repairing the vehicle without approval from the insurance company and the vehicle owner; It is prohibited for the insurance company to engage with the agreed-upon garage in an agreement which limits the vehicle repair amount, or the average vehicle repair cost; The insurance company may terminate the engagement with the agreed-upon garage only after giving the garage an opportunity to stop the breach.

It is further proposed to determine that an insurance agent, garage or loss adjuster will not provide or receive any commission or benefit, within the framework of and as part of the process of selecting a garage and repairing the vehicle, and with respect to insurance agents, including through a claim management company or any other entity involved in the process, including with respect to various consulting services.
It was further clarified in the draft's explanatory remarks that in order to implement the proposed change to the arrangement garages mechanism, and to allow competitive prices in the field of replacement parts, a supplementary arrangement is required, which falls under the Ministry of Transport's authority, and which will bring the prices of the replacement parts specified in vehicle loss adjustment reports to the level of market prices (hereinafter: the "**Ministry of Transport's Supplementary Arrangement**"). For details regarding the expected arrangement in the car replacement parts segment, see this section below.

With respect to loss adjusters, it is proposed to determine, inter alia, that when selecting a loss adjuster from the database of loss adjusters offered by the insurance company (a loss adjuster whose decision will be binding towards the insurance company, subject to a limited appeal process, as determined before a deciding loss adjuster), the insurance company will be required to use the database of loss adjusters, which will be open to all loss adjusters who meet the criteria specified in the draft (hereinafter: the "**Loss Adjusters Database**"); The insurance company will engage with loss adjusters who are interested in being included in the loss adjusters database, through a contractual agreement which will be the same as its contractual agreements with other loss adjusters who are included in the database of loss adjusters with similar characteristics as the interested loss adjuster, including as regards the formula which will be used to calculate the loss adjuster's fees. The draft circular regarding garages and loss adjusters also

includes provisions with respect to the number of loss adjusters who will be included in the loss adjusters database, and the distribution thereof; and regarding the procedure which the insurance company will be required to implement in order to remove a loss adjuster from the loss adjusters database, according to objective parameters which were included in the contractual agreement.
It is further proposed to determine that the fees of loss adjusters in the database will be comprised of variable component and a variable component, whereby the variable component will be at a non-negligible rate, and will include taking into account service-related parameters, and parameters which are unique to loss adjusters, such as years of experience and specialization in particular vehicle types.

It is further proposed to determine that a remark towards a loss adjuster, stating the that repair of the vehicle in accordance with the repair proposal could adversely affect the car's safety, or a remark stating that an identical and obtainable replacement part is available, will not constitute a prohibited influence on the loss adjuster's judgment.
In accordance with the draft circular regarding garages and loss adjusters, the process of selecting a loss adjuster from the database will be performed by the policyholder out of a list of two loss adjusters, who will be chosen at random. The repair proposal and loss adjustment report of a loss adjuster who has been selected from the loss adjusters database, as stated above, will be the effective repair proposal and loss adjustment report, unless the insurance company has appealed before a deciding loss adjuster, in accordance with the limited mechanism specified in the circular.
It is proposed to determine that a loss adjustment report of a private loss adjuster which was selected by an injured party in a third party claim may be an "effective loss adjustment report" if the third party acted in accordance with the rules specified in the draft circular regarding garages and loss adjusters, while providing the possibility for the insurance company to appeal the loss adjustment report in accordance with the deciding loss adjuster mechanism.

It is further proposed to determine that the insurance company will be required to offer policyholders a plan, under which it will be possible to choose any garage (as opposed to an agreed-upon garage), with no effect on the deductible amount paid by the policyholder. The draft establishes various provisions regarding disclosure, transparency and service level, including the publication of indicators of policyholder satisfaction with respect to agreed-upon garages and with respect to loss adjusters from the database, and extensive provisions regarding disclosure, both before the policy purchase date, and on the date of the claim. The draft also includes transitional provisions for the purpose of creating the mechanisms which are required under the circular.

At this preliminary stage, Clal Insurance is unable to predict the full effect of the draft circular regarding garages and loss adjusters, insofar as it will be published as a binding version, which could affect claim settlement costs in motor property insurance in opposite directions, in light of the multiplicity of the proposed amendments, and their cumulative consequences, including, inter alia, with respect to the possibility which is available to the insurance companies, to provide the replacement parts to the agreed-upon garages, which could reduce the prices of replacement parts; Providing the possibility for any garage to serve as an agreed-upon garage could reduce the insurance companies' ability to supervise, including with respect to fraud, and could derogate from the advantages of size; The establishment of the loss adjusters database mechanism depends on the willingness of loss adjusters to be included in the database, and on the availability of loss adjusters, and the entry into effect of the amendment regarding car replacement parts, as specified below.

The information presented on all matters associated with the draft circular regarding garages and loss adjusters constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the final wording of the circular which will be published, on the conduct of suppliers, garages, loss adjusters, agents, customers, and competing entities.

- **Pricing of car replacement parts:**

In light of the 2023 Economic Arrangements Bill, changes to the car replacement parts segment were approved in a government decision from February 2023, in order to reduce the cost of living with respect to transportation products (hereinafter: the "**Amendment Regarding Car Replacement Parts**"). Inter alia, it was determined to impose a requirement on the Minister of Transportation, by virtue of her authority pursuant to section 153 of the Licensing of Services and Professions in the Vehicle Branch Law, 2016, to present for discussion, to the advisory board regarding vehicle loss adjusters, within 30 days after the date when the 2023 Economic Arrangements Bill is passed, draft professional directives which will replace the current list of professional directives for vehicle loss adjusters (hereinafter: the "**Directive**"), whereby the directives will be amended such that the vehicle loss adjustment report will include the market price of car replacement parts which are required for replacement or repair. In accordance with the proposal, the "market price" will reflect the price which is expected on the preparation date of the loss adjustment report regarding the sale of car replacement parts in a comprehensive and permanent framework arrangement which will be implemented between a license holder garage or a replacement parts supplier, and a licensed insurer, while taking into account the availability of the replacement parts, and whether they are obtainable (hereinafter: "**Framework Arrangement**"), and provided that the insurer has submitted the information regarding the framework arrangement to the preparer the of loss adjustment report.

Insofar as the amendment regarding car replacement parts is implemented, and the directive to vehicle loss adjusters is amended accordingly, it is expected to lead to a decrease in claim settlements costs with respect to vehicle claims.

The information presented on all matters associated with the proposed amendment regarding replacement vehicle parts and the amendment to the directive constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the wording of the directive, on the cumulative results of the combination between the amendment regarding replacement parts and the draft circular regarding garages and loss adjusters, and on the conduct of replacement part providers, garages, loss adjusters, customers and competing entities.

- **Arbitration mechanism regarding the settlement of subrogation claims:**

In light of the 2023 Economic Arrangements Bill, approval was given, in a government decision from February 2023, to establish provisions regarding increasing the efficiency of subrogation claim processes in motor property claims. In accordance with the government decision, the Minister of Justice will be required to evaluate the possibility of implementing legislative amendments such that it will be obligatory to conduct arbitration in order to resolve disputes in connection with property damages in the vehicle branch, with the parties being the insurance companies and the leasing companies (hereinafter: the "**Compulsory Arbitration Mechanism In The Motor Property Branch**"). It was further determined that the arbitration mechanism will be based documents submitted online, and that the decision will be made without a discussion, unless the arbitrator believes online or physical precision is required.

At this preliminary stage, in light of the preliminary nature of the arrangement, and before the determination of the supplementary arrangements, Clal Insurance is unable to predict the impact of the compulsory arbitration mechanism in the motor property branch, which depend, inter alia, on the structure of the mechanism which will be determined, its composition, efficiency, procedural and evidence arrangements which can be given therein, the possibility to appeal or object to its decisions, etc.

C. <u>Entitlement to information and disclosure in the motor branch</u>

C.1. **Motor property database**

Beginning in December 2013, the database created by the Israel Insurance Association and the Clearing Center of the Insurance Companies Ltd. (the "**Clearing Company**") is in operation, which primarily involves the registration of historical vehicle accidents (hereinafter: the "**Motor Property Database**"). The information is available both to the public of used vehicle buyers and to insurers who chose to join the database, and is intended for location of information and transparency regarding accidents which occurred to used vehicles during the period prior to their acquisition.

The Israel Insurance Association and the clearing company received an exemption from approval of a restrictive arrangement from the Antitrust Commissioner, until February 2021, which was extended until August 2025 through a self-assessment mechanism, in accordance with the **Antitrust Rules (Block Exemption for Joint Ventures) (Transitional Provision), 2006**.

As of the publication date of the report, the motor property database includes information from most of the insurance companies which provide motor property policies in Israel, including Clal Insurance. Any insurer may join an arrangement (i.e., submit data to the database, and submit queries), or leave the arrangement, once per year, by giving advance notice of 90 days.

As of the publication date of the report, Clal Insurance makes use of the information stored in the motor property database for the purpose of claim settlement and underwriting, in accordance with its requirements. The possibility to make use of the information in the database reduces the information gaps in the market.

7.1.1.3. **Liabilities insurance branch**

In liabilities insurance policies, insurance is conventionally applied according to one of two coverage bases:

- **Coverage on an occurrence basis** - In these policies, the coverage is given for events which occurred during the insurance period, when the claim can also be filed after the end of the insurance period, subject to a statute of limitations.

- **Coverage on a claims made basis** - In these policies, the coverage is given based on the filing date of the claim, in other words, for claims which were initially filed against the policyholder during the insurance period, even if the cause of action against the policyholder materialized before the insurance period start date, provided that it was created after a certain date which was specified in the policy.

<u>The main insurance sub-branches in the liabilities insurance branch include:</u>

- **Third party liability insurance**: This insurance is intended to cover the policyholder's liability - generally liability in accordance with the Civil Wrongs Ordinance - towards third parties (in case of a policyholder which employs employees, the insurance does not cover liability towards the policyholder's employees), due to accidental events which caused physical injury and/or property damage, including resultant damage due to the accident, and which took place during the insurance period (occurrence basis policy).

  Third party liability insurance is sold as an independent product or as additional coverage within the framework of other insurance policies, such as business and office insurance policies, home and condominium insurance policies, and contract works insurance.

  The premiums in policies of this kind are determined as a function of several variables, including the policyholder's activity type, the construction type of the business building, the scope of activities, the number of employees, the presence of dangerous materials used in the business, the number of sites in which the policyholder conducts its activities, adjacent businesses, the overall maintenance condition of the business, the liability limits requested by the policyholder, the deductible and the policyholder's claims history.

- **Product liability insurance:** This insurance is intended to cover the employer's liability with respect to physical injury and/or property damage to a third party, including resultant damage caused by a defect product which was manufactured, imported or provided by the policyholder, after the product has left the possession of the policyholder, and where a claim with respect thereto was filed for the first time during the insurance period, and the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy).

  The policy is based on the **Defective Products (Liability) Law, 1980**, which imposes on the manufacturer (as defined in the Law, which includes, for example, also an importer and/or supplier), liability for physical injury; and the Civil Wrongs Ordinance, which imposes tort liability on the manufacturer with respect to physical injury and property damage.

The product liability policy can be purchased as an independent product or can be included, as additional coverage, in a business insurance policy.

The premiums in policies of this kind are determined as a function of several variables, such as the policyholder’s activity type, and the types of products which are manufactured, imported or provided by it, the scope of activities (in accordance with the sales turnover of the business), the requested liability limits, the deductible amount, the coverage period for claims which were first reported during the insurance period, but which refer to a specific preceding date, the claims history, and the scope of territorial coverage (in Israel or including also exporting to foreign countries), and the terms of reinsurance treaties.

- **Professional liability insurance**: This insurance is intended to cover the policyholder’s debt with respect to physical injury and/or property damage caused to a third party and/or monetary damage caused to a third party, as a result of a breach in good faith of professional duty, which is due to an action or omission which constitute negligence, error or omission of the policyholder within the framework of the policyholder’s profession, for which coverage was given in the policy, and for which a claim was first filed during the insurance period, and where the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy). The coverage in the policy is not limited to accidental events.

  The premiums in policies of this kind are determined as a function of several variables, including: the area of engagement, the scope of activities, the coverage period for claims which were reported for the first time during the insurance period, but which refer to a specific date beforehand, the requested liability limits, the deductible amount, the revenue cycle, the number of employees, seniority in the profession, claims history, during the insurance territorial area and jurisdiction, and the terms of the reinsurance treaties.

- **Employers’ liability insurance -** This insurance is intended to cover the policyholder’s liability towards its employees due to physical injury, which was caused to an employee during and due to the work at the policyholder, due to negligence by the policyholder during the insurance period, as a result of an accident and/or illness (occurrence basis policy). The liability covered under this policy applies pursuant to the Civil Wrongs Ordinance. Broader policies also cover the liability of the insured employer towards its employees, also pursuant to the Liability for Defective Products Law.

  Employer’s liability insurance is a supplementary product to the compensation paid by the National Insurance Institute to a person who was injured due to a work accident or work-related illness, which, in the law, are restricted by type and limited in amount. This policy covers the surplus exposure, beyond the National Insurance coverage, and no more than the liability limit specified in the policy.

  Employers’ liability policies may be acquired as an independent product or integrated as additional coverage in the framework of other insurance policies, such as: policies insuring businesses, policies insuring apartments, and contract works insurance policies.

  Insurance fees in these types of policy are determined as a function of a number of variables such as: the number of workers employed, the annual wages the employer pays, the business risk level according to its business, and its claims experience. Additionally, the premiums are affected by the adherence to the safety policies applied by the employer in the business, the general maintenance condition of the business, and the extent of its exposure to dangerous materials, and the terms of reinsurance treaties.

- **Directors and officers (D&O) liability**: This insurance is intended to cover the legal liability of directors and corporate officers with respect to monetary damages which were incurred due to an action or omission which they performed, or did not perform, in good faith, or due to negligence, subject to the exceptions specified in the policy, by virtue of their status as corporate officers in the Company, and for which claims were first field during the insurance period, while the insurance event itself occurred after the retroactive date which was determined in the policy (claims made basis policy). The liability which is covered under this policy is by virtue of the Companies Law and additional provisions of the law, which impose personal liability on officers including breach of their duty of care and breach of fiduciary duty in good faith, which can be insured by law.

The insurance company will pay insurance benefits to the policyholder (the corporate officer), or will indemnify the policyholder (generally the Company buying the coverage for its corporate officers), with respect to payment which is paid to the corporate officer, and was entitled to do so by law.

The premiums in policies of this kind are determined as a function of several variables, including: The area of activity, composition of shareholders, territorial exposure, financial stability, exposure to trading on stock exchanges, liability limits, deductible amounts, coverage period for claims which were reported for the first time during the insurance period but which refer to a specific time beforehand, the claims history and the terms of the reinsurance treaties.

The professional liability insurance branch is almost entirely backed by reinsurance. after several years of significant tariff increases and a decrease in the availably of insurance and in the liability limits which are sold, in light of the policy of reinsurers, during the reporting year the final tariffs for policyholders stabilized, which still remain high relative to the period preceding the reporting year.

- **Amendment to the National Insurance Law (Consolidated Version), 1995**

  For details regarding amendments to the National Insurance Law, see section 7.1.1.1(d) above.

7.1.1.4. **Property and others insurance branch**

- <u>This branch includes several sub-branches, as specified below:</u>

A. <u>Apartment insurance sub-branch</u>

This sub-branch includes apartment, contents and structure insurance, in various plans, of which the primary one is a comprehensive apartment insurance plan. This sub-branch includes coverage for the policyholder's apartment against loss or physical damage which have been caused to the structure of the apartment or to its contents, due to risks which are specified in the policy. This policy is subject to the minimum terms which were determined within the framework of the **Addendum to the Control of Insurance Business Regulations (Contract Terms Regarding the Insurance of Apartments and the Contents Thereof), 1986** (hereinafter: the "**Standard Apartment Insurance Policy**"). The terms of the standard apartment insurance policy can only be amended in favor of the policyholder, and expansions can only be added to it with respect to the insured property and risks, the scope of coverage and the types of liability insurance which are associated with the residential apartment (such as employers' liability insurance). The insurance is intended for residential apartments in the private sector and includes, inter alia, apartment insurance policies for policyholders who took out mortgage-backed loans, some of which were sold through agencies of mortgage banks, and in such cases, their premiums are restricted by the Commissioner.

Clal Insurance offers several apartment insurance plans, which are differentiated from one another by the scope of coverage and the premium amount. The premiums are for the most part differential, and are primarily derived from the requested scope of coverage, the insurance amounts and the risk level.

In May 2022, a draft was published of the **Control of Insurance Business Regulations (Contract Terms of Home and Home Contents Insurance) (Amendment), 2022**, in which it is proposed to amend the standard policy. The proposed amendment is due to uncertainty regarding the insurance coverage in case of collapse of buildings due to causes other than earthquakes. In accordance with the draft, it is proposed to clarify that those cases will not be included as part of the policy’s basic coverage, and it is further proposed to add the possibility of buying extension for coverage with respect to significant accidental damage caused to the home, for any reason (save for a limited number of specified exceptions), which is no less than 70% of the insurance amount.

At this preliminary stage, the Company is unable to estimate the draft’s impact. Actual results may be affected, *inter alia*, by the final wording of the regulations, the willingness of reinsurers to insure the aforementioned coverage, the pricing method, the scope of coverage, and the conduct of customers, competitors, distributing entities and creditors financing mortgage loans in the market.

In May 2022, a draft was published in amendment of the circular regarding life insurance and building insurance through housing loans (hereinafter: the “**Draft Amendment to the Housing Loan Insurance Circular**”), in which it is proposed to allow insurance agencies which are owned by mortgage banks (hereinafter: the “**Bank Agencies**”), which are currently allowed to market home insurance policies which include coverage for the building, plus coverage for water damages only (without additional covers or extensions), to market coverage for third party damage, and an extension for building insurance - “any reason coverage for significant damage”, according to the wording proposed in the draft amendment to the standard home insurance policy, as specified above.

Insofar as the draft amendment to the housing loan insurance circular becomes binding, it is expected to increase the ability of bank agencies to compete, although there is uncertainty regarding the willingness of reinsurers to provide insurance coverage for third party damages and/or any reason coverage for significant damage, as part of building policies through mortgages.

The Company’s assessments in connection with the draft amendment to the housing loan insurance circular constitutes forward looking information, which is based on the estimates and assumptions of Clal Insurance as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, and on the conduct of bank agencies, other agents, customers and competitors.

B. <u>Other property insurance sub-branch</u>

This sub-branch includes policies which are primarily intended for the business segment, and cover loss or direct physical damage to the policyholder’s property, or to property with which the policyholder is associated, due to risks which may be caused to the insured property, such as fire, lightning, and various other risks. In this sub-branch, insurance policies for electronic equipment, mechanical-engineering equipment, mechanical breakdowns and construction works (contract and construction works) are also sold, as well as cargo insurance in international land transport (sea and air), marine insurance, terrorism damage insurance and various other types of insurance (such as funds and trust).

The most common policy is **business insurance - “extended fire”** insurance, which is a policy for specific risks included therein - covering damages which may be caused to the policyholder’s property, including fire and lightning, explosion, collision, strikes, malicious damages, break-in and robbery. The policy also allows coverage for natural disasters, including earthquakes. “Extended fire” insurance is provides coverage for the restoration of the business, while providing reimbursement for the physical damage. Fire damages, including natural disasters and earthquakes, are characterized by low prevalence but high severity, as compared with break-in damages, which are characterized by high prevalence but low severity.

“**Resultant loss**” insurance coverage can be acquired as an addition to an “extended fire” insurance policy (loss of profits) which is due to the physical damage that was caused to the policyholder’s property. Premiums in “resultant loss” coverage are generally determined as a proportion of the insurance amount which was determined in the policy, according to the activity type of the insured business, the scope of coverage provided to it, and the requested indemnification period.

The “**extended fire**” coverage can be expanded to “**all risks supplementary**” coverage (which covers all risks, except for the risks which are excluded in the policy). For the most part, the expansion involves the payment of an addition premium, and is in a limited amount. An “**all risks industrial**” policy is also available, which is sold in special cases for specific risks, in which accidental damage to the policyholder’s property is covered, except for the damages which are excluded under the policy.

In most cases, other property insurance policies are issued for a period of one year.

C. Guarantees sub-branch

This sub-branch mostly includes guarantee policies in accordance with the Sales (Apartments) (Securing Investments of Apartment Buyers) Law, 1974 (the “**Sales Law**”), which are issued by Clal Insurance, which involve an undertaking to indemnify the beneficiary with respect to the breach of the undertaking of the debtor and/or the policyholder, towards it. Policies in accordance with the Sales Law are intended to secure the investments of buyers of residential units whose construction has not yet been completed, in case the apartment seller is unable to transfer to the buyer ownership or other rights to the apartment, as agreed in the sale agreement, due to the fulfillment of one of the causes of action specified in the Sales Law. The wording of the policies in accordance with the Sales Law which are marketed by Clal Insurance is adjusted, mutatis mutandis, to the provisions which were published on the matter within the framework of the amendments enacted by virtue of the Sales Law. These policies are issued these policies against collateral, and the insurance period in these policies is usually long (several years may pass until the expiration of the policy, according to one of the alternatives under the Sales Law, and until the cancellation of the coverage provided therein). The risk in the policies decreases as construction progresses, until the transfer of possession of the property. The recognition of income with respect to these policies is deferred over 3 years. In some of the cases where the Company sells policies pursuant to the Sales Law, it also provides, in parallel, financing to the entrepreneur for the purpose of building the project.

The Company mostly provides loans to accompany residential construction, along with sale guarantees, in collaboration with banks, with extra-banking entities, or independently. The Company also issues guarantees of other types (performance guarantees and other autonomous guarantees) which are issued by the Company within the framework of projects which it finances as part of construction financing, in a closed accompaniment format.[45]

In recent years Clal Insurance increased its activity in this sub-branch, inter alia, by engaging with Michlol Urban Real Estate Renewal Solutions Ltd. (“**Michlol**”) in an agreement according to which Clal Insurance provided a credit facility and Sale Law guarantees to Michlol for the purpose of its activity. For additional details, see section 9.2 below.

Clal Credit Insurance also issues guarantees, including, inter alia, guarantees of the tender, advance and performance types, which are generally for periods of up to three years, to beneficiaries including government authorities, government entities, municipalities or companies owned by them. At this stage, this activity is immaterial.

D. Accident, illness and disability insurance sub-branch

[45] A business framework for the provision of banking services to finance construction, in which the financing creditor covers all financing aspects of the project.

This sub-branch includes **personal accidents insurance policies** which are policies for set insurance periods of up to 12 months, which provide compensation in case of death and/or disability (full or partial) due to an accident and/or temporary loss of working capacity due to an accident, according to the chosen scope of coverage.

In 2021, due to the entire set of regulatory changes which apply to personal accidents insurance, and particularly the personal accidents circular (which includes provisions intended to regulate the process of sale and insurance coverage), Clal Insurance concentrated the sale of short-term personal accidents insurance policies on cases in which the policy is excluded from the provisions of the personal accidents circular, as part of the Health Division.

For additional details regarding the personal accidents circular and its implications, see section 8.1.2.1(c) below.

In the past, Clal Insurance insured students through personal accidents policies. In general, Clal Insurance is no longer marketing these insurance policies since September 2016. The liabilities in personal accidents for students policies are characterized as very long tail claim, due to the fact that the obsolescence period for minors begins, at the earliest, when they reach age 18. Therefore, despite the departure from the operating segment of marketing students personal accident insurance, Clal Insurance still has exposure to these policies.

7.1.1.5. **Credit and foreign trade risks insurance branch**

This branch includes insurance policies to cover credit risk in the local market and foreign trade risks abroad, which are marketed by Clal Credit Insurance, and provide to its policyholders - companies which sell on credit in Israel and abroad - coverage for commercial risks (insolvency and ongoing default) of the buyer from the insured company (in Israel and abroad), as well as coverage for political risks (abroad only). Political risks include a general moratorium declared by the state from which the payment of consideration to the policyholder was intended to take place (the "**Importing Country**"); a prohibition against importing by the country of import, or cancellation of an import license, which prevent the implementation of the agreement between the insured company and its customer; a political event, or economic difficulty in the importing country, which prevent the transfer of the consideration and non-payment of the consideration by a public customer in the country of import (i.e., the government or any local authority or entity overseen by any of them).

The engagement with the policyholder is made through a basic insurance policy which constitutes the framework for the engagement between the parties, and defined the terms of the insurance coverage. Under the basic policy, the Company approved credit ceilings for the policyholder in varying amounts and conditions, in a specific underwriting process for each individual customer of the policyholder which it approves. **The policies in this branch are usually short-term - one year, and are generally renewed automatically.**

The policy grants stability to the policyholder by reducing lost debts and stability in cash flows, while managing the credit risks of the policyholder's customers and handling difficult to collect debts.

Additionally, based on the policyholder's insurance policy, the policyholder can choose to receive factoring services from banks or from other financial companies, and can also contact the financing entity of the policyholder (bank, factoring company or any other entity), in order to increase the policyholder's credit facility, by establishing the financing entity as a beneficiary to receive insurance benefits under the policy.

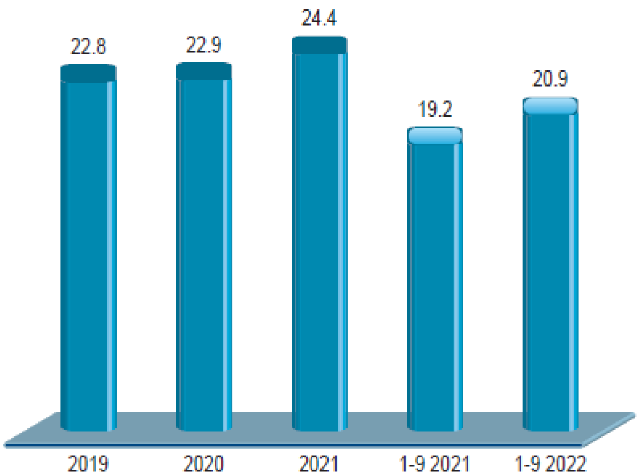
The activity in the credit and foreign trade risks insurance branch is performed through Clal Credit Insurance, a company controlled by Clal Insurance, which holds 80% of its shares, where 20% of the additional shares are held by Atradius Participation Holdings SL ("**Atradius Group**"). An agreement is in place between the shareholders of Clal Credit Insurance, which formalizes the Group's business collaboration with Atradius Group as a strategic partner, and allows Clal Credit Insurance to insure credit transaction in many countries (the agreement between the shareholders, including the amendments thereto, shall hereinafter be referred to as: the "**Shareholders Agreement**"). For details regarding the shareholders agreement, which is renewable periodically, see section 10.17.3 below.

7.1.2. Main markets, trends and changes in supply and demand

The non-life insurance market was stable in terms of the scope of premiums during the reporting year, while maintaining a mix of products which was similar to the corresponding period last year.

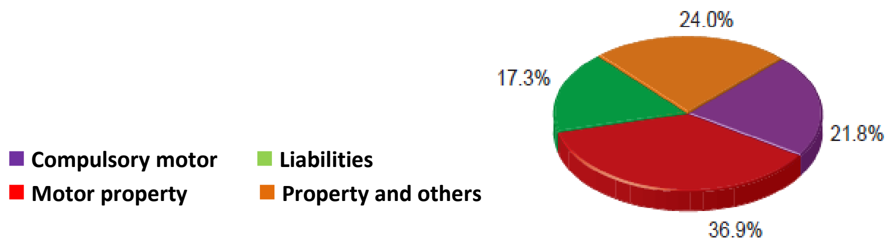
In accordance with the Commissioner's publications, as of September 30, 2022, gross premiums in the non-life insurance segment in Israel amounted, in the first nine months of 2022, to approximately NIS 20.9 billion, an increase of 9% relative to the corresponding period last year.

Development of gross premiums in the non-life insurance branch from 2020 to September 2022
NIS in billions

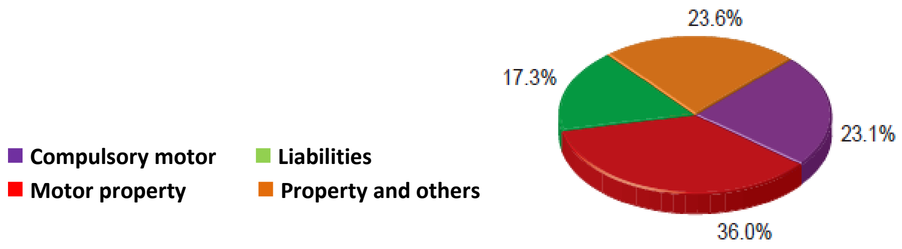


Presented below the distribution of gross premiums in the non-life insurance market in Israel, by non-life insurance branches, as described in this segment, excluding the short term illness and hospitalization branch, as described in the section regarding health insurance (section 8.1.1.1 below), with variability between the companies regarding its inclusion in the health segment or in the non-life insurance segment, in January to September of 2022 and 2021:

Distribution of gross premiums in the Israeli insurance market by non-life insurance branches January-September 2022



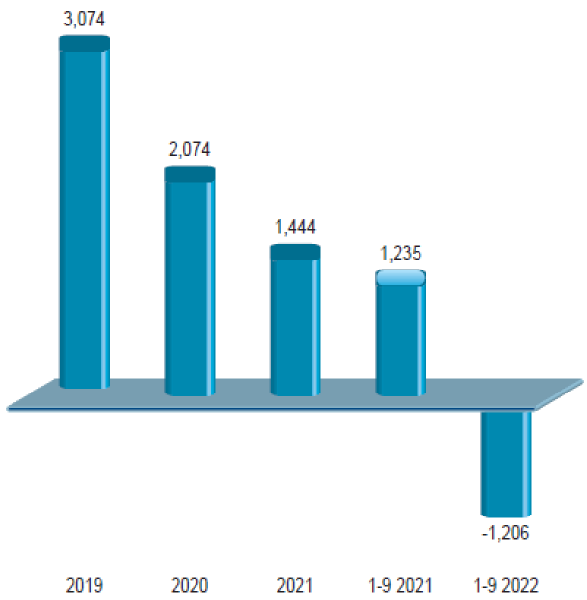
Distribution of gross premiums in the Israeli insurance market by non-life insurance branches January-September 2021



In accordance with the Commissioner's publications, as of September 30, 2022, loss in the non-life insurance segment in Israel in the first nine months of 2022 amounted to approximately NIS 1.21 billion, as compared with income of approximately NIS 1.24 billion in the corresponding period last year.

For additional details regarding the development of results in the non-life insurance segment in Clal Insurance, see Part B of the Report - Board of Directors' Report, section 2.2.2.

Development of comprehensive income before tax in the non-life insurance segment in Israel
to September 2022 2020
NIS in millions



A. Compulsory motor insurance branch

Most of the insurance companies in Israel operate in this branch, which is generally characterized by a uniform product, and by significant price competition. The demand in this segment is a result of the number of vehicles, which gradually increases each year, in light of the fact that it constitutes compulsory insurance, and due to the competitive conditions in the segment. The competitive conditions are affected, inter alia, by the entry of new players into the market, and by regulatory intervention. The possibility of conducting a comparison of tariffs through the website of the Capital Market, Insurance and Savings Authority, and through various digital means, which allow the use of price comparison search engines in the market, is also contributing to the competitive environment.

Beyond pricing, which is affected by considerations of competition, the profitability in this branch may be affected, inter alia, by changes in the number of road accidents, and the severity of injuries therein, by changes in the scope of subrogation claims, and by changes in legislation and in case law which pertain to the branch.

The obtained profitability is affected by the underwriting results and by tariffs, and also by the results of the investments, which are affected by changes in the capital market, changes in interest rates and inflation rates. The aforementioned changes in interest and inflation rates particularly affect profitability in liabilities insurance and in compulsory motor insurance, in light of the fact that these branches are characterized by a relatively high level of reserves, due to the significant time difference between the premium receipt date and the completion of claims handling. For additional details regarding the National Insurance subrogation arrangement, see section 7.1.1.1(d)(1) above.

B. Motor property insurance branch

Most of the insurance companies in Israel operate in this branch, which is generally characterized by uniform products with respect to private and commercial vehicles weighing up to 3.5 tons, and in significant price competition. The increase in this segment is a result of the number of vehicles, which gradually increases each year.

The profitability in this branch may be affected, inter alia, by various changes to the components, including the underwriting policy, the number of vehicle thefts and road accidents, changes in the prices of replacement parts and in repair costs, changes in standardization and in regulation, changes in the prices of new vehicles, prices of work hours in garages, and damages due to natural disasters.

During the reporting year, the trend of changes for the worse in the profitability results in the branch continued. For details regarding profitability results, see Part B of the Report - Board of Directors' Report, section 2.2.2.

For details regarding regulatory changes in the motor property insurance branch which may affect the profitability in this branch, see section 7.1.1.2(b) above.

C. Liabilities insurance branch

Most of the insurance companies in Israel operate in this branch, which features products with similar characteristics, and significant price competition. The demand in this branch is a result, inter alia, of the legal situation, including case law which was determined in connection with the interpretation of provisions of the law regarding physical injury and property damage caused to third parties which are covered under the policies.

The profitability in the liabilities branches may be affected by the competition in the branch, regulatory changes, the quality of underwriting and the degree of legal certainty. For additional details regarding the legislative amendments which regulate the National Insurance Institute's subrogation rights, see section 7.1.1.1(d) above.

For details regarding the impact of investment income on profitability in this branch, see subsection 7.1.2(a) above, "compulsory motor insurance branch", which has similar characteristics in this regard.

D. Property and others insurance branches-

The demand for the property branches, and the profitability thereof, may be affected, inter alia, by the rate of break-ins, fires and water damages to apartments and businesses, and to damages due to natural disasters.

The demand in these branches may be affected by the competition in the segment.

Guarantee insurance policies are sold by insurance companies, and Sale Law guarantees are also issued through banks. The demand for these insurance policies is affected, inter alia, by the development in the construction segment, and by the alternatives which are evaluated by contractors, and may be affected, inter alia, by the economic, political and security situation in Israel and abroad, by the status of the capital market and the quality of underwriting, including assessment of the risks in the branch where the creditor operates, and determining the debtor's repayment ability. During the reporting year, the Company increased its activity in the Sale Law guarantees segment and in the construction accompaniment loans segment. For additional details, see section 7.1.1.4(c) above.

E. Credit and foreign trade risks insurance branch -

The demand and profitability in the credit and foreign trade risks insurance branch may be affected, inter alia, by the economical, political and security situation in Israel and abroad, by the state of the capital market, by the risk level in the branch where the debtor operates, and by the state of competition in the Israeli credit insurance market.

7.1.3. Material expected changes in the Company's share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products.

In accordance with the data which are published on the Commissioner's website, the Group is the fourth largest group in the non-life insurance segment.

According to the Company's estimate, Clal Insurance's share in the markets will be affected by the intense competition in the segment, which will remain focused on the amount of premiums and on the provision of services to policyholders, and also by the removal of regulatory barriers to entry, which resulted in the entry of new insurance companies into this operating segment in recent years. For details on this matter, see section 7.2.1 below. Additionally, changes to arrangements vis-à-vis providers (garages and loss adjusters) following the draft circular regarding garages and loss adjusters may affect the market shares in the markets. For details on this matter, see section 7.1.1.2(b3) above. For additional details regarding the effect of the competition, see section 7.2 below.

Clal Insurance is working on business growth, particularly in individual business operations, in a competitive and aggressive business environment.

The Company's estimates constitute forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, depending, inter alia, on the competitive conditions in the segment, on the manner of implementation of the regulatory provisions, as well as the conduct of competing entities and license holders, and the impact on tariffs.

7.1.4. New products

During the reporting year, Clal Insurance did not market any significant new products.

7.2. Competition

7.2.1. Factors encouraging competition

The Company expects that the significant competition in non-life insurance, and particularly in the individual branches, is expected to continue in the coming years as well. The losses which were recorded by insurance companies in the motor property and compulsory motor branches during the reporting year and during the preceding year required the companies to adjust the tariffs to the risk due to the ongoing increase in the prevalence and severity of accidents, and due to the increase in the prevalence of thefts, due to the increase in the prices of replacement parts. The aforementioned price increase, the removal of regulatory barriers to the entry of new companies in the market, as specified in section 10.3.1.2 below, and reforms and regulatory directives which are specific to the branch, as specified above and below, are also affecting the intensification of competition in the segment. Presented below are factors which are affecting and encouraging competition in the segment:

- **Transparency and price** - In accordance with the Insurance Law, an insurer wishing to implement or change the terms of an insurance plan, or the insurance premiums, is required to notify the Commissioner of such 30 working days in advance, which the Commissioner has the authority to oppose. From time to time, the Company holds discussions with the Commissioner in connection with the foregoing requests, including with respect to insurance tariffs. In recent years, various directives have been published which are intended to increase transparency to customers, both during the state of addition to insurance, and towards the end of the insurance period.

- **Availability of data by digital means** - In recent years, the Commissioner has promoted various provisions on the subject of the transfer of information by digital means. As part of the above, an amendment to the addition to insurance circular regarding "addition to insurance" entered into effect in 2018, which obligated the marketing entity, when making inquiries regarding an insurance applicant's needs, to check at the Insurance Mountain (a platform concentrating information with respect to all of a policyholder's insurance products at the insurance companies) (except in excluded branches) whether the insurance applicant already has similar insurance products. The availability of information facilitates comparison and increases competition in the market.

  The Commissioner also promoted the reporting of claims experience in motor property claims to the Insurance Mountain, with the aim of creating a central claims report, which will facilitate matters for policyholders who are required to submit a claims report for underwriting purposes, before joining insurance. The above has improved the reliability of the data, removed operational barriers, and consequently increased competition.

- **Sales** - The Company operates a digital platform for the marketing of compulsory motor, motor property, apartment insurance and individual cybersecurity products. The Company also operates a direct sale center for these products.

- **Calculators** - Some of the competition in the segment is focused on competition over the amount of premiums. On the website of the Capital Markets, Insurance and Savings Authority, a compulsory motor insurance calculator is available which presents the insurance tariffs of all of the companies, which are determined according to the relevant variables (of each company) to insure the vehicle for which a query is performed using the calculator (the "**Compulsory Motor Calculator**"). The compulsory motor calculator allows interested parties to compare tariffs for compulsory motor insurance between the companies. Additionally, on the aforementioned website, the apartment insurance tariff calculator is published ("**Apartment Insurance Calculator**"). The apartment calculator is intended to present comparative insurance tariffs of insurers, in accordance with the coverages given in the standard insurance policy for apartments and their contents.

- Price comparison aggregators - in recent years, including during the reporting year, various aggregators have been developed in the market, which are used by insurance agents and/or end customers as a comparative sales tool for motor insurance. The aggregators allow the receipt of insurance price quotes from several insurance companies in parallel, a feature which is increasing competition in the compulsory motor branch and in the motor property sub-branch.

- Service and claim settlement - According to the Company's estimate, in the coming years as well the competition in the segment will continue to increase, and will also address additional components, beyond the pricing issue, such as the issue of service and claim settlement. These data constitute an additional measurement tool available to policyholders for choosing the insurance product. The Commissioner publishes, on the website of the Capital Market, Insurance and Savings Authority, comparative figures regarding the claim settlement method of insurance companies, as well as comparative figures regarding benchmarks for the evaluation of the service which is provided by insurance companies to policyholders.

  Clal Insurance has an application called "Clal Emergency Button", which allows Clal policyholders to receive emergency calls 24 hours a day in case of a vehicle accident, or in case of plumbing damages in an insured apartment, at the push of a button. It is also possible to submit claims through the application, to check claim status, to review the personal file, and to perform various actions with respect to the personal file. During the reporting year, Clal Insurance began operating a service for policyholders to settle property damage claims in apartment insurance in low amounts, and in the appropriate cases, through video calls, while shortening processing times, and improving the efficiency of service.

The information presented on all matters associated with the possible implications of the development of competition constitutes forward looking information, which is based on the Company's estimates and assumptions, and the actual results may differ significantly from the forecast, inter alia, due to the conduct of competitors, distributors, providers, customers, and changes in regulatory conditions.

Removal of barriers to competition -

For details regarding the lifting of barriers to entry to the market, see section 10.3.1.2 below.

According to the Company's estimate, the competitive conditions in the segment will continue in the near future as well.

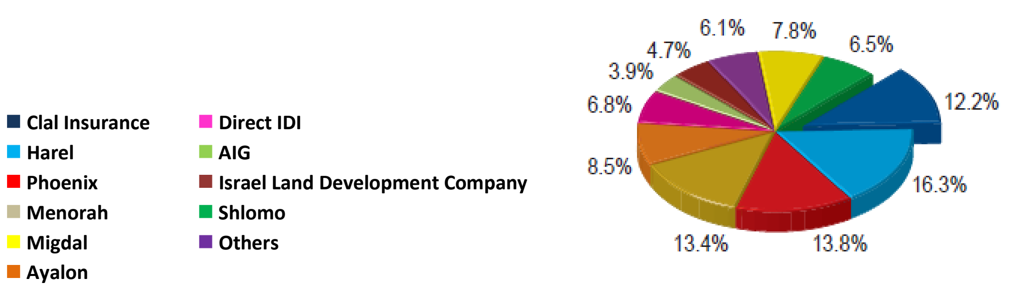
Clal Insurance's estimate in connection with the competitive conditions in the field, as specified above, partially constitutes forward looking information, which is based on the information which is available to the Group as of the reporting date. Actual results may differ materially from the estimated results, due to the reasons presented above.

7.2.2. <u>Competitive conditions in the operating segment</u>

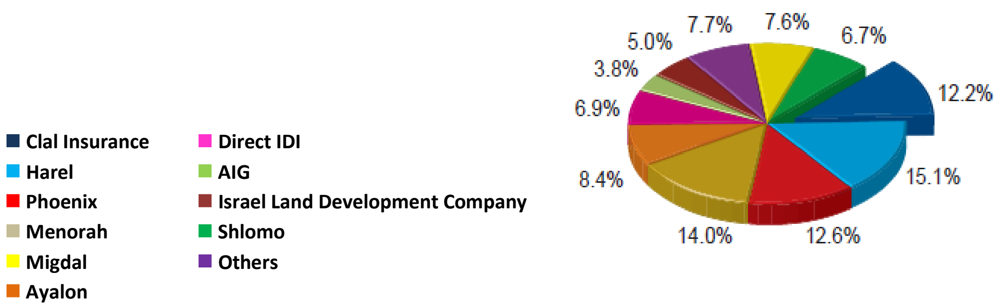
Most of the insurance companies in Israel are engaged in this segment.

Total gross premiums received in the non-life insurance segment of the Group amounted, as of September 30, 2022, to approximately NIS 2,561 million, and constituted, according to the data in the financial statements of the insurance companies as of September 30, 2022, which are published on the website of the Capital Markets, Insurance and Savings Authority, approximately 12.2% of the activity in the market's non-life insurance segment, as compared with gross premiums at a scope of NIS 2,329 million, which also constituted approximately 12.2% of market activity in the non-life insurance segment in the first nine months of 2021.

Distribution of premiums in the non-life insurance segment between insurance groups and companies as of September 2022



Distribution of premiums in the non-life insurance segment between insurance groups and companies as of September 2021



A. Individual branches

Most of the insurance companies sell most of the products in the segment in individual insurance branches (compulsory motor insurance, motor property insurance and apartment insurance). Some only through agents, others only through direct sale channels, and others through both channels. The market in the individual insurance branches involves significant competition. The competition in the activity branches is increasing in branches where there is uniformity between the products, and therefore, there is excess sensitivity to the tariffs in those products.

B. Business branches

Some of the insurance companies sell the business branch products. The competition in the liabilities and property branches is affected by the general competition in the business insurance segment. The sale of these insurance types requires specialization, and sometimes involvement of reinsurers in the specific risk.

The competition over large businesses is affected, inter alia, by the preparation of insurance tenders by customers, and the involvement of consultants, and the capacity and pricing of reinsurance.

For an analysis of the Company's business results in the individual segments and business insurance segments, see Part B of the Report - Board of Directors' Report, section 2.2.2.

7.2.3. Significant competitors in the segment

There is intense competition in vehicle and apartment insurance between all of the insurance companies which are engaged in this segment. The entry into the market of insurance companies operating through a direct digital sales platform, along with the trend of growth in the market share of direct platforms which are held by the traditional insurance companies, as well as independent aggregators, have resulted in increased competition in the motor insurance market, which had significantly worse results during the reporting year. However, during the reporting year the competition in motor insurance decreased due to the need for insurance companies to increase premiums in order to offset the losses in those insurance branches.

There is intense competition in the other products of non-life insurance (non-motor and apartment), mostly between the traditional insurance companies. The Group believes that its main competitors in these products are the large insurance groups: Harel, Phoenix, Menorah, Migdal and Ayalon.

In certain branches in the non-life insurance segment in Israel, there are significant competitors in the same branch. In the credit and foreign trade risks insurance branch, the main competitor of Clal Insurance is ICIC - The Israel Credit Insurance Company Ltd. Other competitors include Compagnie Française d'Assurance pour le Commerce Extérieur (Coface), which began operating in Israel in 2015, and several foreign credit insurance companies which insure Israeli companies in the credit insurance segment and which perform their sales activities through brokers.

During the reporting year there was a trend of acquisitions of insurance agencies by institutional entities, which could result in the strengthening of their sales branches.

7.2.4. Methods for dealing with competition and factors affecting the Company's competitive position

The Company deals with competition on several levels:

Improvement in pricing, underwriting and risk management methods - Data analysis using actuarial models, analysis of current business data and basing operations on an extensive database, which provide a picture that allows responding to market changes, including through differential tariffs and improvement of underwriting processes.

Improved service to customers and agents - Inter alia, thanks to the operation of systems which enable the issuance of policies at agents' offices, technological improvements to interfaces vis-à-vis agents (such as a system which enables the printing and direct mailing of policies, collaborations with motor insurance aggregators to streamline the production process), and the provision of digital services.

Treaties with reinsurers - Clal Insurance has extensive, long term relationships with various leading and financially strong reinsurers, the engagement with whom affects Clal Insurance's management of insurance risks, risk appetite, and ability to engage in insurance transactions.

Operational improvements - For the purpose of complying with the regulatory directives, Clal Insurance developed IT tools in order to facilitate the agents' work in the required actions. Clal Insurance also worked to improve work methods, improve agreements with service providers, partial transition to digital mailing to policyholders, etc.

Products - Creation of designated products tailored to certain market segments and/or certain demographics, and expansion of existing policies, and adjusting them to customers' needs.

Marketing - Sales promotion through an extensive marketing campaign in various media, publications intended for agents, publications in professional media, targeted campaigns, initiated visits of professional entities on behalf of Clal Insurance at agent offices, professional conferences and professional training seminars. The Company operates a digital platform for the marketing of compulsory motor, motor property, apartment insurance and individual cybersecurity products. The Company also markets unique tracks in the comprehensive policy, including "Select Garages" (for details, sees section 7.1.1.2(b2) above), "Clal Meterage" and "Clal Behave".

According to the estimate of Clal Insurance, the factors which positively affect its status in the segment include: the Group's stability and financial soundness, which are particularly significant in long tail claim insurance branches, professional specialization, the ability to offer a broad variety of solutions, and to tailor products to the customers' requirements, including providing innovative and unique solutions in the segment, advanced policy production systems in the individual branches, good relationships with reinsurers, including reinsurance treaties which allow the Company flexibility in the receipt of various businesses, and high quality service to agents and customers.

7.3. **Customers -**

7.3.1. General

Customers in the non-life insurance segment include individual and business customers: the motor property and compulsory motor insurance branches, and the apartment insurance sub-branch, primarily include individual policyholders. The liabilities insurance branch, the property and others (excluding apartments) insurance branch, the credit and foreign trade risks insurance branch, and the Sales Law guarantees and policies branch (in which the apartment buyer is the beneficiary, and the contractor is the policyholder) primarily include business policyholders.

In some of the insurance branches in the segment, which are individual insurance branches, a significant component of the sales aimed to collectives, including the compulsory motor insurance branch and the motor property insurance branch.

Additionally, in the compulsory motor and motor property insurance branches, there are customers which are companies that own vehicle fleets, including companies which are engaged in vehicle rentals / leasing companies.

The Group's types of customers in the liabilities insurance branch are divided according to the insurance type: third party liability insurance and employer's liability insurance are intended both for the private sector (households and condominiums) and for the business sector (businesses, corporations, local authorities and other institutional entities). Directors and officers insurance, professional liability insurance and product liability insurance are intended for the business segment only.

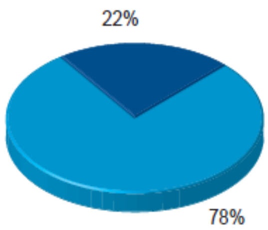
Distribution of gross premiums (NIS in thousands) by types of customers in the various branches in the non-life insurance segment, in the years 2021 and 2022

A. Compulsory motor insurance branch

Customer type	2022		2021	
	Premiums in thousands of NIS	Proportion of total sales	Premiums in thousands of NIS	Proportion of total sales
Individual policyholders (not fleets or collectives)	541,726	78%	449,461	75%
Fleet - collective	152,945	22%	149,210	25%
Total	**694,671**	**100%**	**598,671**	**100%**

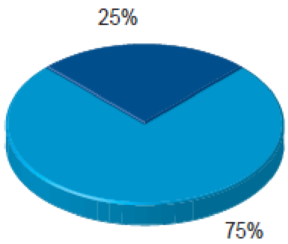
Distribution of customers in the compulsory motor insurance branch by premiums in 2022

■ Fleet – collective
■ Individual customers and small business customers



Distribution of customers in the compulsory motor insurance branch by premiums in 2021

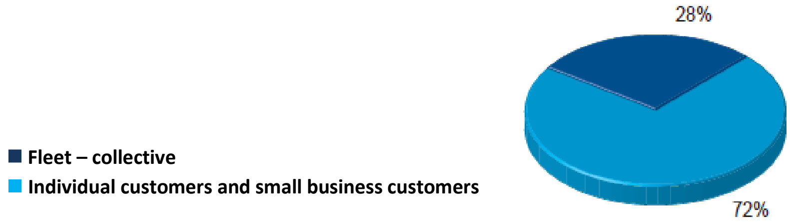
■ Fleet – collective
■ Individual customers and small business customers



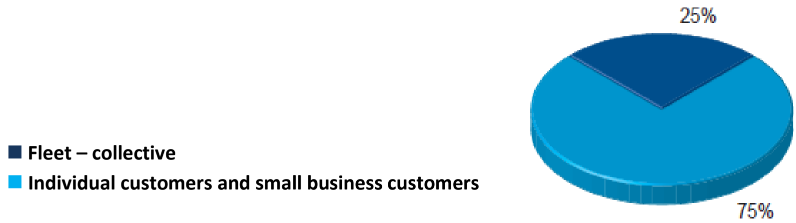
B. Motor property insurance branch

Customer type	2022		2021	
	Premiums in thousands of NIS	Proportion of total sales	Premiums in thousands of NIS	Proportion of total sales
Individual policyholders (not fleets or collectives)	680,335	72%	590,337	75%
Fleet - collective	262,040	28%	199,918	25%
Total	**942,375**	**100%**	**790,255**	**100%**

Distribution of customers in the motor property insurance branch by premiums in 2022



Distribution of customers in the motor property insurance branch by premiums in 2021



C. Liabilities insurance branch

Customer type	2022		2021	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Individual policyholders and small business customers	173,174	36%	174,023	35%
Large business customers and large plants	313,190	64%	324,267	65%
Total	**486,364**	**100%**	**498,290**	**100%**

Distribution of customers in the liabilities insurance branch by premiums in 2022

Distribution of customers in the liabilities insurance branch by premiums in 2021

D. <u>Property and others insurance branch</u>

Customer type	2022		2021	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Individual policyholders and small business customers	416,504	41%	417,063	45%
Large business customers and large plants	602,906	59%	514,441	55%
Total	**1,019,410**	**100%**	**931,504**	**100%**

Distribution of customers in the property and others insurance branch by premiums in 2022

Distribution of customers in the property and others insurance branch by premiums in 2021

E. **Credit insurance branch**

Customer type	2022		2021	
	Premiums, NIS in thousands	Proportion of total sales	Premiums, NIS in thousands	Proportion of total sales
Business policyholders	132,210	100%	123,039	100%
Total	**132,210**	**100%**	**123,039**	**100%**

7.3.2. Dependence on customers in the segment, renewal rates and seniority

- In the non-life insurance segment, the Group is not dependent on any individual customer or on a limited number of customers.

- The Group does not have any individual customer whose income in the segment constitutes 10% or more of the Company's total income in the consolidated reports.

- The rate of individual policyholders who purchased compulsory motor insurance together with motor property insurance in 2022, out of the total customers who purchased compulsory motor insurance in the Group, amounts to approximately 82%. The rate of individual policyholders who purchased compulsory motor insurance together with motor property insurance in 2022, out of the total customers who purchased motor property insurance in the Group, amounts to approximately 92%.

- Presented below are data regarding the renewal rate (customers who renewed policies in which the insurance had terminated) in the mandatory motor insurance, motor property insurance branches and the housing insurance sub-sector in 2022, 2021 and 2020 out of the total insurance fees in respect of policies that terminated in 2022, 2021 and 2020, respectively:[46]

Branch	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2022	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2021	Rate of renewals from total premiums with respect to policies whose conclusion date is in 2020
Compulsory motor insurance	78.4%	74.6%	70.7%
Motor property insurance	77.6%	70.8%	69.4%
Apartment insurance	91.5%	88.7%	85.4%

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, according to the number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date, **in the compulsory motor insurance branch**[47]**:**

46 The rates are presented in terms of gross premiums.

47 For details regarding premiums which were collected by Clal Insurance in the non-life insurance segment during the reporting year, see Note 5(d) to the financial statements.

	Premiums, NIS in thousands			Proportion of total sales		
Number of insurance years (years of seniority)	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
First insurance year (no seniority)	242,598	215,432	227,789	34.92%	35.99%	42.82%
Second insurance year (one year of seniority)	142,221	152,031	89,299	20.47%	25.39%	16.79%
Third insurance year (two years of seniority)	115,578	60,765	59,069	16.64%	10.15%	11.10%
Over three years of seniority	194,274	170,443	155,784	27.97%	28.47%	29.29%
Total	**694,671**	**598,671**	**531,941**	**100.00%**	**100.00%**	**100.00%**

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, by number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date), **in the motor property insurance branch**:

	Premiums, NIS in thousands			Proportion of total sales		
Number of insurance years (years of seniority)	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
First insurance year (no seniority)	369,761	338,323	250,567	39.24%	42.81%	36.52%
Second insurance year (one year of seniority)	227,685	154,067	135,701	24.16%	19.50%	19.78%
Third insurance year (two years of seniority)	111,869	88,766	90,735	11.87%	11.23%	13.22%
Over three years of seniority	233,060	209,099	209,128	24.73%	26.46%	30.48%
Total	**942,375**	**790,255**	**686,131**	**100.00%**	**100.00%**	**100.00%**

- Presented below are data regarding premiums (NIS in thousands) which were paid by customers during the reporting year, by number of years of seniority in Clal Insurance (according to the policy acquisition and renewal date), **in the apartment insurance sub-branch**:

	Premiums, NIS in thousands			Proportion of total sales		
Number of insurance years (years of seniority)	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
First insurance year (no seniority)	45,268	51,413	48,072	15.72%	18.43%	18.13%
Second insurance year (one year of seniority)	40,666	36,292	29,230	14.12%	13.01%	11.02%
Third insurance year (two years of seniority)	31,284	25,287	22,450	10.86%	9.06%	8.47%
Over three years of seniority	170,737	165,979	165,379	59.3%	59.5%	62.38%
Total	**287,955**	**278,971**	**265,131**	**100.00%**	**100.00%**	**100.00%**

* Details regarding customer renewals do not include data regarding policies which were sold through mortgage banks (old portfolios) which entered run off beginning in 2005.

7.4. **Other**

7.4.1. Arrangement regarding autonomous vehicles

In September 2020 the Authority published a consultation paper regarding required regulations for the era of autonomous vehicles. Additionally, in February 2021 the Ministry of Justice published a request for public positions regarding tort and insurance matters, in advance of the regulation of the use of autonomous vehicles. As part of these publications, the public was requested to express its position regarding the desired arrangement outline, and regarding the main questions in light of the expected transition to the use of autonomous vehicles.

In March 2022, the Amendment to the Traffic Ordinance (No. 130) Law, 2022, was published in the Official Gazette (hereinafter: the "**Amendment to the Traffic Ordinance Regarding Autonomous Vehicles**"). The purpose of the amendment to the traffic ordinance regarding autonomous vehicles is to create a normative infrastructure which will allow transition from the trial stage of autonomous vehicles including a safety driver, to a stage of trial trips of autonomous vehicles with no driver at all. The amendment to the traffic ordinance regarding autonomous vehicles is intended to allow the trial use of vehicles for purposes of a public nature - transportation of passengers, including paid, such as in shared transport, deliveries, and possible also for additional uses which may arise in the future, but not for private use. It was determined, inter alia, that a condition for issuance of permit for the operation of an autonomous vehicle will be that the petitioner must have a valid insurance policy pursuant to the Motor Vehicle Insurance Ordinance, which has been purchased by the petitioner, which covers the operation of the autonomous vehicle for which the permit is requested. The holder of a permit for operation of an autonomous vehicle will not be entitled to purchase an insurance policy from the Pool (for details regarding the Pool, see section 7.1.1.1(b)(1) above). However, during the three year period beginning from the date of the application for an operating permit pursuant to the law, until the end of three years after that date, a permit holder who did not obtain insurance coverage directly from an Israeli insurer will be entitled to purchase an insurance policy in accordance with the requirements of the Insurance Ordinance, from the Pool. Additionally, the Minister of Finance, following consultation with the Commissioner of Capital Markets, Insurance and Savings, who evaluated, inter alia, the availability of insurance coverage through insurers, and the cost of pure risk of the autonomous vehicles, will be entitled, by issuing an ordinance, to extend the possible period for the purchase of insurance from the Pool, for additional periods which will not cumulatively exceed three years.

At this preliminary stage, it is not possible to predict the impact of the Amendment to the Traffic Ordinance Regarding Autonomous Vehicles on the insurance market in Israel, due to the preliminary stage of the process, and the absence of relevant information to price and hedge the risk, including due to the absence of an arrangement for the autonomous vehicles market in Israel, the absence of a timetable for the commenced operation of autonomous vehicles in Israel, and the absence of information regarding claims experience and the willingness of reinsurers to insure them.

8. Health insurance segment

8.1. Products and services

8.1.1. Description of the insurance branches and the insurance coverages included in the segment

8.1.1.1. **Illness and hospitalization branch**

In Israel, there are several layers providing illness and hospitalization coverage: The basic health basket which is provided to the country's citizens by virtue of the National Health Insurance Law (the "**Basic Basket**"); Additional services which are provided by the health funds in accordance with the provisions of the National Health Insurance Law (hereinafter: the "**Additional Services**" or the "**Additional Health Services**"); and insurance policies sold by the insurance companies.

The Group offers to its policyholders a variety of insurance coverages in the illness and hospitalization branch, which include compensation or indemnification to policyholders with respect to medical expenses in case of harm to health due to an illness or accident. Some of these products are substitute, supplement and expand the coverages and services which are given in the basic basket and/or the additional services.

The illness and hospitalization branch includes the following primary sub-branches which are proposed by the Company:[48]

- Illness and hospitalization insurance.
- International travel insurance.
- Personal accidents insurance.

8.1.1.2. **Long-term care branch**

Long-term care insurance provides solutions for situations in which the policyholder is defined as requiring long-term care, according to the definition of the insurance event in the policy, i.e., anyone who cannot independently perform part of the activities of daily living, and therefore requires assistance or supervision. A policyholder with mental incapacity is also considered as requiring long-term care.

A person requiring long-term care who resides at home, and who fulfills certain criteria (including, inter alia, health and economic criteria), may be entitled to receive services from the National Insurance Institute, including treatment hours at home, in accordance with the provisions of the **National Insurance Law (Combined Version), 1995**.

The Ministry of Health also participates in assisting the funding of residence in a long-term care institution among the long-term care institutions which are recognized by it for this purpose, for any person requiring long-term care who requires assistance in financing such residence.

The long-term care branch includes insurance coverages which are paid, in addition to the payments or services which are given by the state, as specified above, as individual insurance and as collective insurance (currently mostly for health fund members), in which, upon the occurrence of an insurance event, the insurance company undertakes to insurance company in funding the long-term care hospitalization or to compensate the policyholder. The policies provide insurance benefits for a defined period, or for the entire lifetime.

Beginning in October 2019, Clal Insurance stopped (along with the other market players, to the best of its knowledge) marketing individual long-term care policies to new customers, inter alia, due to the announcement of reinsurers, regarding the discontinuation of their activity in the long-term care insurance segment in Israel. For additional details, see section 8.1.2.2 below. Additionally, as of the publication date of the report, Clal Insurance is not engaging in any new agreements regarding collective long-term care insurance.

8.1.2. <u>Details regarding the primary products and services included in the operating segment</u>

Presented below is a description of the main coverages:

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[48] For details regarding the discontinuation of marketing of personal accidents insurance during the year preceding the reporting year, see section 8.1.2.1(c) below.

8.1.2.1. **Illness and hospitalization branch**

In the illness and hospitalization branch, Clal Insurance markets individual insurance and collective insurance.

- Individual insurance

Individual health insurance policies which were sold until the end of January 2016 are generally for an undefined period, regarding which, except for the cases specified in the policies and in the policies, only the policyholder is entitled to announce their termination.

In accordance with the Commissioner's directives, individual insurance in the health segment (excluding loss of working capacity, long-term care insurance, international travel, dental, and foreign employees and residents) which are sold from February 2016, are automatically renewed for all policyholders once every two years, and subject to the Commissioner's approval, the insurance company may update the tariffs and conditions in all individual health insurance policies, until the date of the next update of the tariff and/or conditions (hereinafter: the "**Date of the Change**"). An insurance company is obligated to notify all policyholders of the change around two months before the date, and to obtain their consent if the monthly premiums have increased, or if the scope of insurance coverage has been reduced, as an alternative to raising the premiums, as stated above, according to the cases and conditions which were determined by the Commissioner (hereinafter: "**Updated Health Policies**").

Periodic updates to the policy terms, insofar as they are made in a manner which does not benefit policyholders, may affect the ability to retain policyholders, particularly among healthy policyholders.

As of the reporting date, the Company has not yet requested to update policies which require the consent of policyholders, as stated above.

In September 2022, a circular was published to update tariffs in updated health policies (hereinafter: the "**Tariffs Circular**"), which includes provisions which determine, with respect to updated health policies, the cases in which insurers may increase premiums in health insurance policies of the medical expenses type (individual) without the Commissioner's approval, and provisions which allow the insurance company to offer policyholders to reduce the rate of premium in case by increasing the deductible or reducing coverage, subject to the Commissioner's advance written approval. The circular enters into effect on its date of publication, and applies to individual medical expense insurance plans which are marketed or renewed beginning from the application date.

The certainty regarding the possibility of increasing premiums, or alternatively, of pricing a part of the risk as part of increasing the deductible or reducing the scope of coverage, is expected to result in a certain hedge of the insurance company's long term insurance risk in updated health policies, to create certainty in the mechanism for increasing insurance premiums, and as a result, to reduce the conservatism factors in policy pricing.

The information presented on all matters associated with the possible implications of the provisions regarding health policies and the tariff circular constitutes forward looking information, which is based on assumptions and estimates made by the Group, as of the reporting date. Actual implementation may differ from the forecast, and depends on a variety of factors, including the manner in which the policies are updated, according to the requirement and/or possibility to update them, over the years, and the operating expenses associated therewith, and also depends on the competitive conditions in the segment and on the conduct of competing companies, distributing entities and the preferences of policyholders over time, as well as the combined impact of the policy pricing reform and the tariff circular, together with the standard policy regulations, as defined below.

Additionally, in accordance with the Commissioner's directives, beginning in February 2016, an insurance company which markets individual policies in the illness and hospitalization branch and in the personal accidents branch will allow a potential policyholder to purchase a base plan, a plan which, in general, when canceled, also signifies the cancellation of the associated additional plans, independently of their purchase of another, additional plan, or another base plan, unless the Commissioner has given advance written consent for the above. It was also determined that an insurance company will allow potential policyholders to purchase any of the following coverages as base plans: surgeries, transplants, drugs and critical illness. An insurance company may not make a discount in a certain plan conditional upon the purchase or holding of any other plan, and must obtain the policyholder's separate consent for the acquisition or cancellation of each of the plans. For details regarding changes in the structure of health insurance policies which will be marketed beginning on May 1, 2023, in accordance with the Commissioner's reform, which entered into effect in May 1, 2023, see section 8.1.2.1 below.

- Collective insurance

Collective health insurance policies are generally for periods of several years, where in some of the policies, policyholders are entitled to acquire, at the end of the collective insurance period, individual policies without underwriting.

The Control of Finance Services Directives (Insurance) (Collective Health Insurance), 2009 (hereinafter: the "**Collective Heath Regulations**" or the "**Directives**") establish provisions regarding collective insurance, including, inter alia, that the continuous renewal of collective insurance will be done only on the condition that one or more of the basic coverage chapters, as defined in the directives, which existed in the policy prior to its renewal, have not been canceled. It was further determined that the premiums cannot be raised, during the insurance period, or on the date of renewal of the collective insurance policy, at a rate or amount higher than that specified in the directives, unless the policyholder's express consent has been received.

Reform in individual and collective health insurance

In September 2022, the Control of Financial Services Directives (Insurance) (Terms of Insurance Contract for Surgeries and Alternative Treatments to Surgery in Israel) (Amendment), 2022 were published; **Amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 1, 2, 3, 4 and 6 - preparation of health insurance plans;** The **Control of Financial Services Directives (Insurance) (Terms of Insurance Contract for Basic Health Insurance Policy), 2022** (hereinafter, jointly: the "**Reform**"). The provisions of the reform include a new structure for the health insurance market, which will include five layers:

(A) First layer - A basic health insurance policy, which is comprised of three standard insurance plans – implants and special treatments abroad, drugs not including in the health basket, and alternative treatments to surgery abroad. The policies cover cases which are generally not covered by the health funds' basic basket. In the draft reform provisions, the Commissioner defined the foregoing covers uniformly in order to allow a comparison between the products, increase competition and focus it on the price of insurance, and on the service which is given by the insurance company.

(B) Second layer - Plan for surgeries and alternative treatments to surgery in Israel - supplementary coverage to the insurance coverage which is sold as part of the Additional Health Services with / without a deductible, and coverage from the first shekel onwards, without a deductible.

(C) Third layer - Insurers will be entitled to market extension policies for the coverages which are included in one or more of the insurance plans that were purchased under the first, second or fifth layer.

(D) Fourth layer - 6 specific ambulatory insurance plans which were specified in the reform provisions which include, inter alia, coverage for medical advice, testing and diagnosis, for the purpose of increasing the variety of available insurance products, while preventing a situation of double coverage between the products, as well as any additional plan which may be approved by the Commissioner, in advance and in writing, and which he will declare permissible for marketing by all of the companies. Products in the fourth layer may be sold provided that the policyholder holds a basic health policy from any insurer.

(E) Fifth layer - A critical illness policy, the purchase of which does not depend on the purchase of another insurance plan.

The provisions of the reform also include a prohibition against the sale of individual health insurance policies to insurance applicants who have an individual health insurance policy of the reimbursement type, which provides them with similar insurance coverage, without canceling the existing policy (except for certain cases which were specified in the provisions of the reform), and a provision stipulating that discounts will be given, in a fixed rate, for a minimum period of ten years.

The reform also includes a provision stipulating that, in case of cancellation of a basic health policy according to the first layer, for policyholders who purchased it after the commencement date, within six months after the purchase date, the insurance company will cancel all of the health policies on the second and fourth layers which that policyholder purchased from it after the commencement date, except if the policyholder has a basic health policy at another company.

In February 2023, an amendment to the reform’s provisions was published, which includes changes and clarifications by the Commissioner, in light of comments which were received from the market during the period after the publication of the reform, including that the provision in the reform regarding discounts will also apply to renewed and new discounts in policies which began before the commencement date of the reform; and that policyholders in collective insurance will be able to chose to transfer to continuing individual policies with respect to all or some of their coverages in the collective insurance plan, in their discretion, independently of the existence of a full first layer. It was further determined that the application date of the reform’s provisions will be updated to May 1, 2023.

The provisions of the reform will apply beginning from the commencement date of individual health insurance policies which are signed from that date onwards, and some of the provisions will apply to collective health insurance policies which are signed or renewed from the commencement date onwards, except for the provision regarding discounts, which will also apply upon the provision of a renewed discount in existing individual policies.

For details regarding proposed amendments in the bill regarding double surgery insurance with Additional Health Services, which, if they are accepted, are expected to affect the reform and lead to changed therein, see below.

The existence of a standard basic health policy at all of the insurance companies may increase competition, which will be focused on price, service and the claim settlement method, inter alia, in light of the uniformity of the policies, and in light of the structure of the policies, which will be comprised of several layers, that may be purchased by policyholders from different companies. The prohibition against offering policyholders to purchase insurance for surgeries and alternative treatments to surgery in Israel as part of the first layer may affect the product’s sales volume. Expansion of the obligation under which discounts will be given at a fixed rate for a minimum period of ten years, also with respect to policies which were signed before the application of the reform, could affect the retention of policyholders in those policies. At this preliminary stage, the Company is unable to estimate the complete effects of the reform.

The information presented on all matters associated with the possible implications of the reform constitutes forward looking information, which is based on assumptions and estimates made by the Group, as of the reporting date. Actual implementation may differ from the forecast, and depends on various factors, including the publication of the amendments proposed in the bill regarding double surgery insurance with the Additional Health Services, the conduct of competing companies, distributing entities, and the preferences of policyholders over time.

Insurance coverages in the illness and hospitalization branch

Presented below is a description of the characteristics of insurance coverages in the main products which are sold by the Group in the illness and hospitalization branch:

A. Illness and hospitalization insurance

- In the illness and hospitalization branch, the insurance companies offer coverages which are divided into three types:

  - **Alternative insurance** - Insurance coverage which constitutes an alternative to the services which are given in the basic basket and/or for additional services.

  - **Additional insurance –** Coverage for services which, are their date of sale, are not included in the basic basket or in the additional services.

  - **Supplementary insurance** - Coverage which expands coverage given in the basic basket and/or in the additional services.

- **The basic insurance coverages in this sub-branch include:**

(1) **Insurance for surgeries, transplants and special treatments** - Provides coverage to the policyholder with respect to private medical services. Within this framework, the insurant is given the right to choose the date of receiving the medical service, the identity of the attending physician, and the medical institution (for details regarding the arrangements regarding the field of surgery insurance from 2016, which affected the scope of services received, see below). The aforementioned insurance coverage provides coverage for medical expenses, inter alia, in connection with surgery, transplants and/or special treatment overseas.

In recent years, regulatory bodies have performed several regulatory processes in connection with surgery insurance in Israel:

- Beginning in February 2016, all of the insurance companies in Israel which market health policies, have been marketing policies which include standard insurance coverage for surgeries, alternatives to surgery, and consultations with specialized physicians regarding surgeries or regarding alternative treatments to surgery, all in Israel, the scope and terms of which were set forth in the Control of Finance Services Regulations (Insurance) (Terms of Insurance Contract for Surgeries and Alternative Treatments to Surgery in Israel), 2015 (hereinafter: the "**Standard Surgery Policy**" and the "**Standard Policy Regulations**", respectively).

- Beginning in July 2016, the standard surgery policy which is marketed by all of the insurance companies in Israel includes coverage for surgeries which will only be performed by a service provider who has an arrangement with the insurer regarding the performance of the procedure (hereinafter: "**Arrangement Service Provider**" or "**Arrangement Lists**"). It was further determined, as a standard rule for insurance companies and health funds, that in general, except for an exclusion which was established with respect to insurers with low market shares, the insurance company will pay for the services due to surgery according to the standard policy for surgeries, with respect to a surgery, directly to the physician or to the medical institution where the surgery was performed, and will not pay to the patient monetary reimbursement or payment due to the surgery, as opposed to the previous situation, in which the insurance company was entitled to pay, directly to the policyholder, reimbursement for a surgery which they chose to undergo, at a service provider which does not have an arrangement with the insurance company.

  The existence of a standard surgery policy at an insurance company which allows the provision of service to policyholders through providers which have an agreement with the insurance company only, resulted in competition focused on price, service (including the available doctors, which will be determined in the arrangement), and the claim settlement method.

- In accordance with the decision of the price committee from February 2018, and the application of Chapter G (report regarding prices and profitability) of the Supervision of Prices of Products and Services Law, 1996 (hereinafter: the "**Price Supervision Law**"), the prices of surgeries funded by insurance companies and Additional Health Services plans which are also included in the public basket (hereinafter: "**Privately Funded Surgeries**"), through the Supervision of Prices of Products and Services Ordinance, an obligation was imposed on health funds and insurance companies which provide medical insurance and on surgical hospitals and clinics as the service providers, to provide information the Ministry of Health regarding privately funded surgeries, according to the established format, for two years. In July 2022, the committee published its decision, in which the committee recommended that the ministers exercise their authority by virtue of the Price Supervision Law, and apply to privately funded surgeries the provisions of Chapter E of the Price Supervision Law, regarding the determination of prices according to one of two methods which were specified in the committee's decision, and to impose on health funds, through the Additional Health Services plans and the insurance companies, an obligation to report regarding profitability in accordance with the provisions of section 29 of the Price Control Law. In accordance with the provisions of the decision, it is subject to a public hearing, after which a final decision will be published. As of the reporting date, the foregoing final decision has not yet been published.

  At this stage, the Company is unable to estimate the full effects of the foregoing report, if any, inter alia, in light of the fact that a final decision has not yet been published. However, insofar as it is decided to supervise the consideration which will be paid to service providers by insurers, as proposed by the committee, this could affect the cost of the services for the companies, and the availability of providers to work with. At this stage, and before the publication of a final decision on the matter, including in light of the fact that supervised amounts have not been determined, it is not possible to estimate the cumulative effect of the foregoing provisions.

- In November 2022, the report of the Committee on Empowerment of Health Services in Israel and Regulation of the Public and Private Health System (hereinafter: the "**Ash Committee Report**") was published, in which it was recommended, inter alia, to apply a structural reform based on a separation between the Additional Health Services and commercial insurance policies, such that the commercial insurance policies will not include a chapter covering surgeries and consultations, will not provide reimbursement, and will not provide lists of arrangement physicians, and instead will only offer supplementary policies for Additional Health Services, which provide coverage for deductibles for surgeries performed as part of the Additional Health Services, and coverage for additional services which are not provided by the Additional Health Services, such as equipment, surgeries abroad, drugs which are not in the basket, and any service which is not included in the Additional Health Services, or expanded relative to the Additional Health Services, as well as policies which include compensation for severe illness and personal accidents. In parallel, the surgeries which were performed until now under commercial insurance will be transferred to the Additional Health Services, the arrangement lists of Additional Health Services will be expanded significantly, and the choices of members of Additional Health Services will be expanded with respect to the private institutions where they can receive service.

  In accordance with the recommendations of the Ash Committee, the foregoing mechanism will apply to all policies which will be marketed or renewed beginning in July 2023, and in parallel, mechanisms to incentivize the transition from old policies to new policies will be implemented, such as changes to the capital adequacy requirement for old policies relative to new policies, giving the authority to the Office of the Ombudsman for the National Health Insurance Law to hear and decide matters regarding those policies, as it hears matters regarding the Additional Health Services, incentivizing insurance agents to transfer policyholders to new policies, applying the obligation to inform holders of old policies of the disadvantages of the old policies, possibilities of subrogation between the Additional Health Services and the old policies, and establishment of surcharges on old policies.

- In March 2023, the 2023 Economic Arrangements Bill was published, which included provisions regarding double surgery insurance with the Additional Health Services (hereinafter: the "**Bill Regarding Double Surgery Insurance With Additional Health Services**"), according to which, in order to reduce the phenomenon of "double insurance" in surgeries segment between the Additional Health Services plans and individual health insurance policies, and create a situation where most of the private surgeries in Israel are performed by the health funds within the framework of the Additional Health Services plans, based on, inter alia, the Ash Committee's report, as referenced above, it is proposed to amend the Control of Financial Services (Insurance) Law, 1981. In accordance with the amendment, it is proposed to determine that beginning on December 15, 2023, or a date 3 months later, as determined by the Minister of Finance in an ordinance (hereinafter: the "**Application Date**"), in case a policyholder who holds a surgery policy of a type that provides coverage for the performance of private surgeries in Israel, independently of the policyholder's rights under the Additional Health Services plan (hereinafter: "**Insurance From the First Shekel**") from one of the insurance companies, in parallel with their membership in the Additional Health Services, claims coverage for a private surgery in Israel, by exercising their entitlement under the Additional Health Services plan, where the surgery in question is also covered by the policyholder's insurance policy, the insurer will transfer to the health fund through which the analysis was performed, payment according to the monetary amount of the surgery's price, according to the Ministry of Health's price list regarding patients who are referred by the health funds, or payment according to the price of the surgery arrangement paid by the insurer, insofar as one has been determined by the Minister of Finance (whichever is lower), after deducting the deductible which the policyholder paid to the health fund with respect to the surgery, if any. It is further proposed to determine that, on the date of renewal of individual surgery policies of the "Insurance From the First Shekel" type, which were signed before the amendment entered into effect (hereinafter: "**Original Policy**"), the insurer will add the holders of the foregoing policy, who are members of Additional Health Services plans, to policies with supplementary coverage for Additional Health Services (hereinafter: "**Supplementary Additional Health Services Insurance**"), instead of the original policy, unless the policyholder has declared that they are not interested in transferring to the supplementary Additional Health Services insurance for surgeries. It is proposed to have the amendment apply to surgery insurance plans which will be implemented or renewed beginning from the application date.

  It is further proposed amend the **Economic Program Law (Legislative Amendments to Implement the Economic Policy for Budget Years 2015 and 2016), 2016**, and to determine that the insurance company will establish one list of surgeons with whom it has a surgery arrangement, which will apply to all insurance plans marketed by it which include surgery coverage (hereinafter: the "**List Of Physicians**"), where at least half of all of the physicians on the list will be surgeons who are included on the list of physicians with whom the health funds have a surgery arrangement. It was further proposed to determine that the insurance company will not make changes to the surgery arrangement with a surgeon if the change will result in a decrease of the ratio between the number of surgeons included on the insurance company's list of physicians, and the number of surgeons included on the list of physicians of each of the health funds, unless the Commissioner has approved the change.

According to the Company's assessment, insofar as the proposed changes in the Ash Committee's report, and the bill regarding double surgery insurance with Additional Health Services, are accepted and become obligatory, this could affect the share of demand, sales and profitability of the relevant insurance products. As part of the foregoing, it is believed that the imposition, on insurance companies, of the obligation to indemnify the Additional Health Services with respect to surgeries under the bill regarding double surgery insurance with the Additional Health Services, will result in an increase in claim settlement costs, and will therefore require re-pricing of the relevant policies, which could affect the mix of sales and demand for the product. The imposition of the obligation on insurance companies to transfer existing holders of updated policies to surgery policies with supplementary Additional Health Services coverage, as stated above, could lead to a decrease in revenue from those policies. The imposition of conditions on the insurance company's list of physicians could restrict the insurance company in choosing the physicians with whom it wishes to engage, or to discontinue their engagement.

At this preliminary stage, the Company is unable to estimate the full effects of the Ash Committee's report and the bill regarding double surgery insurance with Additional Health Services, and their cumulative impact, which could be significant, and which depends, inter alia, on the pricing which will be determined for the new policies, on the approval of the required tariffs, on the sales volume and the retention of various policy types, and on the terms of engagement with providers.

The information presented on all matters associated with the possible implications of the foregoing processes constitutes forward looking information, which is based on assumptions and estimates made by the Group, as of the reporting date. Actual implementation may differ from the forecast, and depends on various factors, including the publication of the proposed changes, and including the impact of the Ministry of Health's position on the final version of the bill, insofar as it is published, the conduct of competing companies, policy tariffs, the relationship with Additional Health Services and the preferences of customers over time, as well as their combined impact, together with additional processes which are being promoted in parallel regarding the health insurance reform and regarding the price committee pursuant to the Price Supervision Law, along with the provisions regarding updated health policies.

(2) **Critical illness insurance** - Insurance coverage in which the policyholder, in case of the diagnosis of a critical illness insurance, is entitled to receive monetary compensation in a one-time amount.

(3) **Drugs insurance** - Insurance coverage for purchasing drugs which are not included in the national health basket.

(4) There are also additional coverages, which do not constitute basic plans, such as **ambulatory services** - services which provide medical treatment, in a hospital or a clinic, with no need for hospitalization, and service letters accompanying insurance plans and providing policyholders with various services, through service providers.

B. International travel insurance

International travel insurance is comprised of a basket of insurance coverages which are intended for policyholders during their time spent abroad, including, inter alia, base coverage which primarily includes medical expenses that allows the purchase of various extensions (such as travel cancellation, travel shortening, pregnancy, baggage, winter sports). The insurance period in an international travel policy is specified in days, according to the period of the policyholder's stay abroad, or for the duration of all travel days in a single calendar year. International travel policies are sold by insurance agents, mostly by the direct sales unit, and through the health funds.

In November 2020, an amendment to the Collective Health Regulations entered into effect, which stipulates that an insurer is entitled to reimburse, to a policyholder which is a health fund and whose members are covered by international travel insurance, amounts which the fund spent due to the management of a collective policy in international travel insurance, provided that these amounts do not exceed 10% of the total sum of all premiums which were collected from policyholders in international travel insurance, to the health fund members.

The Company is working on the development, expansion and preservation of distribution channels for international travel insurance, inter alia, by expanding the efforts on marketing through insurance agents, customer clubs, marketing through digital means, and preserving and updating the engagements with the health funds, where the agreement with some of them will conclude in the year after the reporting year. The profitability in international travel policies is also affected by changes in exchange rates.

The global coronavirus pandemic is affecting activity in the international travel insurance segment. During the reporting period, the activity in this segment increased relative to the year before the reporting period, although the activity in this segment is still less than the scope of activity in the year before the coronavirus pandemic began (2019).

C. Personal accidents insurance

This sub-branch includes individual policies which grant entitlement to compensation in a one-time amount upon the occurrence of an insurance event, such as fractures, burns, disability and death due to an accident.

Since May 2021, as a result of the combination of regulatory directives in recent years, as specified below, as well as market conditions and business considerations, Clal Insurance discontinued its marketing of individual personal accidents policies and collective policies which are subject to the circular regarding personal accident insurance for new customers.

In recent years, the personal accidents branch has undergone comprehensive changes which are the result of various changes and regulatory processes which were adopted by the Commissioner, in order to increase competition and transparency, and to change the product terms and sale processes. These processes are significantly affecting, and will continue affecting in the coming years, the personal accidents branch, as specified below:

Presented below are comments regarding the main changes in connection with personal accidents policies:

In June 2020, an "amendment to the provisions of the consolidated circular - volume 6, part 3, chapters 2, 3 and 4 - personal accidents insurance" was published (hereinafter: the "**Circular Regarding Personal Accidents**"), which includes provisions which are intended to regulate the process of sale and insurance coverage in the personal accidents branch. The principal provisions determined in the circular regarding personal accidents include: determining a basic level for the policy, to include covers for death, disability, hospitalization, convalescence days, fractures and burns, whereby an insurance company will be entitled to propose extensions to the basic layer, with the Commissioner's approval. Permission was also given to continue marketing plans which include coverage for accidental death only, or coverage for accidental disability only. The personal accidents circular established a standard and broad definition of an "accident"; It was determined that the insurance period in personal accidents policies will not exceed two years. The circular included unique and restrictive provisions regarding the addition of policyholders to personal accidents policies, including a provision stating that the addition actions will be made directly vis-à-vis the insurance applicant by an insurance company or by a license holder ("**Performance of the Addition Activity**"); **Mechanism for the settlement of disability claims in personal accidents insurance, in accordance with the personal accidents circular.** The application date will be May 1, 2021, and it will apply, in general, to individual or collective personal accidents insurance policies which will be commenced or renewed beginning on the application date and thereafter, excluding certain provisions, regarding which it was determined that they will not apply, inter alia, to students personal accident insurance and collective personal accidents insurance, as applicable. The provision stipulating that actions involving the sale of personal accidents policies will be done by an insurance company or by a license holder entered into effect on the publication date of the circular.

The entire set of changes which occurred in connection with the personal accidents branch, as specified above, have affected, and will continue affecting in the coming years, the personal accidents branch, in a manner which imposed difficulties on processes of sale and retention.

At this stage, the Company is unable to predict future developments in this segment, which is affected, inter alia, by regulatory changes, approval of new tariffs by the Commissioner, and market conditions.

The Company is evaluating the implications of the personal accidents circular, which impose difficulties on the sale process of personal accidents policies, both on all matters associated with the identity of the entity authorized to perform the addition activity, in light of the complexity of the sale process itself, and in light of the changes in policy terms, which will affect the policy period, the scope of insurance coverage which is given thereunder, and they are also expected to increase the costs of selling, operating and settling claims. These changes to the policy terms are expected, in part, to affect also the sales of the accidental death coverage product in life insurance.

At this stage, in light of the aforementioned regulatory changes, and the approval processes which are required for the sale of policies in accordance with the personal accidents circular, approval has not yet been received from the Commissioner for marketing personal accidents insurance according to the new framework, and it is not known if or when such approval will be received. Accordingly, beginning in May 2021, the Company discontinued the marketing of personal accidents insurance to new customers. To the best of the Company's knowledge, as of the reporting date most of the insurance companies are not marketing personal accidents insurance according to the new framework. The discontinuation of marketing of personal accidents insurance resulted in a decrease in the cancellation rate of current policies.

The Company's estimate regarding the impact of the circular regarding personal accidents constitutes forward looking information, which is based on preliminary estimates, and its actual implementation may differ, inter alia, depending on the conduct of Clal Insurance and competing entities, and the pricing method of these products.

8.1.2.2. Long-term care branch

In the long-term care branch, policies are marketed in which, upon the occurrence of an insurance event, the Company undertakes to participate in the financing of residence in a long-term care institution, or to compensate the policyholder in a predetermined amount. The policies provide insurance benefits for a defined period, or for the entire lifetime.

In accordance with the Commissioner's directives on the matter, as expressed in the circular regarding the "preparation of long-term care insurance plan" (the "**long-term care Circular**"), an insurance event which is due to a situation wherein the individual is unable to perform at least 3 of 6 activities which are defined in the circular (getting up and lying down, getting dressed and undressed, bathing, eating and drinking, continence and mobility) will entitle the policyholder to no less than 50% of the monthly insurance benefits, and an insurance event which is situation a situation of mental incapacity" (as defined in the circular), will entitle the policyholder to receive 100% of the monthly insurance benefits. The insurance benefits are paid beginning at the end of the waiting period, for the entire lifetime of the policyholder, or for a period of several years, as defined in the policy, and so long as the policyholder continues to require long-term care. The waiting period may be a several months or several years, depending on the product purchased by the policyholder.

As of the reporting date, as a result of the combination of regulatory directives from recent years, as specified below, as well as market conditions and business considerations, Clal Insurance discontinues the marketing of long-term care policies - both individual long-term care policies and collective long-term care policies, including within the framework of collective long-term care insurance for health fund members whose activity has been transferred from the Company to other insurance companies, and excluding long-term care policies within the framework of the realization of contractual obligations towards policyholders. To the best of the Company's knowledge, also other insurance companies no longer market individual long-term care insurance policies.

At this stage, the Company is unable to predict future developments in this segment, which is affected, inter alia, by regulatory changes, positions of reinsurer, approval of new tariffs by the Commissioner, and market conditions.

The information presented on all matters associated with future developments in the long-term care insurance segment constitutes forward looking information, which depends on various factors, including the long term effects of the reforms in the long-term care branch, the conduct of Clal Insurance and competing entities, the conduct of reinsurers, and the Commissioner's policy regarding changes in the terms and/or tariffs of the long-term care product.

During the period before the reporting year, an "amendment to the provisions of the consolidated circular - Volume 6, Part 3 - long-term care insurance" (hereinafter: the "**Circular**" or the "**Circular Regarding The Settlement Of Long-Term Care Claims**") gradually entered into effect (in December 2018 and during 2019), which includes provisions regarding the settlement of long-term care insurance claims, including provisions regarding the order of activities and the timetables which will apply to the insurer in the claim settlement process; Imposition of an obligation for the insurer to appoint a representative on its behalf, to serve as the contact person vis-à-vis the policyholder; And the establishment of restrictions in cases where investigations can be made, and regarding the methods used to make them.

The circular also specifies the cases in which the insurer may refer the policyholder for the performance of functional evaluations, and it was further determined that if the insurer has a functional evaluation which was performed by the National Insurance Institute, or by another insurer, it will be considered as constituting sufficient information for the purpose of describing the performance of the actions specified therein. Appeals by insurance companies against the results of the functional evaluation will be performed through a determining provider, and only based on information which contradicts the results of the functional evaluation that was performed, and which it did not have previously. The provider of the functional evaluations will be chosen by the insurer on a random and cyclical basis, out of the list of providers with whom the insurer has engaged. The insurer will be obligated to create a register of providers who will conduct the functional evaluations, in accordance with the rules specified in the circular.

The described processes, and the provisions and restrictions set forth in the circular regarding the settlement of long-term care claims, affected the claim settlement process in general, both in the operational terms, and on all matters associated with claim settlement and the tools which are available to insurers in order to ascertain its liability, and therefore led to increased claim settlement costs during the period from the date of the circular's entry into effect, until the publication date of the report. At this stage of adoption of the provisions of the circular which entered into effect, mostly in 2019, and in light of the fact that the entry into effect of the directive regarding the mechanism of dependence evaluation providers was postponed until December 2023, the Company is unable to estimate the full impact of the aforementioned provisions, which could be significant over time. For additional details, see section 10.16(b)(1) above.

The Company's assessment regarding the effects of the claim settlement circular, as described above, constitutes forward looking information, which is based on the Company's assumptions and estimates, and actual results may differ from the forecast, inter alia, due to the fact that the circular pertains to long term insurance, and in light of the fact that not all of the circular's provisions have entered into effect as of the reporting date.

A. Individual long-term care insurance

Individual insurance policies in the long-term care branch are insurance policies which are purchased privately by policyholders. The insurance period in such policies is for the entire lifetime, where the maximum period of entitlement to receive insurance benefits is in accordance with the type of policy which was acquired (several years to entire lifetime). There are long-term care insurance policies which are supplementary to long-term care insurance acquired by a policyholder (generally through health funds or collective insurance), which provide insurance benefits only after the end of a waiting period of 36 or 60 months.

There are fixed premium long-term care policies which grant the policyholder the right, in cases where he stops paying the premiums, for any reason whatsoever, under certain conditions, to accrue settlement values, which allow him to receive reduced insurance benefits in case of a claim, in accordance with his age, the premium payment period, and the premium amount which was paid by him. When the settlement values are lower than a certain limit which was determined by the Commissioner, the policyholder receives, instead of the settlement values, a one-time amount. Additionally, until 2013, individual long-term care policies were also sold at variable premiums, without settlement values. In accordance with the Commissioner's directives, beginning in 2013, in addition to fixed premium policies, only policies with premiums linked to the CPI's increase of up to 4% per year can be sold, in which the price is fixed no later than age 65 ("**Restricted Variable Rate Premium**").

The long-term care policies which were marketed by Clal Insurance were mostly with fixed premiums, while others were with restricted variable rate premiums. Until 2007, Clal Insurance also marketed long-term care insurance with fixed premiums, which included a mechanism for linkage to investment portfolio returns, in a manner whereby positive returns, beyond the minimum returns determined in the policy, increased the amount of the monthly stipend to which the policyholder is entitled upon the occurrence of the insurance event. Returns lower than the minimum returns defined in the policy entitle Clal Insurance to increase the insurance premiums, in a manner whereby the amount of the monthly stipend to which the policyholder is entitled upon the occurrence of the insurance event will not be reduced. Since 2007, long-term care policies with this mechanism are no longer sold by the Group.

Further to that stated in section 8.1.3.2 below, in order to reduce the exposure to that segment, which is exposed to significant risks, including exposure to regulatory changes, significant gaps between the terms of insurance coverage and the expectations of policyholders, and complex claim settlement processes, Clal Insurance decided, beginning in October 2019, to discontinue the marketing of the individual long-term care policies in Clal Insurance to new customers, inter alia, in light of the announcement of reinsurers regarding the discontinuation of their activity in the long-term care insurance segment in Israel.

B. Collective long-term care insurance (excluding collective long-term care insurance for health fund members)

In recent years, the Commissioner has published various directives, in which he regulated the conclusion of collective long-term care insurance activities, under the previously implemented framework, and the conclusion of which was eventually scheduled for December 31, 2017 (hereinafter: the "**Conclusion Date**"). Additionally, in 2017, directives of the Commissioner entered into effect with respect to the framework for collective long-term care insurance policies which will be sold beginning from the conclusion date (hereinafter: the "**New Framework**"). In accordance with the new framework, it was determined, inter alia, that the insurance period will be no shorter than 5 years, and no longer than 8 years; the type of premium which can be collected from a policyholder is the fixed premium or increased premium (variable up to 4% per year, and only until age 65); a policyholder in collective long-term care insurance will accrue settlement values from age 40 onwards, which will be determined according to the age when the policyholder first joined the insurance, where upon renewal of the collective insurance at another insurer, the reserves will be transferred between insurers; when exercising the continuity right of a policyholder aged 40 or older, for a individual framework long-term care policy, the premium of the continuing policy will be no higher than the premium which that policyholder was required to pay with respect to the collective long-term care insurance before the transition to the continuing policy. To the best of the Company's knowledge, policies according to the new framework are not common on the market.

As of the publication date of the report, Clal Insurance does not engage in collective long-term care insurance under the new framework, and accordingly, most of the collective policies in which Clal Insurance was engaged in the past, under frameworks other than the new framework, concluded.

C. Collective long-term care insurance for health fund members

Beginning on January 1, 2019, Clal Insurance ceased being the insurer of Maccabi health fund, and beginning on April 1, 2019, Clal Insurance ceased being the insurer of Leumit health fund, and it does not insure members of other health funds through collective insurance.

As of the reporting date, Clal Insurance is continuing to receive claims with respect to the past period, and even at a rate higher than it had initially projected, and disputes sometimes arise vis-à-vis the health funds and/or the new insurer regarding the correct date for attribution of the initial occurrence of the insurance event, and regarding the prescription of claims, including regarding the convention of the appeals committee under the policy in this regard.

In January 2022, the Company received a letter from Maccabi Health Services, which was accompanied by a legal opinion regarding the prescription period of claims in the collective long-term care policy for Maccabi members, in which it was alleged, inter alia, that holders of that policy are entitled to submit new claims for the payment of insurance benefits by the Company, with respect to the period during which the Company was the insurer for collective insurance, also after 3 years have passed since the conclusion of the Company's engagement with the health fund, provided that the insurance event occurred during the period when Clal Insurance insured the health fund's members, and that it remained continuous until the filing date of the claim. The Company disputes this position. The issue is being determined, inter alia, within the framework of specific policyholder claims, and at this stage, it is not possible to estimate their effects. For additional details regarding the Company's current exposure with respect to prescription, see section 10.2.4 below.

During the reporting year, the Company conducted a final settling of accounts vis-à-vis a reinsurer of collective long-term care insurance for members of Maccabi and Leumit health funds, including a final cut off arrangement between the parties. Accordingly, insofar as the reserves which the reinsurer has left with the Company do not suffice to cover current and future claims, the Company will independently bear also the share of the aforementioned reinsurer, and in case of an excess of reserves, it will recognize profit also with respect to its aforementioned share. According to the Company's estimate, the above did not have a significant impact on the Company's financial statements as of December 31, 2022.

The information presented on all matters associated with the possible future implications of the conclusion of Clal Insurance's activity as a provider of long-term care insurance to members of Maccabi and Leumit health funds constitutes forward looking information, which is based on assumptions and estimates made by the Group as of the publication date of the report, and actual results may differ.

8.1.3. Main markets, trends and changes in supply and demand

8.1.3.1. **Illness and hospitalization branch**

In recent years, the illness and hospitalization branch has been a developing branch, due, inter alia, to the following facts: the gap between the scope of health services provided by the state in the basket of basic health services, and citizens' need for improved health services; technological improvements in the field of medicine; Increased life expectancy and improved quality of life, which require expensive medical resources, such as advanced drugs and medical treatments; the additional health services, which are subject to change, which do not necessarily sufficiently address various issues such as transplants and drugs; and increased consumer awareness in the field of health, including awareness regarding the need for available service and by choice, the need for medical services which are not included in the basic health basket, and the additional services of health funds.

In light of the above, in recent years the regulators have been promoting various processes for dealing with the interface between private commercial insurance and the basket of basic health services and Additional Health Services, in a manner which will encourage the consumption of public services over the consumption of private services. In this regard, see, inter alia, section 8.1.2.1 above regarding the health insurance reform, section 8.1.2.1(1) above regarding the bill regarding double surgery insurance with Additional Health Services, section 8.1.2.1(1) above regarding the Ash Committee's report, and section 8.1.2.1(1) above regarding the decision of the price committee pursuant to the Price Supervision Law. These processes, insofar as they mature into binding arrangements, may affect the market share, demand, sales and profitability of the insurance products.

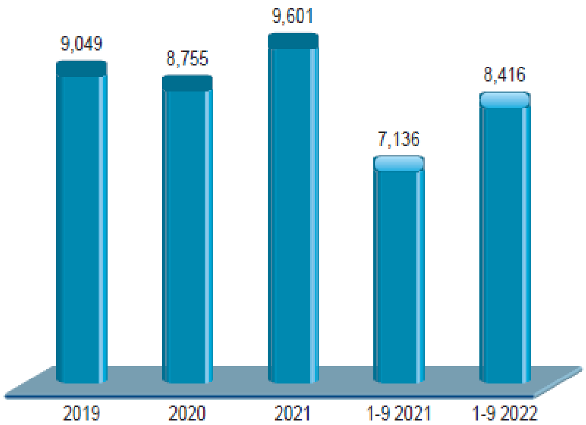
The Company's estimates regarding the future effects of the foregoing processes constitutes forward looking information, which is based on preliminary estimates, and their actual implementation could differ, and depends on various factors, including the competitive conditions in the segment, the conduct of competing companies, arrangements regarding Additional Health Services, and the preferences of customers over time.

In accordance with the Commissioner's publications as of September 30, 2022, the market volume, in terms of gross premiums in the illness and hospitalization branch in the first nine months of 2022, amounted to approximately NIS 8.4 billion, as compared with approximately NIS 7.1 billion in the corresponding period last year. Premiums in the illness and hospitalization branch in the first nine months of 2022 constituted approximately 14.7% of total premiums in the entire insurance market in Israel, as compared with approximately 13.5% in the corresponding period last year.

In January to September 2022, an increase of approximately 17.9% occurred in the market volume, in terms of gross premiums of illness and hospitalization insurance, in the insurance market in Israel relative to the corresponding period last year, as compared with an increase of approximately 8.4% in the total scope of the aforementioned premiums in 2021, relative to 2020.

In recent years, sales of illness and hospitalization insurance have been on an uptrend, inter alia due to public awareness, and the reasons specified in section 8.1.2.1 above.

Development of premiums in the illness and hospitalization branch in Israel from 2019 to September 2022
NIS in millions



The scope of premiums in the illness and hospitalization insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and the changes therein do not necessarily indicate a change in supply and demand during the reporting year.

For details regarding the implications of the sale of standard surgery policies by all of the insurance companies, and the Commissioner's directives regarding the method for sale of health policies from February 2016, including with respect to the insurance period, which is automatically renewed every two years, and regarding the effects of the circular regarding tariffs and the reform in individual and collective health insurance, see sections 8.1.2 and 8.1.2.1 above.

8.1.3.2. **Long-term care branch**

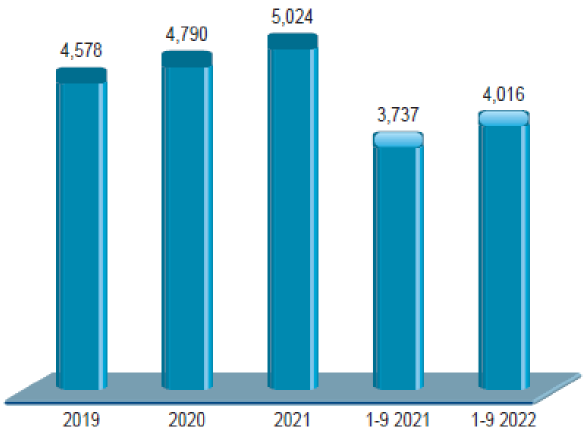
The long-term care branch has undergone significant changes in recent years, which are as a result, inter alia, of regulatory changes, significant differences between the terms of insurance coverage and policyholder expectations, and complex claim settlement processes. In recent years, a decrease has occurred in sales of individual long-term care insurance by Clal Insurance (which includes individual long-term care policies, as part of the realization of the continuity rights of policyholders in concluded long-term care collectives), due, inter alia, to its decision to reduce its exposure to this segment, which is exposed to significant risks, as stated above.

Further to the foregoing, in 2019 Clal Insurance decided to discontinue the marketing of the individual long-term care policies in Clal Insurance to new customers, inter alia, in light of the announcement of reinsurers regarding the discontinuation of their activity in the long-term care insurance segment in Israel. To the best of Clal Insurance's knowledge, in general, insurance companies in Israel also discontinued the marketing of individual long-term care policies to new customers.

In accordance with the Commissioner's publications as of September 30, 2022, the market volume in terms of gross premiums in the long-term care branch in the market, in the first nine months of 2022, amounted to approximately NIS 4.0 billion, as compared with approximately NIS 3.7 billion in the corresponding period last year. Premiums in the long-term care branch in the first nine months of 2022 constituted approximately 7.0% of total premiums in the insurance market in Israel, as compared with approximately 7.1% in the corresponding period last year.

In January to September 2022, an increase of approximately 7.5% occurred in the scope of gross premiums in long-term care insurance in the insurance market in Israel, as compared with the corresponding period last year, as compared with an increase of approximately 4.4% in the scope of premiums in long-term care insurance in the insurance market in Israel in 2021, relative to 2020.

Development of premiums in the long-term care insurance branch from 2019 to September 2022
NIS in millions



The scope of premiums in the long-term care insurance branch reflects the premiums which are paid with respect to policies in effect which were sold over the years, and where the changes therein do not necessarily reflect the change in supply and demand during the reporting year.

Some of the branches in the segment are characterized by the accrual of significant reserves for long periods, and therefore, the profitability in the segment is affected, inter alia, by investment income held against insurance liabilities.

8.1.4. Material expected changes in the Company's share in the main markets, with respect to the main products and services and the mix thereof, in consideration of, inter alia, the demand and seniority of current products

In accordance with the Commissioner's publications with respect to the data for the nine-month period ended September 30, 2022, the Group is the fifth largest in the health segment, the fourth largest in the illness and hospitalization branch, and the fifth largest in the long-term care branch.

The health insurance market is a developing market, and the Company is a central player in this market. However, in light of the fact that the market has been subject to comprehensive regulation in recent years, in light of recent regulatory changes, and possible future changes, it is not currently possible, at this stage, to predict the full impact of the changes on the segment in general, and on the Company's future share in particular, which is also affected by competing companies and health funds. For details regarding a report which was published by the Competition Authority in July 2021, regarding a study conducted regarding the individual health insurance market, which focused on incentives of insurance agents in that market, see section 8.3.1 below. For details regarding the 2023 Economic Arrangements Bill regarding changes to the structure of products in the health insurance market, see section 8.1.2.1 above.

The Company's estimate constitutes forward looking information, which is based on the information which is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the long term effects of the aforementioned regulatory changes, on the business results of Clal Insurance, on the conduct of competitors and distributing entities, and the preferences of policyholders.

8.1.5. New products

There were no material changes to the products during the reporting period. For details regarding the reform in the health insurance market, which affects, inter alia, the structure of the insurance products, see section 8.1.2.1 above.

8.2. Restrictions, legislation, standardization and special constraints which apply to the operating segment

The activity in this segment is subject to the provisions of the law which apply to insurers engaged in the segment, and to the Commissioner's directives which are published from time to time. From time to time, the Commissioner publishes circulars that relate to insurance coverages that are included in policies in the segment.

The activity in this segment requires a license, in accordance with the Insurance Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance.

For details regarding the summary of additional final provisions of the law, which were published during the reporting year and thereafter, and a summary of the draft provisions of the law which were published, which apply to the operating segment, beyond the provisions of the law which were specified in this chapter above, see also section 10.2 below.

8.3. Competition

8.3.1. Competitive conditions in the segment and names of competitors in the segment

According to the Group's estimate, the main competitors in the segment are divided into two main groups:

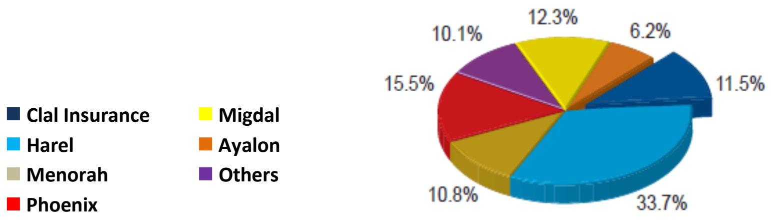
- The insurance companies, most of which operate in the segment.
- Alternatives are available to some of the coverages in the illness and hospitalization branch, within the framework of the additional services of health funds.

The competition between the insurance companies in the segment is focused on the extent of correspondence to the policyholder's needs and wishes, and on service, claim settlement and tariffs.

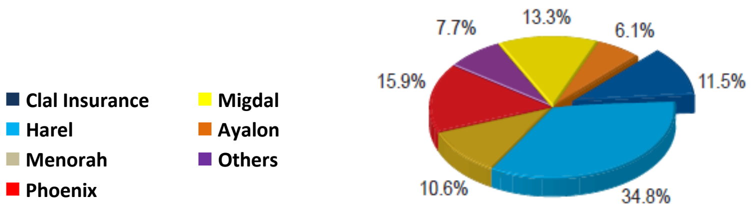
Total gross premiums in the illness and hospitalization branch in the Group amounted, in the first nine months of 2022, to approximately NIS 967 million, and constituted, in accordance with the Commissioner's data, approximately 11.5% of the activity in this branch in the insurance market in Israel. In the corresponding period last year, total gross premiums amounted to approximately NIS 821 million, and also constituted approximately 11.5% of the activity in this branch in the insurance market in Israel.

The Group believes that the significant direct competitors in the segment are Harel Group, Phoenix Group, Migdal Group and Menorah Group.

Distribution of gross premiums in the illness and hospitalization branch among insurance groups and companies in Israel as of September 2022

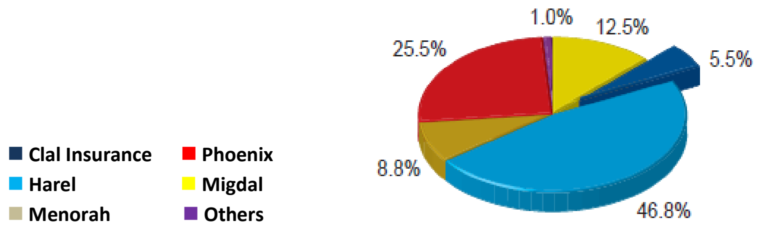


Distribution of gross premiums in the illness and hospitalization branch among insurance groups and companies in Israel as of September 2021

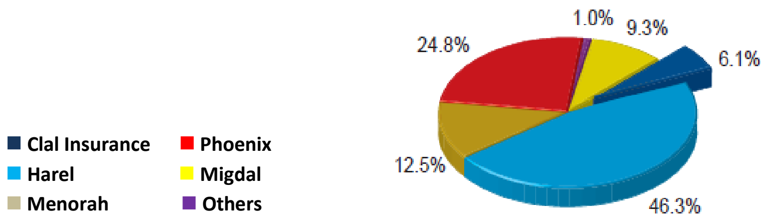


Total gross premiums in the long-term care branch in the Group, in the first nine months of 2022, amounted to approximately NIS 220 million, and constituted, in accordance with the Commissioner's data, which are published on the website of the Capital Markets, Insurance and Savings Division, approximately 5.5% of the activity in this branch in the insurance market in Israel. In the corresponding period in 2021, total gross premiums amounted to approximately NIS 228 million, and constituted approximately 6.1% of the activity in this branch in the insurance market in Israel.

Distribution of gross premiums in the long-term care insurance branch among insurance groups and companies in Israel for the period January - September 2022



Distribution of gross premiums in the long-term care insurance branch among insurance groups and companies in Israel for the period January - September 2019



During the reporting year the trend of acquisitions of insurance agencies by institutional entities continued, which could result in the strengthening of their sales branches.

Additionally, in recent years, credit card companies and entities with large customer clubs also created, for the first time, insurance agencies owned by them, which use the data of their customers, in accordance with the terms which were determined by the Commissioner. To the best of the Company's knowledge, at this stage these agencies do not market health products, except for international travel insurance policies.

As part of the Commissioner's policy in recent years, significant reforms were promoted which involve the reduction of tariffs, transparency and increased competition. These reforms affect, and will continue to affect, in the coming years, the health insurance segment, and the profitability thereof, including the ability to continue selling products in the segment. For additional details, see section 2.5.2 above.

According to the Company's estimate, the competition in the health segment will increase in the coming years, as a result of the competitive conditions in the market, as well as the combined future impact of regulatory reforms. Some of the reforms are unique to the segment, as specified above, while other others are reforms of industry-wide regulatory provisions, including the provisions of the circular regarding the "**Collection of statistical information regarding claim settlement and the method used to handle requests to withdraw and transfer funds**", after which comparative figures were published on the website of the Capital Markets, Insurance and Savings Authority, regarding the service level indicator of insurance companies.

In order to improve the market, the competition therein, and the transparency thereof, and to help policyholders choose the most appropriate insurance for them, a calculator is available on the Authority's website for the comparison of health insurance, which is intended to allow the comparison of the main coverages sold in health insurance policies (transplants, drugs and surgeries), among all insurance companies which market those coverages. The purpose of the calculator is to increase competition in the market, and to allow policyholders to compare the tariffs which are offered to new health insurance policyholders, as stated above.

Additionally, as part of the disclosure and reporting circular pertaining to the establishment of the format for submission of information reports to insurance applicants and to policyholders, with an emphasis on making the information accessible to the policyholder simply and clearly, in order to help them understand the terms of the purchased product, the information to be submitted to policyholders was expanded, including during the insurance period, regarding the price of insurance, including an obligation to inform policyholders via text message regarding the conclusion of the discount, and the increase of the insurance price. The aforementioned regulatory reforms, including the publication of the aforementioned information, and/or parts thereof, constitute an additional measurement tool in the policyholder's selection of the insurance product.

In July 2021, the Competition Authority published a study regarding the individual health insurance market, which focused on incentives of insurance agents in that market, which included, inter alia, an evaluation of the sale patterns of agents in the health insurance segment, and the impact of the structure of economic incentives which are provided by the insurance companies to agents, on sales patterns. In the report it was found, inter alia, that in general, economic incentives which are paid by the Company to agents affect the agents' sales, and that agents who work with a large number of companies sell the most common policies in the market at lower prices than agents who work with few insurance companies. The authors of the study therefore concluded that the insurance agents are not optimally fulfilling the goal of choosing the best individual health insurance for customers. The Competition Authority also raised possible alternatives regarding changes to the agent compensation model, including by way of a prohibition against payments from an insurance company to an agent, and permitting payment to an agent from the policyholders only; compensation which is not entirely derived from the premiums with respect to the policy (such as compensation which is derived from the reimbursement of claims which the insurance company has paid to the policyholder), or a prohibition against the provision of compensation in the form of bonuses, awards and benefits, thereby restricting it to monetary reimbursement only.

At this stage, Clal Insurance is unable to estimate the impact of the aforementioned provisions on the Company's market share in the segment, particularly in the long term, which depends, inter alia, on the extent and ways in which the recommendations will be adopted by the competent entities, on the conduct of competing entities, the preferences of policyholders, and the business decisions which will be made accordingly.

8.3.2. <u>Methods for dealing with competition</u>

The Group deals with competition in this operating segment on several levels:

- Development of modern, innovative solutions which provide high-quality solutions for policyholders' needs.
- Appropriate pricing of products, in consideration of all of the influencing factors, including distribution and sale commissions, operating costs, policy resiliency and the cost of risk.
- The existence of high-quality information regarding past experience, which serves as the basis for risk management.
- Reinsurance contracts and distribution of risks, in collaboration with reinsurers, in a manner which allows finding appropriate solutions for the various types of consumers.
- Provision of rapid, effective, professional, fair and high-quality service, both to agents in terms of operations, and to policyholders in terms of claims handling and service.
- The ability to adjust to changing market conditions, and to the uncertainty due to expected regulatory changes, which pertains, is, to the aspects of operations, product adjustment and profitability.

- Improvement of service given to customers and agents - inter alia, by providing advanced digital services, operating service and operations centers to support the realization of the covers in the policy, and assisting agents in exhausting the sales potential for their customers.

8.3.3. The main factors affecting the Company's competitive position include:

- Many years of experience in the field of health insurance;
- The Group's reputation in the segment;
- Long term relationships with agents marketing the Group's products.
- Direct distribution network;
- The variety of health products which are sold under one roof;
- The service given by the Company to customers and agents, and the claim settlement method.
- Competitive barriers - for details regarding the lifting of barriers to entry to the market, see section 10.3.1.2 below.

8.4. Customers

The main types of customers in the health insurance segment are collectives and individual policyholders.

8.4.1. Illness and hospitalization[49]

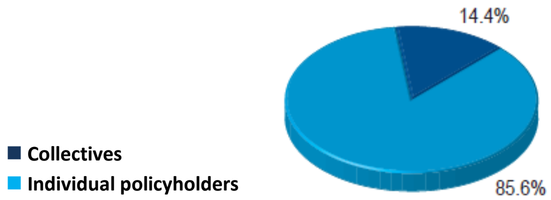
Presented below is the distribution of gross premiums (NIS in thousands) by types of customers in the illness and hospitalization segment, for the years 2021 and 2022:

NIS in thousands	Gross premiums for 2022	Proportion of total gross premiums for 2022	Gross premiums for 2021	Proportion of total gross premiums for 2021
Collectives[50]	188,443	14.40%	119,167	10.7%
Individual policyholders	1,119,989	85.60%	989,242	89.3%
Total	**1,308,432**	**100%**	**1,108,409**	**100%**

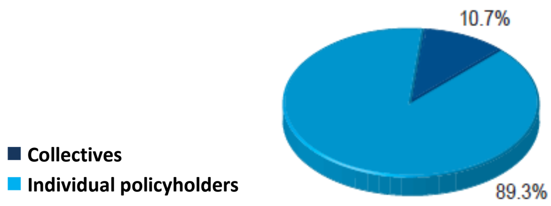
[49] The scope of premiums in the illness and hospitalization insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and changes therein do not necessarily indicate the change during the reporting year.

[50] Includes sales of international travel insurance at the health funds.

Distribution of customers in the illness and hospitalization branch by premiums in 2022



Distribution of customers in the illness and hospitalization branch by premiums in 2021

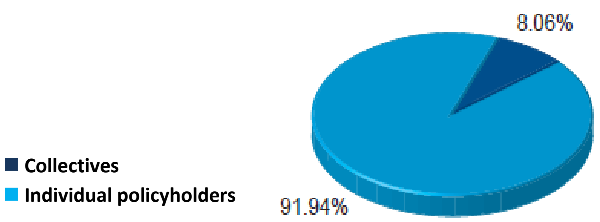


8.4.2. Long-term care[51]

Presented below is the distribution of gross premiums (NIS in thousands) by types of customers in the long-term care segment, for the years 2021 and 2022:

NIS in thousands	Gross premiums for 2022	Proportion of total gross premiums for 2022	Gross premiums for 2021	Proportion of total gross premiums for 2021
Collectives[52]	23,797	8.06%	34,909	11.7%
Individual policyholders	271,265	91.94%	264,477	88.3%
Total	**295,062**	**100%**	**299,386**	**100%**

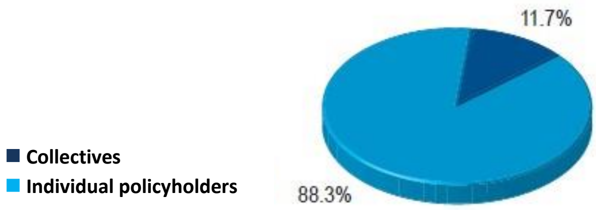
Distribution of customers in the long-term care branch by premiums in 2022



[51] The scope of premiums in the long-term care insurance branch reflects the premiums which are paid with respect to all policies in effect which were sold over the years, and change therein do not necessarily reflect the change during the reporting year.

[52] Includes health fund policyholders.

Distribution of customers in the long-term care branch by premiums in 2021



The cancellation rate (including cancellation, reduction or non-renewal of policies) per year from policies which are in effect at the start of the year, in terms of premiums, in the long term individual illness and hospitalization branch (illness and hospitalization sub-branch only) amounted to approximately 8.8% during the reporting year, as compared with approximately 8.1% in 2021.[53]

The cancellation rate (including settlement, cancellation, reduction or non-renewal of policies) for the year, from policies in effect at the start of the year, in terms of premiums, in the individual long term care branch, during the reporting year, amounted to approximately 2.4%, as compared with 2.1% in 2021.[54]

The Group is not dependent on any single customer or on a limited number of customers in the health insurance segment, the loss of which would significantly impact the operating segment.

The Group has no single customer whose income in the segment constitutes 10% or more of the Group's total income in the consolidated reports.

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53 In accordance with the provisions of the Commissioner's circular, the cancellation rate is calculated by dividing the premium amount which was charged in the last month of the year, by the premium amount which was charged in the last month of the previous year. The calculation only refers to policies which commenced before the current year, after neutralization of the increase in tariffs.

54 See footnote 52 above.

Part III - Additional Information Regarding Branches Which Were Not Included in the Operating Segments

9. Additional information regarding other operations which were not included in the operating segments

9.1. Clal Agency Holdings

Clal Agency Holdings is a wholly owned subsidiary of the Company, which concentrated the holding of the Group's insurance agencies. For additional details, see section 10.8 below.

9.2. Credit to finance construction projects and provision of mortgages

- Michlol

Michlol Urban Real Estate Renewal Solutions Ltd. (hereinafter: "**Michlol**") is a company founded in 2018, which is engaged in the provision of financing to entrepreneurs in various real estate projects, and particularly projects in the segment of residential property and urban renewal. In 2020, Clal Insurance sold all of its shares in Michlol (28% of Michlol's share capital) to Clal Finance, a wholly owned subsidiary of the Company, which was previously an inactive company. Michlol also allocated to Clal Finance 7% of its shares, such that, after the allocation, Clal Finance held approximately 35% of Michlol's share capital.

On August 22, 2021, Michlol completed its initial public offering. Following the dilution due to the issuance, and the Company's acquisition in the issuance, Clal Finance holds a stake of 24.9% in Michlol shares.

Additionally, Clal Finance was given an option for a period of up to 5 years after the listing date of the Company's shares, without consideration, for 2,546,585 shares of Michlol, in accordance with the determined conditions.

Following the issuance and the receipt of the aforementioned option, the Group recorded profit in an immaterial sum.

Clal Insurance provided, and is continuing to provide, credit and Sale Law guarantees to Michlol, under an agreement which was signed between them.

For details regarding Clal Insurance's activity in the guarantees segment and in the segment of residential construction accompaniment loans, see section 7.1.1.4(c) above.

- Provision of mortgages

Clal Insurance provides, as part of its investing activities, mortgage loans against pledges on real estate properties. Some of the mortgages which are provided by Clal Insurance are loans of the "reverse mortgage" type, which are given to borrowers aged 60 or older, against a pledge on the residential apartment.

On October 2, 2022, drafts of Proper Conduct of Banking Business Directive were published, which regulate the principles of providing loans of the reverse mortgage type (loans against pledge on residential apartment to borrowers over age 60, with undefined repayment dates, and for which there are no monthly repayments of the loan principal), by banking corporations.

According to the Company's estimate, insofar as the aforementioned provisions become binding, as currently phrased, they are expected to increase competition in the field of reverse mortgages.

The information presented on all matters associated with the possible implications of the draft provisions of Proper Conduct of Banking Business Directive constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, according to the final wording of the provisions, insofar as it will be published, and in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct of banking corporations, and the preferences of customers.

Part IV - Additional Information on the Level of the Corporation - Matters Pertaining to the Activities of the Group as a Whole

10. Additional information on the level of the corporation

10.1. General environment and the impact of external factors on activities

For details regarding a description of trends, events and developments in the Group's macro-economic environment, which currently affect or are expected to affect on the Group, see the specific reference under the various operating segments, and Part B of the Report - Board of Directors' Report, section 3.

10.2. Restrictions and supervision of the corporation's activities

The Group's activities in the various segments are subject to the general provisions of the law and also to the provisions of the law which apply to each operating segment, as described above.

Along with the general laws, insurance and pension savings activities in Israel, which is the main component of the Group's activities, are subject to unique laws which apply to the branch, including the Insurance Law, the Insurance Contract Law, 1981, the Provident Funds Law, the Pension Advice Law and regulations enacted pursuant thereto, and also to principle rulings of the courts, which affect activities in insurance and pension savings in Israel, including as regards the interpretation of the aforementioned laws and regulations.

Clal Insurance holds an insurer license, and Clal Credit Insurance holds an insurer license for its relevant fields of activity. For details regarding the permit for control of the Group's institutional entities, see Notes 1 and 16(e)(7) to the financial statements. Clal Pension and Provident Funds and Atudot Havatika have an insurer license in the pension insurance branch, in accordance with the Insurance Law, and Clal Pension and Provident Funds and Atudot Havatika also have approvals for the management of the provident funds which are managed by it.

The member companies in the Group are overseen by various oversight authorities, including the Commissioner, who oversees the activities of the institutional entities and the insurance agencies in the Group. Additionally, the Company and Clalbit Finance are overseen by the Israel Securities Authority. Additionally, in recent years, new enforcement / reporting authorities have been conferred upon additional regulatory authorities, including the Competition Authority (formerly known as the Antitrust Authority), the Privacy Protection Authority and the Supervisor of Credit Data Sharing at the Bank of Israel. Member companies in the Group are exposed, from time to time, to administrative enforcement proceedings and to the imposition of fines by various regulators. For additional details, see Note 41(d) to the financial statements. The Group's member companies are also exposed to class actions on various matters arising from the provisions of the law, which apply to the institutional entities, including those which are included in this chapter, and those which are included in other chapters in the report regarding the description of the corporation's business. For details regarding class actions which were filed against institutional entities in the Group, see Note 41(a) to the financial statements.

In light of the closing of the Max acquisition transaction, the Group's activity is expected to be supervised also by the Banking Supervision Department at the Bank of Israel. For additional details regarding the Max acquisition agreement, see Note 42(j) to the Company's financial statements.

As part of its enforcement plans, in recent years the Company has conducted compliance surveys, gradually and in different segments, in which gaps are identified which the Company then works to resolve, within the framework of action plans which it has established.

Presented below is a summary of the provisions of the law and the final circulars which were published during and after the reporting year, as well as a summary of drafts which were published by the Commissioner, which apply to the activities of the Group's member companies and which are material to their activities, in addition to the laws specified in the description of the operating segments, and additional sections above and below. For details regarding the regulatory restrictions which apply to the Group's institutional entities, in connection with the capital requirements and the requirements regarding the control of the Company, and for details regarding industry-wide decisions of the Commissioner, see Notes 16(d) and (f) and Note 41(d) to the financial statements.

10.2.1. The Concentration Law

The Law to Promote Competition and Reduce Concentration, 2013 (the "**Concentration Law**") was published in December 2013, and is intended to reduce the level of concentration in the Israeli economy, through several central processes, including, inter alia, the imposition of restrictions on incorporation through a pyramid structure, the imposition of increased corporate governance rules on pyramid companies, creating a separation between holdings of significant real operations and of significant financial operations, and establishing a "insurer with no controlling shareholder" mechanism.

In accordance with the provisions of the Concentration Law, a pyramid holding structure is restricted to two tiers only[55].

In accordance with the provisions of the Concentration Law, beginning on December 10, 2019, a significant real corporation, or the controller of such a corporation, may not hold control of a significant financial entity, and may not hold over 10% of a certain type of means of control in the aforementioned entity, and may not hold over 5% of a significant financial entity which has no controlling shareholder.[56]

Beginning in May 2015, a list of the concentration entities has been published in the Official Gazette from time to time, as well as a list of the significant real corporations and a list of the significant financial entities. In accordance with the provisions of the Concentration Law, the following will be considered as a concentration entity, inter alia: a significant financial entity, a significant real corporation, and any entity which belongs to a business group (a corporation, an entity holding control of a corporation, and a corporation under the control of any of the above), which includes a significant financial entity or a significant real corporation. In accordance with the lists which were published in February 2020, the member companies in the Group which are institutional entities are classified as significant financial entities, while the member companies in the Group which are not institutional entities are included on the list of centralized entities (in light of the fat that they belong to a group which includes a significant financial entity).

In September 2022, a publication appeared in the economic media according to which, further to Alrov's request to receive a permit for the control of the Company, and further to the position of the Capital Market Authority, according to which Clalbit Finance should be considered as a financial corporation for the purpose of Chapter D of the Concentration Law, the Committee on Reducing Concentration expressed its position that Clalbit Finance should be considered as a real corporation, in a manner which rejected the Capital Market Authority's interpretation.

In September 2022 the Taskforce on Evaluating Chapter D of the Concentration Law (hereinafter: the "**Concentration Evaluation Taskforce**") published a report, in which it was proposed to define an insurer's issuance corporation as a financial entity, in a manner which accords with the Capital Market Authority's position, as presented above.

It was further stated in the report that the discussions regarding the report included the mention of concerns regarding developments in the institutional entities' holdings over the years, which are leading to market concentration of the institutional entities. In light of the various opinions which were raised in the taskforce, and in

55 A "tier company" is a company or foreign company which constitute a reporting corporation, excluding companies which were excluded in accordance with the definitions of the Concentration Law. The terms "tier company", "second tier company" and "other tier company" are as defined in the Concentration Law.

56 The Concentration Law also prescribes that an institutional entity's holdings in a certain type of means of control of a significant real corporation may not exceed 10%.

light of the economic scope and implications of the matter, the taskforce decided to conduct evaluations and continue working on the matter, outside of the framework of the report.

At this stage, before an official directive has been published determining whether issuance companies owned by insurers should be classified as financial corporations or real corporations, the Company is unable to assess the effects of the foregoing publications, although the foregoing classification could affect the development of the Group's activity and its holding structure, in a manner whereby the scope of Clalbit Finance's liabilities, together with the other liabilities of the Company and of the real corporations which are controlled by the Group, except for certain liabilities which are excluded from the foregoing calculation, pass the threshold leading to classification as a significant real entity, this could affect the possibility of the Company to continue holding Clal Insurance, Clalbit Finance and Max Group, and/or could result in the need for structural changes in the Group and/or could lead to the need to evaluate the debt structure. At this stage, in light of the balance of liabilities of Clalbit Finance and the real corporations in the Group (for details, see Note 25 to the financial statements), the real corporations in the Group are not considered significant real corporations, and are not expected to be considered as such, including after the closing of the Max acquisition transaction, in consideration of the debt balances which are included in the above calculation, and which exist in WPI Group as of the publication date of the report.

For additional details regarding the status of control, see Note 1 to the financial statements.

For details regarding the restrictions pursuant to the Concentration Law regarding aspects of investment management, see section 10.5.4.2 below.

In addition to the above, the provisions of the Concentration Law, and restrictions by virtue thereof, could affect the development of the Group's activity, regarding the investment of members' funds, regarding strategic investments, and regarding its holding structure. For additional details, see Note 1 to the financial statements.

10.2.2. Corporate governance in public companies without a controlling shareholder

On June 20, 2022, the Ministry of Justice published the **Companies Bill (Amendment No. 36) (Corporate Governance in Public Companies Without a Controlling Shareholder)** (the "**Bill**"), further to the **Memorandum and Draft Companies Regulations (Matters Not Constituting Ties) (Amendment No. __), 2021** (the "**Draft Regulations**"), which were published in March 2021.

In light of the fact that, in recent years the number of listed companies in Israel with a decentralized ownership structure has increased, it was proposed in the bill to adjust and update the rules of corporate governance which apply to companies without a controlling shareholder. The proposed amendments address, inter alia, the definition of control, by adding a rebuttable presumption according to which, in a company which has no shareholder holding over 50% over the Company's means of control, holding of 25% or more of the Company's means of control will be considered as hold control thereof; The obligation to appoint outside directors in a company without a controlling shareholder was replaced with an obligation to appoint a majority of independent directors to the Board of Directors and to board committees; The "prohibition against ties" applicable to an outside director was also expanded with respect to the prohibition against ties between the outside director and "any director" in the Company, and not only with respect to the Chairman of the Board; It was proposed to allow compensation to a Chairman of the Board who is an independent director, beyond the compensation cap for outside directors; It was proposed to establish a process for the proposal of candidates for tenure as directors on behalf of the Board of Directors, by an independent appointment committee; It was proposed to regulate the process for approving transactions with directors, and for approving extraordinary transactions with material shareholders who hold 10% or more of a certain type of the means of control of a company without a control core.

As of the present date, the Company is unable to estimate the consequences and effects of the proposal and the draft amendments, inter alia, in light of the fact that they are subject to strict directives by virtue of its status as the controlling shareholder of an insurance company. For details regarding the status of the control of the Company, see Note 1 to the financial statements.

10.2.3. Provisions regarding the implementation of a Solvency II-based solvency regime

In January 2022, a term sheet was published regarding the conducting of the own risk and solvency assessment (ORSA) process in insurance companies, as well as an amendment to the consolidated circular regarding reporting to the Commissioner of Capital Markets - own risk and solvency assessment (ORSA) in insurance companies.

The ORSA process is a part of the second layer, which pertains to internal control processes, risk management and corporate governance, and is intended for insurance company's independent assessment of the various risks to which it is exposed, and the adequacy of the cushions held against them.

In the circular, it was determined that insurance companies will report to the Commissioner of Capital Markets, once per year, regarding their own risk and solvency assessment (ORSA), as well as rules and principles of reporting.

In accordance with the term sheet, supplementary principles were established regarding the framework of risk management and capital management in the insurance company, according to which the Company is required to evaluate the reciprocal relationship between the general strategy and the annual work plan, the Company's risk profile, the risk management policy, the overall level of exposure, and the adequacy of cushions, according to various assumptions and scenarios. As part of the above, it is necessary to evaluate and take into account the capital management policy, the capital targets, and the various risk management tools which are applied in the Company. The term sheet includes principles of risk management in insurance companies, and specifically addresses various types of risks, including the determination of a policy for the management of the significant risks, establishing a framework for internal reporting, evaluating risk factors which are additional or different from the assumptions used in the calculation of the solvency ratio, and more. The term sheet also includes guidelines for capital management and an insurance company's proper operation, based on a quantitative and qualitative evaluation of the exposure to risk factors through sensitivity tests and financial, demographic and operational scenarios, in a time horizon of 3 to 5 years, with reference to the Company's risk profile, and the time horizon of its liabilities.

The circular's main provisions entered into effect on January 1, 2023, and the remaining provisions are expected to enter into effect on January 1, 2024. Accordingly, in January 2023, the Group's insurance companies submitted a report to the Commissioner.

10.2.4. The Insurance Contract Law

The exposure to monetary demands, whether specific or general, is subject to prescription. The prescription period in insurance products varies depending on the type of product and event regarding which prescription has been claimed. The exposure to prescription is particularly high in "long term claim" insurance branches and in long term insurance branches in the life insurance and health insurance segments, in which Clal Insurance is engaged. The period of time required to investigate the claim, which is sometimes long, particularly in class actions, extends the period during which the Company is required to make repayments, as part of the prescription period.

Further to the trend in recent years of extending the prescription period in some insurance branches, in June 2022 the Ministry of Justice published a proposed amendment of the Insurance Contract Law regarding prescription and special interest, in which it is proposed to determine that, despite the provisions regarding prescription in the Insurance Contract Law, the prescription period will not pass for one year after the date of submission of a complaint to the Commissioner, for the purpose of investigating it in accordance with his authority, but no more than four years after the occurrence of the insurance event, and regarding life insurance, illness and hospitalization insurance and long-term care insurance - no more than six years after the occurrence of the insurance event.

It is further proposed to expand the Court's authority to order an insurer to pay insurance benefits which were not disputed in good faith, plus special interest, such that the Commissioner will be given a similar authority to order the insurance companies to pay a special interest payment when the Commissioner worked to investigate a complaint in accordance with his authority, and found that benefits which were not disputed in good faith had not been paid.

The aforementioned amendment, insofar as it is accepted in its current version, is expected to result in an increase in the Company's insurance liabilities and claim settlement costs.

Further to the above, in August 2022, a memorandum in amendment of the Insurance Contract Law was published, in which it was proposed to establish an explicit provision obligating insurers to pay insurance benefits to policyholders in accordance with the required dates and amounts, in accordance with the provisions of the law and the contract, and in parallel, it was proposed to amend the Control of Insurance Law and to authorize the Commissioner to impose financial sanctions on insurers who have not paid the insurance benefits in accordance with the provisions of the law, following the Commissioner's investigation of the policyholder's complaint, in accordance with his legal authority.

Insofar as the wording is accepted as binding, the regulator's authorities with respect to enforcement measures and with respect to the imposition of financial sanctions will be extended.

For details regarding assertions in connection with the extension of the prescription period with respect to long-term care claims from the past which are raised, from time to time, by Maccabi health fund and/or the new insurer of Maccabi policyholders, see section 8.1.2.2(c) above.

The Company's estimates regarding the effects of the bill regarding the extension of the prescription period in insurance and the determination of special interest, and the law memorandum regarding granting to the Commissioner the authority to impose financial sanctions, constitute forward looking information, which is based on the Company's non-final assessments which are known as of the publication date of the report. The results of the aforementioned amendment may differ significantly from the forecast, inter alia, in light of the uncertainty regarding its final wording, insofar as it is published, and regarding the way in which it may be applied by the Commissioner.

10.2.5. Directives due to the coronavirus pandemic

Due to the coronavirus pandemic, the Commissioner published several directives, including postponing the date of entry into effect of various provisions, and postponing deadlines for reporting to the Authority on various matters. For additional details, see sections 10.5.5.2 and 10.8.1.1(b) below.

10.2.6. Sharing of financial information

A. Credit Data Law Memorandum

In October 2021, the **Credit Data Law Memorandum (Various Amendments), 2021**, was published, which on the one hand expanded the possibilities for the use of customers' credit data, and on the other hand significantly expanded the inspection and enforcement authorities of the Supervisor of Credit Data Sharing. The memorandum included provisions, inter alia, which stipulated that the credit indicator may be given also to ensure the fulfillment of the transaction terms, and not only for the purpose of engaging in new transactions, and that it will be expanded from binary indicator to the question of whether or not to grant credit to customers, to a broad indicator which will include assessment of the chance that a customer will make their payments.

The Supervisor of Credit Data Sharing's authorities were also expanded, and it was determined, inter alia, that he will be entitled to conduct inspections of the IT systems of the credit provider / information source in case of suspected violation of customer privacy or information security; will be entitled to notify the information source or the credit provider, as defined in the law, that defects were identified in their activity, in contradiction of the provisions of the law, and to demand the correction of the defects, to impose sanctions. The Group's institutional entities report to various data to the Supervisor of Credit Data Sharing, in accordance with the rules prescribed in the Credit Data Law, and in regulations enacted by virtue thereof.

For details regarding the general exposure of institutional entities from the Company's group, including with respect to enforcement authorities and/or alerts regarding the Commissioner's intention to impose financial sanctions on those entities, inter alia, in connection with decisions and/or position papers which are published by oversight bodies, see Note 41(d) to the Company's financial statements.

B. Provision of financial information services

The Financial Information Services Law was published in November 2021.

Under the Financial Information Services Law, various financial entities which maintain customer data (hereinafter: "**Information Sources**"), including the institutional entities, were required to allow license holder entities, or supervised license-exempt entities (banks, institutional entities, credit card companies and deposit and credit unions) (hereinafter: "**Financial Information Service Providers**"), to gain, with the customer's consent, online access to a customer's financial information. Financial information service providers which received a license from the Israel Securities Authority will be overseen by it, while financial information service providers which are overseen by a dedicated regulator will be overseen by it as well for the purpose of this law, including regarding the imposition of financial sanctions in case of a violation. The financial information which the institutional entities are required to submit includes information regarding credit, with respect to both individuals and corporations, beginning on November 14, 2023 for individuals, and beginning on May 15, 2024 for corporations.

Based on the financial information which will be received, financial information service providers will be able to offer services such as concentrating all of the data in a single location, comparing costs between different financial entities, transferring information to financial entities for the sake of receiving value offers for the customer (i.e., competing price quotes), as well as financial advice, all through advanced digital means. The Financial Information Services Law imposes on financial information service providers the duties of trust, caution and confidentiality, and determines that service providers which are information sources will not be entitled to give customers offers on their behalf, with respect to a product or service which is not included as part of the information which it is required to submit by law, or any similar product / service.

In March 2022, a **circular was published regarding "instructions for financial information service providers"**, which established provisions regarding the method for receiving the Capital Market Authority's approval for an institutional entity to operate as a financial information service provider, and provisions regarding the activity of an insurer as a financial information service provider.

In August 2022 an amendment to the circular regarding provisions for financial information service providers was published, in which provisions were added regarding the regulation of an insurer's activity as a financial information service provider, regarding the receipt and use of digitally signed certificates, disclosure in contractual agreements with customers, provision of customer service and consideration received from other entities.

In March 2023, the "**draft circular regarding provisions for financial information sources which constitute institutional entities**" was published, which will apply to all institutional entities that have credit data, as defined in the Financial Information Services Law, with respect to a customer, and which, by law, are subject to the obligation to provide access to financial information. The draft establishes provisions which regulate the activity of the institutional entities which, by law, constitute institutional entities, including reference to aspects of corporate governance; access to financial credit data; architecture, information security and cybersecurity; access permissions of customers; rules regarding the service level for financial information service providers; a policy regarding the reporting and publication of provisions pertaining to the standard regarding the transfer of data.

The Company believes that the adoption of the provisions of the Financial Information Services Law, the draft circular regarding "directives for financial information service providers which constitute institutional entities" will involve operational consequences on the one hand, and business opportunities on the other, while increasing competition in the financial market. For details regarding the transfer of information in the pension savings segment and the pension clearing house, see section 6.2.1(b) above.

The information presented on all matters associated with the legal provisions regarding the provision of financial information services constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, in light of way in which the directives will be implemented by the various regulators, and the conduct of various entities in the financial market, and the preferences of consumers.

C. Regulation of payment services activity

In March 2023, **the Economic Arrangements Bill** was published, in which it is proposed to enact the Regulation of Engagement in Payment Services Law, 2022, the purpose of which is to regulate the engagement in payment services which are provided by extra-banking entities, in order to encourage competition by allowing extra-banking entities to enter the field of electronic payments, along with banks.

These services, the engagement in which will require a license and oversight by the Israel Securities Authority or the service provider's dedicated regulator, include management of a payment account which allows transferring payments in exchange for products and services; issuance of payment methods; clearing of payment transactions; issuance of payment methods; advanced initiation service (providing the payer with payment methods, and undertaking to transfer the payment order in question to the payment account manager, for the execution thereof).

The Company is studying the 2023 Economic Arrangements Bill, which is in preliminary stages of the legislative procedure, and at this stage is unable to assess its consequences.

10.2.7. Service and addition to insurance processes

A. Addition to insurance - senior citizens

The circular regarding addition to insurance regulates the conduct of insurance companies and insurance agents when adding an insurance applicant to an insurance plan, including, inter alia, provisions regarding the process of tailoring the insurance to the customer's specific needs.

In January 2022, an amendment to the addition to insurance circular was published, which includes, inter alia, provisions which are intended to adjust the process of addition to insurance for senior citizens, including a requirement that the process of addition to insurance for senior citizens, following an initiated marketing process, must be performed by service representatives who have been trained for that purpose, and that insurance applicants will be offered to consult with representatives on their behalf. It was further proposed to determine that the sale process will be performed in stages, in order to ensure that the addition to insurance for senior citizens is performed with clear intent on their part.

The amendment also includes a new requirement to conduct increased adjustment of needs upon cancellation of a policy and transition to another company, also in certain non-life insurance branches, which were not subject to the foregoing obligation until now.

A requirement to record addition to insurance processes conducted by phone was also established.

In June 2022, an additional amendment to the aforementioned circular was published, which included, inter alia, several adjustments to the process of initiated marketing to policyholders who are senior citizens. Provisions were also established regarding the presentation of the various alternatives for the composition of coverage upon addition to insurance, by the same means that were used to make the addition. It was further decided to postpone the application date of most of the circular's provisions to August 31, 2022, and the application date of certain provisions was postponed to December 1, 2022. A transitional provision was also issued, which determined that the provisions of the addition circular will not apply to the marketing of insurance plans for health and non-life products which are time-restricted, and which are acquired without initiated marketing, from August 31, 2022 until December 31, 2023.

In September 2022 and March 2023, additional amendments to the addition to insurance circular were published, in which it was determined, inter alia, that the provisions regarding the process of initiated marketing to policyholders who are senior citizens will not apply to addition performed during a physical meeting. It was further determined that a payment method may not be demanded of an insurance applicant as a condition for providing a product's details or price. It was further decided to postpone the application date of the provisions regarding sending insurance coverage to senior citizens in health insurance as of May 1, 2023. Additional preparation time was also given for the purpose of technological preparation for adopting the provisions regarding the presentation of alternatives to the default option to insurance applicants, to December 1, 2022.

The Association of Insurance Agents in Israel filed a petition with the Supreme Court against the circular's entry into effect, which was dismissed in February 2023.

B. Customer service in institutional entities - senior citizens

The circular regarding customer service in institutional entities (the "**Service Circular**") is intended to ensure its adequate level, and to implement ongoing improvement in the service received by the customers of institutional entities.

In January 2022, an amendment was published to the service circular, which was intended to ensure the provision of rapid, rapid and respectful service to senior citizens.

The amendment to the service circular establishes, inter alia, the obligation to appoint a senior citizens supervisor, with the status of a senior employee, who will determine the institutional entity's policy regarding the provision of service to senior citizens; Dedicated training for persons providing service to senior citizens; Creating a dedicated call router for senior citizens; Proactively calling senior citizens by phone for the purpose of providing information regarding major points in the product's lifetime; And submission of an annual report regarding the institutional entity's fulfillment of the policy, and the work plan on the subject.

In June 2022 an additional amendment to the aforementioned circular was published, in which clarifications were added regarding the circumstances in which policyholders who are senior citizens may be actively contacted; It was further determined that senior citizens may not be actively contacted by phone except in case the policy is expected to canceled, under circumstances which are not at the policyholder's initiative (in order to avoid a situation in which a health or long-term care insurance policy has been canceled without the policyholder's knowledge).

The Company believes that the above amendments to the addition circular and to the service circular, particularly with respect to senior citizens, add to the already existing complexity in sale and service processes, affect the processes involved in retention and renewal of various insurance coverages, and will require appropriate operational and IT preparations, including the associated complexity.

The Company's estimate in connection with the possible implications of the amendments to the addition to insurance circular constitutes forward looking information, based on the information which was available to the Company as of the reporting date. Actual results may differ from the estimated results and depend, inter alia, on the conduct of distributing entities and on the choices of customers.

C. Service letters

Further to a circular which was published in 2015, which established rules regarding the implementation and marketing of service letters, including regarding tests for the implementation of service letters, the insurance company's liability, the selection of service providers, and the marketing of service letters without the insurance company's involvement (hereinafter: the "**Service Letters Circular**"), in September 2022 and February 2023 the Commissioner published amendments to the service letters circular (hereinafter: the "**Amendment to the Service Letters Circular**"), in which it was proposed to determine, inter alia: 1) that the service letter will not include the provision of maintenance service, periodic service, preventive service or products repair; 2) Regarding service letters in health insurance - that service letters in health insurance will not include the provision of service involving coverage which is included under additional health policies which form a part of the fourth layer of the health insurance reform (on this matter, see section 8.1.2.1 above). It was further determined that service letters which include coverage for medical situations which are marketed without the involvement of an insurance company will be sold separately from the sale of insurance plans, and once at least three business days have passed between the sale of the insurance plan and the sale of the service letter. The aforementioned provisions are scheduled to enter into effect on May 1, 2023.

The provisions of the amendments to the service letters circular may reduce the scope of services which are sold under the service letters, which do not involve an insurer.

The Company's estimate in connection with the possible implications of the amendments to the service letters circular constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the wording of the policies and on the conduct of entities distributing the service letters, including the insurance agents.

10.2.8. Protection of Privacy Bill

In January 2022, the **Protection of Privacy Bill (Amendment No. 14), 2022**, was published, which is intended to adjust the law to current challenges facing the protection of personal information in databases, on several levels: (1) Improving the oversight and enforcement capabilities of the Privacy Protection Authority, and establishing an administrative enforcement mechanism which will serve as an alternative enforcement mechanism as part of the criminal procedure, in certain cases; (2) Limiting the scope of the registration obligation which applies to databases; and (3) Adjusting the definitions of terms in the Protection of Privacy Law which pertain to the protection of computerized personal information, technological, social and economic developments, which have occurred since the law was enacted, and modern arrangements of protecting personal information around the world, first and foremost among them the GDPR (General Data Protection Regulation) of the European Union.

The Company is studying the provisions of the aforementioned proposal, which is in preliminary stages of the legislative procedure, and at this stage is unable to assess its consequences.

In December 2022, the Privacy Protection Authority published an opinion paper regarding the interpretation of the concepts "data" and "knowledge of a person's private affairs" in the Protection of Privacy Law.

10.2.9. Amendment to the provisions of the consolidated circular regarding the supervising actuary and chief actuary

In September 2022, an amendment to the provisions of the consolidated circular regarding the supervising actuary and chief actuary was published, which implemented the principles of Solvency II and IAIS in the applicable regulations in Israel regarding the actuarial staff, its functions, and its characteristics. The circular included, inter alia, the establishment of a new function of chief actuary, who will be responsible for leading the actuarial staff and overseeing the work of the supervising actuaries who are responsible for the various insurance branches, and who will be responsible for the professional aspects which require a general overview of the insurer's activity. As part of the foregoing, it was determined that the chief actuary will submit, once per year, an actuarial report reviewing the manner of implementation of the actuarial aspects in the solvency provisions, and to express his opinion regarding the underwriting policy and reinsurance arrangements. It was also determined that the chief actuary will be required to report to Company management and to the Board of Directors regarding the reliability and adequacy of the calculation of insurance liabilities. Additionally, in order to maintain independence in accordance with Solvency II, it was determined that the actuarial staff, and its leader, be subordinate directly to the insurer's general manager.

Most of the aforementioned provisions entered into effect on January 1, 2023.

10.2.10. Adjudication of interest and linkage

Further to the report of the inter-ministerial committee on the evaluation of interest rates, pursuant to the Adjudication of Interest and Linkage Law, from October 2021, in May 2022, the Adjudication of Interest and Linkage Bill was published, in which it was proposed to update the interest and linkage mechanisms which will apply to ruled amounts in rulings given by judicial authorities (hereinafter: the "**Adjudication of Interest and Linkage Bill**").
Inter alia, two alternatives for the calculation of the base interest rate were proposed - NIS interest and linked interest, and determination of NIS interest as the default interest rate for the linkage of amounts ruled upon in legal proceedings; Splitting the mechanism of interest in arrears into two components - Interest and arrears penalties, due to the different purposes of the interest mechanism and the incentivization mechanism to pay the debt, and specification of the circumstances in which each component will be required; addition of arrears penalties to the debt quarterly, instead of daily; cancellation of the application of the "compound interest" mechanism to arrears penalties, and cancellation of the foreign currency interest currently prescribed in the Adjudication of Interest and Linkage Law.
As part of the promotion of the foregoing reform, in February 2023, the **Draft Adjudication of Interest and Linkage Regulations (Determination and Calculation of Interest Rate)** was published, in which it is proposed to establish new

mechanisms for calculating the base interest rate (NIS interest and linked interest) and arrears penalties (hereinafter: the "**Draft Interest And Linkage Regulations**").

The proposed draft regulations are subject to the passing of the Adjudication of Interest and Linkage Bill.

Insofar as the Adjudication of Interest and Linkage Bill and the draft Interest and Linkage Regulations are enacted, they are expected to affect the Company's activity in connection with insurance benefit payments under insurance policies, in a manner which will increase the interest component which is paid in claims that are filed against the Company (due to the effect of the amendment on the Insurance Contract Law, which refers to the interest mechanism in the Adjudication of Interest and Linkage Law), and in connection with the execution of payments within the framework of legal proceedings, enforcement proceedings and certain agreements to which the Company is party, and consequently, In cases where the payment of interest is required, it is expected to result in an increase in the Company's liabilities. The foregoing provisions are also expected to have operational consequences, in light of the significance of the changes included therein, on various work processes.

The Company's estimate in connection with the possible implications of the bill and the draft regulations constitutes forward looking information, which is based on the information that is available to the Company as of the reporting date. actual results may differ from the estimated results, and depend, inter alia, on the final wording of the bill and draft regulations, and also on the Company's actions with respect to activities requiring the payment of interest, and on market conditions.

10.3. Barriers to entry and exit

10.3.1. Presented below are details regarding the main barriers to entry in the Company's main operating segments:

10.3.1.1. Licensing obligation and permit requirement

(A) The engagement in insurance requires a license, in accordance with the Insurance Law and the Provident Funds Law, and is overseen by the Capital Markets, Insurance and Savings Authority in the Ministry of Finance. Clal Insurance and Clal Credit Insurance hold insurer licenses in accordance with the Insurance Law. In the non-life insurance segment, a company which is active in the credit and foreign trade risks insurance branches must engage in that branch exclusively. After the reporting date, following the closing of the Max transaction, conditions were added to the licenses of Clal Insurance, Clal Pension and Provident Funds, and Clal Credit Insurance. For additional details, see Note 42(j) to the financial statements.

(B) A managing company of an annuity paying provident fund is also required to receive an insurer license in accordance with the Insurance Law, and the aforementioned insurer license will be considered as a managing company license with respect to all of the provident funds which are managed by it. A managing company to which an insurer license has been given, as stated above, is entitled to manage all types of provident funds, excluding insurance funds. A managing company may manage one comprehensive new pension fund which is entitled to designated bonds[57], one new general pension fund which is not entitled to designated bonds, one old pension fund and provident funds. A managing company is entitled to engage in the management of provident funds only. A managing company may engage in another segment which pertains to a pension product that was approved by the Commissioner, subject to the approved terms, provided that the engagement is regulated in accordance with the provisions of the Provident Funds Law, the Insurance Law or the Pension Advice Law.

[57] For details regarding changes to the guaranteed return mechanism in pension funds, see section 10.5.5.1(c) below.

(C) Additionally, any provident fund which is managed by a managing company requires approval for the management of a provident fund, which must be renewed annually. Also life insurance products which are managed as provident funds (insurance funds) require approval which is renewable on an annual basis.

Clal Pension and Provident Funds and Atudot Havatika hold an insurer license in the pension fund branch, in accordance with the Insurance Law, as well as approvals for the management of the provident funds which are managed by it.

(D) The holding of more than five of a certain type of means of control of an institutional entity is conditional upon the receipt of a permit for the holding of means of control from the Commissioner, and the control of an institutional entity or insurance agency also requires a permit from the Commissioner, inter alia, in accordance with the provisions of the policy document regarding control of an institutional entity, from December 2014, which were published by him. For details regarding the status of the control of the Company, see Note 1 to the financial statements. For details regarding the "**policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customers funds**", which allows, under certain conditions, certain entities to receive a permit for holding which will not exceed 75%, and regarding the expansion of that policy also with respect to institutional entities which have a controlling shareholder, and regarding the status of permits in the Group, see section 10.5.4.2 below. The regulatory permits for holding of the Group's institutional entities, and the methods for the regulation thereof, may from time to time affect the Group's activity.

(E) In January 2020, the "**draft policy regarding control of a corporate agent**" was published, which is intended to describe the Commissioner's policy regarding the evaluation of requests for permits for control of a corporate agent, the Commissioner's considerations in evaluating those requests, and the method for submission of such requests. The draft determines that the evaluation of the requests will include taking into account, inter alia, considerations involving the petitioner's control over the corporate agent through the insurer / the insurer's parent company, or the insurer's status as a company without a controlling shareholder, as well as considerations of competition, and considerations of the public interest. As of the publication date of the report, the final version of the directive had not yet been published, and the Company is therefore unable to predict its consequences, insofar as it is published.

Additionally, in August 2021 a policy for submitting requests for a corporate agent license was submitted, which was intended to regulate the method for filling out data, and the documents which are required for submission as part of the application, in a manner which will create certainty regarding the required documents when submitting an application for an insurance agency license, including a distinction between an applicant whose shareholders all hold an agent license, or applicants which have received a permit for control of an institutional entity, and other applicants.

For details regarding proposed restrictions on the holdings of institutional entities or managing companies, entities controlling them, and entities under their control, in the means of control of insurance agencies, which are included in the 2023 Economic Arrangements Bill, see section 10.8.2 below.

For details regarding the restrictions on control and holding which were determined by virtue of the Concentration Law, inter alia, regarding the separation between the holding of significant real operations and significant financial operations, see section 10.2.1 above.

10.3.1.2. **Equity requirements**

For the purpose of engagement in insurance operations, member companies of the Company's group are required to fulfill capital requirements. For details regarding the regulatory capital requirements which apply to member companies in the Group, and the companies' fulfillment thereof, including the regulatory capital requirements, see

Notes 16(d) - (f) to the financial statements. For details regarding the method for classification of Clalbit Finance (a wholly owned issuance corporation of Clal Insurance which is exclusively engaged in the raising of financing sources in Israel for Clal Insurance, through public and private issuances of bonds and liability certificates) as a real corporation in accordance with the provisions of the Concentration Law, and regarding the possible effects of the foregoing classification on the development of the Group's activity, and on its holding structure, see section 10.2.1 above.

The **Control of Financial Services Regulations (Insurance) (Minimum Equity Required to Receive Insurer License), 2018** (hereinafter: the "**Minimum Equity Regulations**") determine the minimum Tier 1 equity which is required in order to receive a license in branches featuring long insurance periods and claim durations (life, long term health and liabilities insurance), in the amount of NIS 15 million, and the minimum Tier 1 equity required to receive a license in branches featuring short insurance periods and claim durations (non-life and short-term health insurance), in the amount of NIS 10 million.

The Regulations have increased competition in the insurance market, relative to the situation prior to their publication, due to the reduction of the equity requirement required to receive an insurance company license and the activity of new companies in the market, mostly in the non-life insurance segment.

10.3.1.3. **Scope of activity**

In order to cover the high fixed costs associated with the Group's activity, a large scope of activity is required, and particularly in the long-term savings segment.

10.3.1.4. **Additional barriers**

(A) The ability to acquire adequate protection from reinsurers.

(B) Organizational, IT and operational infrastructure, in consideration of the complexity of some of the products and of their operation, as well as regulatory changes.

(C) A broad and skilled distribution network.

(D) In recent years, the Authority performed several actions in an effort to lessen the barriers to entry in the segment. For additional details, see section 6.2.1(a) above regarding the default pension fund, and section 10.3.1.2 above regarding the minimum capital requirements.

10.3.2. <u>Presented below are details regarding the main barriers to exit in the Company's various operating segments:</u>

In the long-term savings products branch, in some of the products in the non-life insurance branch, in the long-term care branch and in some of the products in the illness and hospitalization branch, the discontinuation of operations in long tail claim policies may take many years, until all of the claims are settled with respect to policies which were sold in the period prior to the discontinuation of the operation, and until all of the rights of policyholders and/or members have been exercised (run off), a period during which the Company was required to bear all of the associated risks and operating costs, or until the operation has been sold.

The Commissioner has the authority to order an insurer that wishes to liquidate or dissolve its insurance business operations to act in a certain way regarding the dissolution of its business operations, and also has the authority to petition the Court with a motion requesting that the liquidation be implemented by the Court or under its supervision.

10.4. **Critical success factors**

Success factors which are common to all of the Group's operating segments

According to the Group's estimate, the critical success factors which are common to all of the Group's operating segments include:

- The mix of the policyholder portfolio, including in consideration of the past liabilities according to policies in effect for many years, retention of the profitable portfolio, and recruitment of new policyholders and members, while maintaining profitability:
- The ability to adjust to changing market conditions, regulatory changes, competitive conditions and reduced profitability, including by way of changes in products, marketing, service, pricing, the amount of management fees, and adjustment of the level of expenses;
- The quality and professionalism of underwriting and claim settlement, including broad claims;
- Service quality and the option to provide, on the level of the Group, combined solutions for all of the customers' needs, while creating a synergy between the Group's member companies;
- The ability to develop and implement advanced digital tools in case of sale and service;
- Efficiency and quality of operations, and quality of IT and automation systems;
- Investment income, returns in managed portfolios, the state of the capital market and interest terms;
- The ability to achieve and maintain a capital level and capital ratio which support the Group's activities and growth;
- Business growth through diversification of the Group's revenues and profits, and reducing dependence on the capital market. For details regarding the Max acquisition transaction, which was closed on March 27, 2023, see Note 42(j) to the financial statements.
- Actuarial ability to support the business policy, to perform high-quality, current pricing, and to conduct high-quality calculations regarding the required reserves;
- Perception of the brand among the Company's customers as leading, relevant and innovative;
- Retention and development of high-quality human resources;
- The ability to develop and maintain the distribution channels, including by recruiting and maintaining high-quality agents, and ensuring high satisfaction among agents regarding the service which is given to them by the Company, and by developing new distribution channels and expanding collaborations, according to the trends in the branch, the needs of customers and profitability considerations;
- The ability to purchase reinsurance, including the quality of the reinsurer, the treaties with them, and the stability of the set of relationships with the reinsurers over the years;
- Quality of risk management, control, measurement and internal control.

10.5. Investments

10.5.1. Assets managed in the Group

Presented below are details regarding the types of assets which are managed in the Group:

A. **The Company's assets** -

- In January 2022, the Company completed an issuance of shares in accordance with a shelf offering report, and raised approximately NIS 506 million. For details regarding the designation of the issuance and its purposes, see Notes 16(d)(2) and 42(b) to the financial statements.

- In February 2023, the Company issued two series of bonds, for a period of five years, as specified below:

  - NIS 249,100,000 par value of the Company's bonds (Series A). The bonds bear annual interest at a rate of 4.7%.

  - NIS 150,000,000 par value of the Company's bonds (Series B). The bonds bear annual interest at a rate of 2.8%, and are convertible into Company shares such that each NIS 85 par value of the bonds (Series B) will be convertible into one ordinary share of the Company, as specified in the trust deed of the bonds (Series B).

  - The principal of the bonds will be repaid in a single payment 5 years after the issuance date.

The gross issuance proceeds with respect to the two series amounted to a total of approximately NIS 400 million. For details regarding the designation of the issuance proceeds, see Note 42(j) to the financial statements. For additional details, see section 2.5.1.6(e) above.

B. **Nostro assets of the institutional entities in the Group (Clal Insurance, Clal Pension and Provident Funds, Atudot Havatika, Clal Credit Insurance, as well as the Company's assets)** - (A) Assets held against equity and other liabilities; (B) Assets held against liabilities in non-life insurance; (C) Assets held against liabilities in non-investment-linked life insurance; and (D) Assets held against non investment-linked liabilities in long-term care, health and loss of working capacity insurance.

The insurance companies in the Group bear the risks associated with the nostro assets. However, some of the liabilities in life insurance with respect to guaranteed return policies are backed by designated bonds. See section 6.1.1.2 above.

C. Assets of investment-linked liabilities in Clal Insurance - Assets held against liabilities in life insurance and in long-term care and loss of working capacity insurance with respect to investment-linked coverages of various types. The returns which are achieved in connection with these assets are included in the calculation of the liabilities with respect to those policies. In general, the calculation of policyholders' rights is performed after deducting management fees and expenses, in accordance with the policy provisions. For details regarding the Company's income from management fees, see Note 30 to the financial statements.

The nostro assets of Clal Insurance, and of institutional entities under its control which are managed by the Group, are recorded in their balance sheets. Clal Insurance also records assets for investment-linked contracts in the balance sheet.

D. Provident funds and pension funds - Assets of the pension funds and provident funds which are managed by the managing companies in the Group (Clal Pension and Provident Funds and Atudot Havatika) - members' accrual in pension funds and provident funds are managed in trust by managing companies. The returns, after deducting management fees and expenses, in connection with the assets of the pension funds and provident funds are also applied to the members. The assets of pension funds and provident funds are not recorded in the balance sheets of the managing companies, excluding the assets of Bar Gemulim Provident Fund Ltd., which includes a guaranteed return track ("**Bar A**") under which Clal Insurance guarantees returns to its members. Some of the assets of members in the comprehensive pension fund which is managed by Clal Pension and Provident Funds and Atudot Havatika are backed by designated bonds. For details regarding the change to the guaranteed return mechanism, see section 10.5.5.1(c) above.

For details regarding the distribution of managed assets in each of the institutional entities in the Group, see section 10.5.6 below.

E. Some of the long-term savings products which are managed in the Group are subject to a commitment to guaranteed returns, or a guarantee in the amount of the nominal deposits - Some of the Group's savings products include an undertaking regarding guaranteed returns. Presented below are details regarding the material guaranteed return liabilities of the Group's member companies, as stated above:

- In policies which were sold until the end of 1990, returns for policyholders in life insurance policies with a savings component were determined as a guaranteed rate ("**Guaranteed Return Policies**"). The rate was changed according to the policy type and issuance date. The commitment to a rate of return is primarily backed by designated bonds, the balance of invested assets in accordance with the restrictions specified in the Investment Regulations. For additional details, see section 6.1.1.2 above.

- In the savings policies which were sold by Clal Insurance since 1991, the returns are credited to the policyholder in accordance with the results of the investment portfolio, after deducting management fees and expenses ("**Investment-Linked Policies**").

- As part of the acquisition of the provident fund Bar A, Clal Insurance accepted an obligation to minimum guaranteed annual returns for all assets invested in Bar A (real net returns of 5.5%, in accordance with the terms specified in the fund regulations). This undertaking is backed by an undertaking of the Accountant General for real guaranteed returns at a rate of 5.95% per year, on 89% of the assets, while the other assets are invested in accordance with the Investment Regulations. For additional details, see Note 38(d)(1)(c) to the financial statements.

- Additionally, in some of the funds which are managed by Clal Pension and Provident Funds, Clal Insurance and/or Clal Pension and Provident Funds provided guarantees with respect to members who joined the funds by certain dates and with respect to deposits which were deposited by those members by certain dates, as specified in the fund regulations, guaranteeing that the amount which will be paid to members will be no less than the amount of deposits which were paid by those members, or on their behalf, subject to the terms set forth in the regulations of the aforementioned funds. Over the years, the aforementioned guarantees were discontinued with respect to funds which were deposited, from a certain date and thereafter. Significant negative returns may result in paid charges by virtue of the guarantee. In consideration of the cumulative returns in the aforementioned funds as of the reporting date, particularly from the date of discontinuation of the guarantee, the exposure to such payment is estimated as low.

  The Company's estimate with respect to the aforementioned guarantees constitutes forward looking information, which is based on the information which is available to Clal Insurance and Clal Pension and Provident Funds as of the reporting date. Actual results may differ from the estimated results, and depend, inter alia, on the development of market conditions, members' accrual, and the achieved returns.

  Most of the assets which are held against guaranteed return liabilities are managed within the framework of the nostro portfolio.

10.5.2. Total managed assets for the nostro portfolio and for members/policyholders of the Group's institutional entities, as of December 31, 2022 (NIS millions):[58]

Institutional entity	Nostro	Investment-linked funds
The Company	1,209[(1)]	
Clal Finance	83	
Clal Insurance	38,969	89,368
Clal Credit Insurance	375	-
Clal Pension and Provident Funds - pension funds [(2)]	154	99,667
Clal Pension and Provident Funds - provident funds [(2)]		54,689[(3)]
Atudot Havatika [(4)]	38	12,168
Total	**40,828**	**255,892**

(1) For details, see Note 16(d)(2) and 42(b) to the financial statements.

(2) Data regarding the equity of the aforementioned managing companies of provident funds and pension funds are audited.

(3) Including provident funds owned by Clal Insurance, and including guaranteed return provident funds.

(4) The data refer to all of the fund assets, and are not consolidated.

10.5.3. Investment management of institutional entities

A. Investment management companies

The investment activities of the Group's institutional entities are performed through Canaf, which is a subsidiary of Clal Insurance. Canaf manages the nostro funds of the insurance companies and the managing companies in the Group, and manages the investments of assets of investment-linked liabilities and assets of members of pension funds and provident funds in the Group.

Canaf has separate (dedicated) investment teams for managing nostro funds and for managing members' funds, which are assisted by specialized support units in Canaf and in the Group, in the fields of research, strategy, credit, infrastructure, investment funds, private investments, real estate in Israel, international real estate, mortgages, construction accompaniment, treasury, economics, risks and control, middle office, legal, investment control, investment accounting, and the risk management unit.

Additionally, some of the foreign investing activities are performed with the assistance of external consultants and investment managers.

B. Investment management policy

The funds of the Group's institutional entities are managed subject to the provisions of the Investment Regulations and the Commissioner's directives, as applicable, in accordance with the general investment policy which is determined by the Board of Directors of the insurer and/or the managing company, and in accordance with the instructions and supervision of separate, independent Investment Committees in accordance with the companies and the types of managed funds. The Company's Board of Directors approves the general investment policy for the managed portfolios. As part of the above, the Board of Directors approves exposure frameworks to the various

58 The Group has available cash balances which are mostly used for operating purposes, in immaterial amounts.

investment channels, in each of the managed portfolios, as well as the hierarchy of authorities for the approval of various investments. As part of the general investment policy, the Board of Directors instructs the Investment Committees to determine a specific investment policy in accordance with the general investment policy which is determined by the Board of Directors, for each of the various institutional entities and investment tracks, in consideration of, inter alia, the restrictions which apply to the track in accordance with the law and/or in accordance with the policy terms and/or in accordance with the provident fund regulations, and in consideration of the specific characteristics of the tracks, including the expected development of the assets portfolio, expected cash flows and average lifetime, early redemption risks, and more. The Investment Committees establish the detailed investment policy, as stated above, for each fund and track separately.

As part of the investment policy, the Board of Directors and Investment Committees also approve a credit policy for the purpose of managing the credit assets of the managed portfolios. The credit policy includes the determination of work processes, hierarchy of authorities and exposure policy in the credit portfolio, with reference, inter alia, to the maximum exposure limits to a single borrower, to a group of borrowers, to a particular branch, etc.

The investment policy for managed portfolios is evaluated on a routine basis as part of the discussions of the Investment Committees. Additionally, the control and risk management units routinely supervise the investing activities, with an emphasis on the scopes of activities, the exposure rates in each type of investment channel, the fulfillment of the restrictions of the investment and credit policy, and the provisions of the law.

The nostro portfolios are managed in a manner which will allow servicing of the Company's liabilities, in consideration of, inter alia, the average lifetime of the liabilities, the linkage basis, the currency, the accounting reporting rules and the timing of cash flow in the short term. The investment policy is based on an evaluation of the overall correspondence and management of the risk, relative to the Company's capital.

The members' portfolios are managed, inter alia, in light of long term considerations, in order to achieve maximum returns for members, in consideration of the risk level of the various investment assets, and considerations involving the portfolios' liquidity.

For details regarding the distribution of managed assets in each of the Group's institutional entities as of December 31, 2022, see section 10.5.6 below.

In accordance with the Commissioner's directives, the Group's institutional entities publish their declarations regarding the investment policies of members and policyholders funds on their websites.

Declarations regarding the specific investment policy for 2021 and 2022 were published in January 2021 and January 2022, respectively, on the Company's website, at:

https://www.clalbit.co.il/aboutclalinsurance/generalreports/

C. Investment committee, credit sub-committee and internal credit committee

<u>Investment committees</u> - The Company has Investment Committees. Additionally, in accordance with the Insurance Law, Clal Insurance has two Investment Committees: an Investment Committee for the investment of funds to cover investment-linked liabilities, and an Investment Committee for the investment of the equity and other liabilities of the insurer, and for the investment of funds to cover insurance liabilities which are non-investment-linked liabilities ("**Nostro**"). Clal Credit Insurance has a separate nostro Investment Committee.

Each of the managing companies in the Group (Clal Pension and Provident Funds and Atudot Havatika) has an Investment Committee for the management of members' funds and a nostro Investment Committee. The composition of the Investment Committee regarding the investment of funds to cover investment-linked liabilities, and regarding the investment of members' funds of Clal Pension and Provident Funds, is identical. The committees convene together with respect to the presentation of the relevant issues, and the decision making process takes place separately in each committee.

The Investment Committees each determine, separately and independently, an investment policy as part of the overall investment policy which was approved by the Board of Directors, approve transactions in accordance with the hierarchy of authorities which was determined by the Board of Directors, and fulfill additional roles, in accordance with the provisions of the law. As part of the foregoing, the Investment Committees determine the strategy and the specific investment policy in the asset portfolios. Additionally, the Investment Committees supervise the implementation of the policy, and adjust the structure of the portfolio in accordance with market conditions, within the framework of the investment policy.

The implementation of the guidelines of the Investment Committees and the actual performance of investments is performed in a separately and distinct manner by the relevant investment managers.

As of the publication date of the report, the Investment Committee of Clal Insurance in the nostro portfolios is comprised of Board members of the Group and the CEO of Clal Insurance, and convenes at least once per month. The Investment Committees in the members' portfolios of Clal Insurance and Clal Insurance and Clal Pension and Provident Funds only include external members, and the Investment Committee in the members portfolio of Atudot Havatika includes a majority of external representatives, and convene at least once every two weeks.

Additionally, in accordance with the provisions of the law, a member may not be appointed, and may not serve as a member of the Investment Committee, if his roles or other activities create, or may create, a conflict of interest, or have the potential to detract from his ability to serve as such a member and with respect to an external representative in an Investment Committee, or anyone who is a relative of the controlling shareholder, or anyone who has, or whose relative, partner, employer, or direct or indirect superior, or any corporation of which he is a controlling shareholder, on the appointment date on during the two years preceding the date of the appointment, an affinity with the Company, to the Company's controlling shareholder, or to a relative of the controlling shareholder, as of the date of the appointment, or to another corporation ("Affinity" - as defined in section 240(b) of the Companies Law).

Members' Investment Committee -

In January 2022, the Commissioner published a position paper regarding the formulation of the desired policy regarding members' Investment Committees: the committee's duties and obligations, composition and methods of appointment. The position paper addresses the need to adjust the regulation of the Investment Committee's activities according to changes which have occurred in the investment management of institutional entities, and specifies the required changes, according to the Commissioner's position, in the definition of the Investment Committee's objectives, functions and activities (and therefore also the composition and qualification of its members). The position paper pertains to adjustments to the provisions of the law, mostly with respect to the composition of the Investment Committee, the method for appointment of its members, and the scope of its functions, as specified below:

Composition of the committee - In the position paper, it was proposed to work on strengthening the independence of the committee members, and to determine that all of the committee members will be independent representatives chosen by a public committee led by a Judge Emeritus or Justice Emeritus of the District or Supreme Court, and that similar provisions will apply in this regard to the appointment of directors in an insurer without a controlling shareholder. For additional details, see Note 1(c) to the financial statements. It is further proposed to increase the threshold of professional qualifications of the committee members, such that the committee members will be required to have at least five years of experience in the field, instead of the current requirement, which suffices with only two years.

The committee's responsibilities - In accordance with the position paper, the Investment Committee's function is to serve as an entity overseeing investment management on behalf of the saver public, and not as an entity involved in managing the actual investments. As part of the foregoing, the Investment Committee's authority was limited to the approval of transactions with related parties, or the approval of other transactions involving a suspected conflict of interest, and emphasis was given to the functions and exclusive authority of the members' Investment Committee to make decisions independently and exclusively, regarding voting in the general meetings of public corporations. It was also proposed that the Investment Committee will oversee the implementation of the investment policy which will be determined by the institutional entity's board of directors, instead of the current situation, according to which the

Company's Board of Directors establishes a general investment policy, and the Investment Committee establishes a specific investment policy, as part of the general policy determined by the Board of Directors. In the position paper, it was proposed that the Board of Directors will determine the investment policy, while the Investment Committee will evaluate the policy which was determined, and will be entitled to object to the sections which were established in the policy.

According to the assessment of the Group's institutional entities, the position paper, insofar as its provisions become binding directives, is expected to affect corporate governance in the institutional entities, including as regards the Board of Directors' authorities on all matters associated with the Investment Committee's functions, and the composition of its members. At this stage, it is not possible to estimate the effects of the position paper (if any) with respect to the Investment Committee's functions, the way in which its functions will be executed, or its consequences with respect to the management of members' investments, which are expected to be determined over time.

The institutional entities' assessment in connection with the position paper constitutes forward looking information, which is based on the assumptions and estimates of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of the actual implementation and final wording of the position paper.

Credit sub-committee: In accordance with the Commissioner's directives, the Investment Committees, with the approval of the boards of directors of the Group's institutional entities, appointed a joint credit sub-committee for the Group's institutional entities (the "**Credit Sub-Committee**").

The credit sub-committee is comprised of members who have proven expertise and experience in the credit segment. The credit sub-committee includes external representatives only.

The credit sub-committee is responsible for overseeing the implementation of the policies determined by the Board of Directors and the Investment Committees regarding the provision of credit, for approving the provision of credit in accordance with the hierarchy of authorities, and for reaching decisions regarding the methods used to handle troubled debts, in accordance with the hierarchy of authorities.

Internal credit committee - In accordance with the Commissioner's directives, the institutional entities in the Group appointed an internal credit committee which is comprised of managers in Canaf, whose functions include: approving the extension of private loans from the nostro assets, providing recommendations regarding the provision of private loans, and the handling thereof, and approval of immaterial amendments to private loans, in accordance with the hierarchy of authorities.

10.5.4. Restrictions, legislation, standardization, circulars and special constraints which apply to investment management in the institutional entities

The investment management of institutional entities is subject to the provisions of the law which apply to insurers and to pension funds and provident funds, including the Commissioner's directives, as published from time to time.

As part of the above, the investment activity is primarily subject to the Investment Regulations, to Chapter 4 of the consolidated circular - management of investment assets (the "**Consolidated Circular**") and to the provisions of the circular regarding investment rules which apply to institutional entities (in this section: the "**Circular Regarding Investment Rules**"). The Investment Regulations, the consolidated circular and the circular regarding investment rules regulate most of the provisions of the law which apply to the investments of an institutional entity.

10.5.4.1. The Investment Regulations, the consolidated circular and the investment rules (in this subsection: the "Provisions of The Law") -

The provisions of the law establish the regulatory framework which applies to the investments of an institutional entity, and refer, inter alia, to the following subjects: **A.** Restrictions on exposure to a single corporation and a group of corporations, cumulative exposure to the five largest corporations and the five largest groups of corporations, as defined in the Regulations; **B.** Foreign investment in countries with a credit rating of (BBB-) or higher, or in OECD member countries; **C.** Restrictions regarding the holding of the means of control of a corporation - up to 20%, excluding partnerships and real estate corporations, regarding which permission is given for a holding rate of up to 49%, subject to certain restrictions, and according to the cumulative maximum scope which was set forth in law. Additionally, upon the fulfillment of several conditions, institutional investors will be entitled to buy, using members' funds only, additional means of control in certain corporations in the Israeli infrastructure sector; **D.** A quantitative restriction regarding investment in land rights, out of the total assets of the institutional entity - up to 15%; **E.** A restriction regarding the rate of holding in marketable bond series - up to 25% of each series; **F.** Definition of related parties to the institutional entity, and imposition of restrictions on investments in such entities; **G.** Restriction on the provision of unrated loans; **H.** Regarding nostro portfolios - a requirement for the establishment of rules pertaining to the management of assets held against liabilities, including regarding the degree of correspondence between the average lifetime, liquidity rate and linkage terms of the investment assets, and the characteristics of the liabilities; **I.** Establishment of rules to correct active and passive exceptions from the provisions of the investment regulations, reports and sanctions.

10.5.4.2. Restrictions on holding, on the performance of investments, and on the method of approving investments -

In accordance with various laws, the Group's holdings in various corporations are considered jointly, including both holdings in the nostro portfolio, and holdings for other parties (such as funds of investment-linked policies, provident funds and pension funds). Due to the current restrictions on holding in the law, with respect to corporations with certain operating segments (such as banking corporations, insurers, communication companies) and/or with respect to holdings in corporations which are related parties of the Group, the aforementioned aggregate holding may be restricted, and the Group may sometimes be prevented from increasing its holdings in the securities of those corporations, and may sometimes also be required to sell existing holdings, including out of the Group's holdings on behalf of other parties. For the expected consequences of the change to the guaranteed return mechanism, see section 10.5.5.1(c) below.

Additionally, in accordance with the provisions of the **Law to Promote Competition and Reduce Concentration, 2013**, an institutional entity's holdings in a certain type of means of control of a significant real corporation may not exceed 10%. As of the publication date of the report, this provision does not have a significant effect on the investment activities of the Group's institutional entities.

In July 2019, the Authority published a "**policy regarding the issuance of a permit for the holding of the means of control of an institutional entity without a controlling shareholder to entities which manage customer funds**", in which conditions were established which, when fulfilled, will allow the issuance of a holding permit (for holdings exceeding 5% of a certain type of means of control) for institutional entities, mutual funds or ETF's which have requested a permit for holding an institutional entity without a controlling shareholder. According to the aforementioned policy, such a permit may be given in cases where the holding rate of the entity receiving the holding permit does not exceed 7.5% of the means of control of an institutional entity without a controlling shareholder, provided that its holdings which are not for its customers are less than 5%.

In March 2020, the foregoing policy was expanded, and it was determined that a permit application, as stated above, may also be submitted with respect to institutional entities which have a controlling shareholder. Accordingly, in April 2020 the Group's institutional entities submitted a request for a permit to hold up to 7.5% of the means of control of other institutional entities, which was approved in March 2021.

Restrictions on investment in related parties – In light of the change in the status of the Company, as a company without a control core, and due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities manage members' funds, the Company adopted a policy regarding the identification and approval of transactions with related parties in the Company, which applies, inter alia, to the Company's interested parties, directors, and other entities, which included the determination of procedures for the approval of transactions with and investments in related parties and limits on exposure to related parties were also determined. It is noted, with respect to the nostro funds of the Group's institutional entities, that Alrov is defined as a related party, including pursuant to the Investment Regulations. For additional details regarding the status of the control of the Company, see Note 1 to the financial statements. For additional details regarding the related parties policy, see section 11.3.1.2(a) below.

10.5.5. Presented below are details regarding the final material provisions of the law which were published during and after the reporting year, as well as the summary of material drafts which were published by the Commissioner, which apply to institutional entities in connection with the management of their investments:

10.5.5.1. **Provisions regarding the method for investment of funds and investment rules**

(A) The Control of Finance Services Regulations (Provident Funds) (Direct Expenses Due to Execution of Transactions), 2008 (hereinafter: the "**Expense Regulations**")

The Expense Regulations prescribe the types of expenses which can be charged to members with respect to expenses towards third parties which are paid by the institutional investor, as part of the management of the investment portfolio on behalf of members and policyholders. Until October 2022, cumulative quantitative annual restriction was established, as part of a transitional provision which was renewed from time to time, at a rate of up to 0.25% of the assets, on the amount of expenses which can be charged to the members, with respect to some of the expense items which are included in the Expense Regulations.

in recent years the transitional provision has been extended from time to time, and in parallel, a professional and independent committee was appointed to evaluate the subject of direct expenses, which is intended to evaluate whether the external management of certain investments increases returns for savers.

In November 2021, the report of the Commissioner's advisory committee regarding the evaluation of direct expenses (hereinafter: the "**Direct Expenses Report**") was published. In the direct expenses report the committee recommended, inter alia, the cancellation of the collection of direct expenses separately from management fees, and to collect, when possible, a single predetermined rate of the accrual; To encourage investment management through passive investment tracks, which will track several major indices in Israel and around the world; To allow institutional entities to offer investment tracks with performance-based management fees; To improve the transparency towards the Commissioner and towards members, particularly with respect to the returns of non-marketable funds; To improve the decision-making processes of the Investment Committees on all matters associated with investment in non-marketable funds, and to improve the Commissioner's oversight authorities in general, and particularly with respect to the investments of institutional entities.

In October 2022, an amendment to the Expense Regulations was published, which canceled the limit which had been imposed in the transitional provision, and established a mechanism according to which the institutional entity will determine, with respect to each track or provident fund under its management, a cap on the external management fees which the institutional entities will be entitled to collect, in addition to the direct expenses which were specified in the amendment to the regulations, which can be collected without restriction (with respect to services such as investment, by an institutional investor, in investment funds, ETF's, hi-tech of an unrelated party, and more), in a relevant fiscal year, without specification, in the regulations, of a numerical cap in percent. It was further determined that the Commissioner will be entitled, in special circumstances, to allow deviation from the maximum rate of the limit on external management fees (the "**External Management Fees**") determined by the institutional entity. It was further determined, with respect to investment tracks which are created after January 1, 2023, that institutional investors will be entitled to collect the following expenses only:

(1) In specialized investment tracks with most investments in marketable assets and in specialized investment tracks, which invest mostly in index-tracking instruments, the collection of direct expenses will be possible only with respect to purchase and sale fees, retention fees, and maintenance fees, taxes and expenses in connection with claim management due to investment in a track, and an external management fee due to the investment in a marketable security in a fund or international fund or ETF which is not its related party.

(2) In an investment track which includes a variable management fee component, wherein the institutional entity's compensation is also derived from the track's performance, the collection of direct expenses will be permitted with respect to taxes only.

It was further determined that the calculation of the upper limit of external management fees in pension tracks will be performed out of the total assets of the investment tracks; however, for the purpose of the actual use of the direct expenses, expenses collected for investments allocated to guaranteed return investment channels will not be taken into account. Provisions were also established regarding the duty of disclosure and reporting to members and policyholders, regarding the maximum limit on external management fees, and the total expected cost in the pension product.

The aforementioned arrangement will apply beginning on January 1, 2023, and the previous version of the regulations was extended retroactively, from April 6, 2022 to December 31, 2022.

For the consequences of the amendment to the Expense Regulations, see section 10.5.5.1(b) below.

(B) <u>Investment tracks reform</u>

As part of the reform in the pension savings segment, in January 2023 certain provisions entered into effect in an amendment to the circular regarding investment tracks in provident funds, which significantly updated and expanded the variety of specialized investment tracks which an institutional entity is entitled to manage, in order to increase competition in the pension savings branch. According to the amendment to the circular, the institutional entities were obligated, inter alia, to create an index-tracking investment track for annuity recipients, and to allow the offer of specialized tracks to annuity recipients as well.

Additionally, the investment tracks reform included, in an amendment to the circular, provisions which allow the management of investment tracks divided into five types of tracks ("**Groups**"):

(1) Actively managed investment tracks – Specialized investment track featuring direct investments along with investments in index-tracking assets;

(2) Actively managed investment tracks with variable management fees - specialized investment tracks, as stated in section A, for which variable management fees are collected by the institutional entity in accordance with the returns that were achieved. The institutional entity is manage such tracks provided that it manages a track under the same specialization in the first group;

(3) Investment tracks specialized in marketable assets (including an obligation to create at least one marketable hybrid investment track);

(4) Index-tracking investment tracks (including an obligation to create at least one flexible index-tracking investment track):

(5) Investment tracks specialized in investment management in accordance with religious laws, or perspectives regarding sustainability and the environment.

The amendment to the draft also includes provisions regarding the different models of management fees and direct expenses which will be collected in the various groups, further to the recommendations in the report of the Commissioner's advisory committee regarding the evaluation of direct expenses (for additional details, see section 10.5.5.1(a) above).

Most of the circular's provisions will enter into effect on January 1, 2024, except for the provisions regarding the creation of a flexible index tracker and flexible specialized tracker, which entered into effect beginning on January 1, 2023.

Further to the above, in January 2023, two new investment tracks were created: "combined marketable" and "flexible index tracker" - tracks which will mostly be managed through marketable assets and through index-tracking instruments, respectively.

As part of the reform and amendment to the Direct Expense Regulations, in March 2023 the Commissioner published an amendment to the provisions of the consolidated circular regarding the "publication of limits on external management costs in an advance announcement, by an institutional investor, regarding its investment policy, creation of index tracking ETF's, and reporting to the investment committee regarding variable management fees which were collected" (hereinafter: the "**Amendment to the Circular Regarding the Publication of External Management Costs**"). The amendment to the circular regarding the publication of external management costs establishes, inter alia, the obligation to publish the expected investment policy for all of the tracks, in accordance with the provisions which applied until now, only for investment tracks which are not specialized tracks; A standard format was established for the manner and location of the publication of the limit on external management fees with respect to each investment track or provident fund on the Company's website, as applicable; An obligation was established to publish the last four caps of the limit on external management fees, as published by the institutional entity, with respect to prior years; and an obligation was established to report the variable management fee component to the investment committee.

According to the assessment of the Group's institutional entities, the amendment to the circular regarding the publication of external management costs, and manner of publication of the limit on external management fees in particular, could increase competition over the addition of new members, and the retention thereof, in institutional entities.

The amendment to the Expense Regulations will maintain the possibility to achieve optimal returns for members, and to prevent a situation of limiting the institutional entities' investments due to restrictions on the collection of expenses which are paid with respect to investment management to third parties. However, there is uncertainty regarding the combined effects of the amendment to the Expense Regulations, in combination with the investment tracks reform, on competitive conditions in the market, in consideration of, inter alia, the terms of the tracks and the types of expenses which can be collected therein, the multiplicity of investment tracks, which could create an excess of information and difficulty in comparing the performance of the different tracks, limits on the management fees which will be determined by the institutional entities, and the management fees which will be collected in practice.

The institutional entities' assessment in connection with the Expense Regulations, the reform and the amendment to the circular regarding the publication of external management cost constitutes forward looking information, which is based on the assumptions and estimates of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the amendment, insofar as it is published, and the method of the actual implementation of the various legal provisions, the supplementary arrangements which will be established, the conduct of competing entities and distributors, and the preferences of customers.

(C) Change to the mechanism for ensuring stability in pension fund returns

In October 2022, a new mechanism entered into effect which is intended to ensure the stability of pension savings through designated bonds, with a new mechanism to ensure the foregoing stability, by supplementing the returns to an annual rate of 5.15%, plus linkage to the CPI (the "**Returns Supplementation Mechanism**"). The main change to the mechanism was that, with respect to the increase in assets and with respect to the current repayments of designated bonds in the pension funds, beginning on October 1, 2022 (the "**Application Date**") and thereafter, the managing companies will invest funds in accordance with the investment policy in the track where the largest scope of assets is managed as of the effective date ("**Guaranteed Return Track**"). After 5 years, a comparison will be performed between the assets' returns over five years, relative to the cumulative target returns (returns of 28.54%, CPI-linked). Insofar as the assets' returns on the capital market are less than the target returns, the state will transfer to the pension fund the difference in returns. In case the assets' returns are higher than the cumulative target returns, the balance beyond the target returns will be transferred to a dedicated fund, which will be used to supplement the pension fund's returns in the future. The foregoing arrangement will apply gradually with respect to up to 30% of the pension fund's assets. The pension funds' assets which were invested in designated bonds until the application date will be subject to the current mechanism until their redemption date. In connection with Atudot, which is an old pension fund not subject to an arrangement, and not a track-based old fund, it was determined that the foregoing settling of accounts will be performed with respect to the cumulative nominal gross returns achieved by the fund itself over 60 months, with respect to all of its assets for which the returns supplementation guarantee was given.

Accordingly, in 2022 supplementary provisions to the Investment Regulations and to the consolidated circular were published, regarding the implementation of the guaranteed returns mechanism. The foregoing amendments included the establishment of provisions which are intended to adjust investment management with respect to the guaranteed return channel.

The provisions of the amendment to the Investment Regulations included, inter alia, the determination that, for the purpose of complying with the investment restrictions which are calculated as a proportion of the value of the institutional investor's assets, assets which are invested in a guaranteed return channel will not be taken into account, and that the guaranteed return channel should be viewed as a track for the purpose of complying with the investment restrictions; however, it was determined that deviations from these restrictions will be possible for the purposes specified in the provisions of section 34 of the Provident Funds Law.

The Company believes that the mechanism described above may result in an increase in the transfer of money to the pension funds, including to the pension fund of Clal Pension and Provident Funds, in light of the certain benefit for members due to the increase in the rate of guaranteed returns, vs. the rate which was guaranteed in the designated bonds; however, on the other hand, it is not possible to estimate the impact of the change and the continuation of the mechanism relative to the fact that it constitutes a guarantee of returns only. The implementation of the returns supplementation mechanism is expected to increase the scope of assets managed by managing companies in the free, marketable and non-marketable market, and the management thereof is therefore expected to involve additional costs for them.

For details regarding the possibility of restriction of contributions to managers insurance and the increase in contributions to pension funds due to the provisions of the 2023 Economic Arrangements Bill, see section 6.1.2.1 above.

The Company's estimate in connection with the possible implications of the implementation of the returns supplementation mechanism constitutes forward looking information. Actual results may differ from the estimated results, and depend, inter alia, on the way in which the mechanism will be implemented, on the preparations of institutional entities, and on market activity.

(D) Amendment to the provisions of the consolidated circular - investment considerations pertaining to environmental, social, and corporate governance considerations, and to emerging risks, cybersecurity risks and technological risks

In November 2021, the Commissioner published an amendment to the provisions of the consolidated circular, in which it was stated that an institutional investor's Investment Committee must establish, in the general investment policy, a policy pertaining to environmental, social and corporate governance ("**ESG**") aspects in corporations in which the institutional investor is invested. This policy will address, inter alia, the identification of relevant risks which may affect the investment portfolio, such as risks due to environmental effects and climate change. The Investment Committee will be entitled to permit engagements with external service providers with expertise in the field of ESG, subject to the fulfillment of certain conditions. In the policy, the institutional investor will specify the investment considerations pertaining to technological risks and to cybersecurity risks. Even before the publication of the amendment, the Investment Committees of the Company's institutional entities established a policy which addresses ESG aspects. The Group's institutional entities have approved and published an ESG policy in accordance with the Commissioner's directives.

The policy which was published in July 2022 is available for review at:
https://www.clalbit.co.il/media/24491/esg_policy_clal_insurance.pdf

The Group's institutional entities believe that the consequences of the publication of the ESG policy document in accordance with the provisions of the consolidated circular, and the way in which they will affect companies in the market, will be perceived over time.

(E) Draft amendment to the provisions of the consolidated circular and Investment Regulations - rules for investment of insurance companies' assets against non-investment-linked liabilities

In September 2022, the Commissioner published a second draft circular regarding an amendment to the provisions of the consolidated circular - chapter 4 in volume 5, "management of investment assets", regarding rules for investment of insurance companies' assets against non-investment-linked liabilities, in which it was proposed to establish provisions regarding non-investment-linked liabilities of insurance companies, which are expected to replace some of the provisions which were established in the Control of Financial Services Regulations (Provident Fund) (Investment Rules Applicable to Institutional Entities), 2012, in which, inter alia, it was proposed to define equity as recorded in the insurance company's last financial statements, and to update the investment restrictions specified in those regulations.

Clal Insurance Company believes that the drafts amendments will not have significant implications.

The assessment of Clal Insurance Company in connection with the draft amendments constitutes forward looking information, which is based on the estimates and assumptions of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the final wording of the drafts.

(F) Amendment to the provisions of the consolidated circular regarding the internal rating model

In November 2020, and in order to encourage improvements to the quality of assessment and management of credit risk with respect to investments in debt assets, and to promote specialization regarding credit rating in the institutional entities, the Commissioner published an amendment to the provisions of the consolidated circular, which included the addition of new terms to the existing terms in the chapter regarding the management of investment assets, regarding the internal rating model for credit given by institutional entities (the "**Amendment**"). In the amendment, it was determined that the rating model which fulfills the new conditions required under the amendment will be considered as an internal rating model which has been approved by the Commissioner, instead of the Commissioner's approval for the model, as required in the past. The amendment specifies the required conditions with respect to the model's characteristics, method of validation, documentation, and method of use. It was further determined that the institutional entity's Board of Directors will be able to authorize one of its committees to perform its responsibilities in connection with the approval of an internal rating model, and oversight of its use. The Group's institutional entities have developed and approved several internal rating models, as stated above, and are expected to continue the development and approval of additional models.

10.5.5.2. **Provisions regarding credit**

(A) The Insolvency and Economic Rehabilitation Law Memorandum, 2018

In March 2018, the Knesset passed the **Insolvency and Economic Rehabilitation Law, 2018** (the "**Law**"), which entered into effect in September 2019, and which is intended to re-formalize laws regarding insolvency and rehabilitation and recovery proceedings. The provisions of the law come in place of a series of legal provisions which until now have regulated insolvency laws. The law regulates, inter alia, the following subjects: (1) the definition of a corporation's insolvency; (2) The opportunities for entry into processes involving the rehabilitation and/or liquidation of a corporation; (3) The distribution of considerations between the various creditors; (4) Restriction of the power of floating charge holders, in a manner whereby they will be entitled to receive repayment of only 75% of the debtors which are subject to the floating charge, such that the unsecured creditors will receive greater repayment of the debt to them; (5) Prospective cancellation of some of the obligations; (6) The establishment of a special duty of care for directors and CEO's, in a situation where the Company is in a state of economic insolvency, but has not yet been declared as such in legal terms. (7) Establishment of provisions which confer upon the Court the authority to order a provider which provided, prior to the issuance of an order to initiate proceedings against the corporation, or shortly before the aforementioned date, even if it has already discontinued such provision, a critical service or product to a corporation undergoing recovery.

Additionally, in March 2021, an amendment was enacted to the **Insolvency and Economic Rehabilitation Law (Amendment No. 4 - Transitional Provision) (Novel Coronavirus) (Stay of Proceedings for the Purpose of Formulating and Approving a Debt Settlement)**, which was intended to address the increase in the number of debtors suffering economic difficulties due to the coronavirus crisis. The main points of the amendment include an option to receive a stay of proceedings order for three months, with an option to extend by an additional month, retaining the Company's contractual engagements, and leaving officers in the Company (including the addition of an obligation to appoint an arrangement manager). In March 2023, the transitional provision was extended until March 17, 2024.

According to the Company's estimate, the transitional provision may have implications on all matters associated with investments in corporate bonds, in light of the possibility for the corporation to receive, under certain conditions, a stay of proceedings order for three months.

The Company's assessment in connection with the transitional provision constitutes forward looking information, which is based on the estimates and assumptions as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the way in which it is implemented in practice.

10.5.5.3. **Expansion of investment opportunities**

(A) Amendment to the provisions of the consolidated circular, collaboration with related fund

In June 2021, the provisions of the consolidated circular were amended such that an institutional entity was permitted to give investment management services by an insurer to an investment fund which is its related party, in a manner would will increase the competitive advantage of the group of investors in participation in transactions, and will result in greater economic efficiency and cost savings of the group of investors on the one hand, while minimizing, as much as possible, the possibility of conflicts of interest, on the other hand. The circular defines the conditions which, when fulfilled, will make possible a collaboration between the group of investors and the investment fund which is a related party, including the provision of investment management services with respect to non-marketable assets only, and with respect to non-marketable assets which are held by an institutional investor which is part of a group of investors, approval from the Investment Committees of all of the institutional investors, regarding the minimum investment rate undertaken by the fund, etc.

The Company is studying the amendment and evaluating the business opportunity which it represents.

(B) Position of the Commissioner - Investment in InsurTech companies and in corporations engaged in investment in the innovative FinTech sector

In January 2022, the Commissioner published a policy paper regarding investment in InsurTech companies and in corporations engaged in investment in the innovative FinTech sector, which replaces the Commissioner's position from January 2020. The policy includes guidelines for granting approval for control or holding of the means of control of InsurTech corporations or of corporations engaged in investment in the innovative FinTech sector, at a rate exceeding 20%.

The Company is evaluating the business opportunities associated with the position paper; however, according to the assessment of the Group's institutional entities, the Commissioner's foregoing position is not expected to have significant implications for the Group's institutional entities.

(C) Benefit track no. 43 - Encouragement of investments by institutional investors in high-tech industries

In July 2020, the Israel Innovation Authority published benefit track no. 43, with the intention of encouraging investments by institutional entities in Israeli hi-tech companies. Under the plan, and upon the fulfillment of the conditions specified in the benefit track, the Innovation Authority will provide partial protection against losses from such investments. Accordingly, the Group's institutional entities submitted a request for investment protection, in accordance with the benefit track. In September 2020, the Group's institutional entities won the aforementioned benefit, in a scope of up to NIS 200 million. The Group's institutional entities made investments in accordance with the track's provisions. According to the assessment of the Company's institutional entities, the benefit track does not have significant implications for the investments of the Group's institutional entities.

The Company's assessment in connection with the foregoing constitutes forward looking information, which is based on the estimates and assumptions of the Group's institutional entities as of the publication date of the report, and actual results may differ significantly from the forecast, depending, inter alia, on the investments which will be made by the institutional entities.

10.5.6. Managed investments

For details regarding the impact of investment income on the Company's profits, see Part B of the Report - Board of Directors' Report, section 2.2.4.

10.5.6.1. **Distribution of managed assets in Clal Insurance as of December 31, 2022**

	Assets held against investment-linked insurance liabilities	Nostro - assets held against liabilities in non-life insurance, health and equity[59]	Nostro - assets held against liabilities in life and health insurance (long-term care and critical illness)
Cash and cash equivalents	9.46%	15.99%	1.90%
Marketable government bonds	10.95%	25.19%	1.13%
Marketable corporate bonds	17.44%	12.55%	3.59%

[59] Not including long-term care and critical illness.

	Assets held against investment-linked insurance liabilities	Nostro - assets held against liabilities in non-life insurance, health and equity[59]	Nostro - assets held against liabilities in life and health insurance (long-term care and critical illness)
Stocks and other marketable securities	35.76%	11.57%	3.76%
Designated bonds	0.13%	0.00%	58.56%
Deposits and loans	9.30%	10.95%	18.32%
Others (*)	16.96%	23.75%	12.74%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.6.2. **Distribution of managed assets in Clal Credit Insurance as of December 31, 2022:**

	Nostro - assets held against liabilities in non-life insurance and equity	Assets held against investment-linked insurance liabilities	Nostro - assets held against liabilities in life insurance
Cash and cash equivalents	7.75%	-	-
Marketable government bonds	45.45%	-	-
Marketable corporate bonds	14.76%	-	-
Stocks and other marketable securities	8.73%	-	-
Deposits and loans	21.86%	-	-
Others (*)	1.45%	-	
Total assets	**100.00%**	-	-

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.6.3. **Distribution of assets of pension funds managed by the Group's managing companies (Clal Pension and Provident Funds and Atudot Havatika) as of December 31, 2022**

	Meitavit Atudot New Fund	Meitavit Atudot Supplementary Fund	Atudot Havatika
Cash and cash equivalents	10.25%	13.93%	1.34%
Marketable government bonds	2.13%	16.28%	12.17%
Marketable corporate bonds	6.08%	23.42%	11.88%
Stocks and other marketable securities	35.07%	34.67%	14.82%
Designated bonds	30.04%	0.00%	38.36%
Deposits and loans	4.60%	4.01%	9.01%
Others (*)	11.83%	7.69%	12.42%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.6.4. **Distribution of assets of pension funds managed by the Clal Pension and Provident Funds as of December 31, 2022:**

	Provident fund for compensation	Study funds	Central provident funds
Cash and cash equivalents	10.39%	17.08%	13.98%
Marketable government bonds	15.00%	12.26%	19.49%
Marketable corporate bonds	22.71%	16.04%	24.60%
Stocks and other marketable securities	27.53%	38.26%	32.73%
Deposits and loans	8.13%	8.94%	5.40%
Other investments (*)	16.24%	7.42%	3.80%
Total assets	**100.00%**	**100.00%**	**100.00%**

* Primarily includes non-marketable corporate bonds, investment funds and land rights.

10.5.7. Investments in investee companies

On August 12, 2022, the Company engaged with WP XII Financial Investment B.V in an agreement to acquire the entire issued and paid-up capital of WPI. The transaction was closed on March 27, 2023. For details, see Note 42(j) to the financial statements. For details regarding the policy regarding the evaluation of significance for the purpose of classifying investment transactions, which was adopted by the Company, see section 11.3.1.5 below. For details regarding the Michlol transaction, and the expansion of the activities of Clal Finance, see section 9.2 above.

10.6. Reinsurance

Reinsurance is a tool for managing and hedging insurance risks, and for protecting capital. Through reinsurance, the insurance company shares its risks with additional insurance companies, reduces its exposure to insurance risks (particularly to accumulated damages in case of a catastrophic event, such as natural disasters, earthquake, fire, etc.), and allows the expansion of the scope of insurance liabilities which it can accept upon itself, for monetary consideration, and while creating exposure to counterparty risk.

The engagement in reinsurance does not exempt the insurance company from its obligations towards the policyholders, and the settling of accounts vis-à-vis the reinsurers takes place throughout the years of insurance exposure. The stability of reinsurers is therefore important.

The main types of reinsurance contracts include:

1. **Treaty** - An agreement with a reinsurer in which the reinsurer undertakes to participate in the risks, generally in a particular branch.
2. **Facultative insurance** - An agreement with a reinsurer with respect to specific business (mostly at large business customers), in which the liability limits exceed the limits of the treaty, or where, for other reasons, the Company chooses to prepare it in that framework.

The aforementioned agreements can be with one reinsurer or several reinsurers.

Additionally, reinsurance contracts can be segmented according to the risk distribution method:

1. **Proportional reinsurance** - The reinsurer's participation in the risk is defined in advance, according to its relative share in the premiums, and it participates according to its proportional rate in the payment of damages. There are two main types of proportional reinsurance:

- **Quota share treaty**: A proportional reinsurance treaty in which the reinsurers agree to accept a fixed rate of all insurance of a certain type which the direct insurers have accepted upon themselves. The reinsurer receives a proportional part of the relevant premiums which are received by the direct insurer, and divides the damages and expenses by the same ratio, up to the determined amount, and in accordance with the contract terms.

- **Surplus treaty**: A proportional reinsurance treaty in which the direct insurer bears a fixed amount which it determines (retention), and the reinsurer bears the multiplies of the fixed amount up to an agreed-upon limit. The Company's participation rate is determined according to the proportion of the retention out of the insurance amount, and accordingly, the premiums and claims are divided between the Company and the reinsurer.

In general, with respect to a proportional reinsurance agreement (treaty or facultative), a commission is received from the reinsurers according to an agreed-upon rate of the premiums to the reinsurers.

2. **XOL (Excess of loss) non-proportional reinsurance** - A non-proportional reinsurance treaty according to which the reinsurer accepts responsibility for the level, which was agreed upon in advance, and participates in the payment of the damages only if the damage has reached the level at which it participates. In agreements of this kind, the division of risk is non-proportional, and the participation of the reinsurer is conditional upon the number of damages, up to the limit which was determined, if any.

   The **catastrophe risk** of Clal Insurance is a non-proportional reinsurance treaty which Clal Insurance purchases in order to protect its retention (in addition to the existing coverage in proportional reinsurance), based on an evaluation of the expected damage on retention, of a given probability, to which Clal Insurance may be exposed due to a catastrophic event.

   With respect to non-proportional reinsurance contracts, a commission is generally not received from reinsurers, excluding in facultative insurance policies of the XOL ("Excess of Loss") types.

10.6.1. Policy regarding reinsurance

In accordance with the Commissioner's circular on the subject of "Management of the exposure to reinsurers" from December 7, 2003, at least once per year, the Board of Directors is required to discuss and determine the policy regarding exposure and the insurer's preparations to manage the exposure and the control thereof, to a single reinsurer and to a group of reinsurers which are economically linked (hereinafter, jointly: "**Reinsurers**"). The Board of Directors is required to hold the discussion after having ascertained the quality of the tools which are available for the insurer to manage and control the exposure to reinsurers.

The policy regarding the exposure to reinsurers will include, inter alia, the policy regarding the management of exposure to reinsurers in the life, non-life and health branches, as well as the definition of the maximum framework for exposure to reinsurers, according to the parameters which will be determined by the Board of Directors. The aforementioned parameter may be a qualitative parameter, such as the reinsurer's international rating.

The Board of Directors will oversee the implementation of the policy which determined and will handle exceptional events.

The boards of directors of the Group's institutional entities approve, once per year, the reinsurance policy in accordance with the Group's operating segments, based on the recommendations which were formulated by the management of each institutional entity / division, and the recommendations of the risk management unit. As part of the above, each year, the retention policy for the various branches is determined, and the various types of reinsurance arrangements are evaluated. With respect to the exposure to reinsurers, the policy of the Group's insurance companies includes minimum demands for the selection of reinsurers which address, inter alia, their credit ratings and other qualitative parameters, including with respect to past experience, where in the insurance branches in which the exposure to reinsurers is long term, a higher minimal credit rating is required. The policy also includes a maximum exposure framework, which determines the maximum rate of exposure to a single reinsurer and/or to a group of reinsurers and/or to a rating group of reinsurers, out of the Company's capital. Additionally, the policy establishes restrictions on potential exposures to reinsurers and to groups of reinsurers, in case of an earthquake event, by MPL[60]. The policy establishes mechanisms for the management and control of the exposure to reinsurers, including reports to the boards of directors of the relevant institutional entities, regarding the fulfillment of the aforementioned restrictions.

In non-life insurance business operations, the Group's proportional and facultative reinsurance contracts in the various insurance branches are generally prepared on an annual basis, according to the underwriting year (in which the policy was issued), with different reinsurers. The relative share of each reinsurer in each one of the reinsurance branches may change from year to year and from branch to branch, in accordance with the Group's business policy and the characteristics of the business which it aims to insure. In general, non-proportional treaties are prepared on an annual basis, according to the year of the event (when the damage occurred).

In **life insurance and health insurance business operations,** which cover risk of death, loss of working capacity, disability, critical illness, long-term care and medical expenses, and which are characterized by long term policies, the engagement with reinsurers is done throughout the entire period of the policies which were sold during the reinsurance treaty period, excluding catastrophe risk agreements, which are prepared on an annual basis, according to the year of the event.

The Company's ability to engage in reinsurance treaties, and the terms of such engagements, also depend on the market conditions, on the capacity of the reinsurers which meet the minimum conditions specified by the Group with respect to the relevant risks, and on the reinsurer's willingness to accept those risks.

During the reporting year, the Group did not enter into any exceptional reinsurance transactions.

For additional details, see Note 38(f)(8) to the financial statements.

For details concerning the risk factors arising from the entry into agreements with reinsurers, see section 10.16(b)(4) below.

10.6.2. <u>Reinsurance in the non-life insurance segment</u>

10.6.2.1. **Main types of reinsurance arrangements in the segment**

In the liabilities branches, such as employers' liability, professional liability, product liability and third party liability, protection against exposure is implemented by means of non-proportional reinsurance contracts, to protect against large claims.

In the compulsory motor insurance branch, Clal Insurance hedges against the exposure through proportional and non-proportional reinsurance treaties.

In general, the exposure of Clal Insurance in the property and loss of profit branches, and in guarantee activities (including sale and performance guarantees), is protected through proportional reinsurance contracts. In the property and loss of profit branches, a non-proportional reinsurance contract is also acquired for catastrophe coverage (shared by all of the property branches), which provides protection for the share of Clal Insurance on self-retention in the damages due to a catastrophic event (including an earthquake), see section 10.6.7 below.

In certain insurance branches, specific (facultative) reinsurance is acquired instead of, or in addition to, the coverage under the treaty, while maintaining fulfillment of the retention levels determined by the Company.

[60] Maximum probable loss, with the determined probability, calculated using models.

A significant part of the operations of Clal Credit Insurance is protected by proportional reinsurance. Additionally, Clal Credit Insurance acquires non-proportional reinsurance as coverage against default by a group of debtors.

10.6.2.2. **Commission structure in the non-life insurance segment**

In proportional insurance, commissions are received from reinsurers. These commissions are primarily calculated according to a certain rate of the premiums to reinsurers. There are two main types of commissions" fixed commissions, according to a flat rate of the premiums, or sliding scale premiums, according to the profitability in the portfolio. In general, agreements in the non-life insurance segment do not include profit commissions, except for a few agreements which include a profit commission that is based on the reinsurer's rate of profitability in that specific agreement.

In general, the agreements are renewed each year, with no commitment to renew them, and without the agreements including an mechanism for settling accounts between the different underwriting years. The settling of accounts with respect to a specific underwriting year may include the reimbursement or receipt of an additional commission, in parallel with the recoding of the development in business results in accordance with the current estimates as of the reporting date (in progressive commission agreements the repayment, if required, is up to the amount of the minimum determined commission).

Commissions are not received from reinsurers in non-proportional insurance, except for excess of loss facultative reinsurance.

During the reporting year there were no reinsurers whose share in premiums in the segment constituted more than 10% of total reinsurance premiums.

10.6.2.3. **Changes to reinsurance arrangements in the non-life insurance segment**

During the reporting year, no material changes occurred in reinsurance arrangements in the non-life insurance segment.

10.6.3. **<u>Reinsurance in the long term savings segment</u>**

10.6.3.1. **Main types of reinsurance contracts in the long term savings segment**

A. Proportional contracts of various types protect the exposure of Clal Insurance in most business segments in the life insurance branch.

B. An excess of loss non-proportional contract, which protects the Group's member companies from catastrophe events, with respect to risks of death, loss of working capacity, and disability.

10.6.3.2. **Description of the commission agreements in the life insurance segment**

Regarding some of the proportional reinsurance contracts, the reinsurers pay commissions to the Company according to a rate of the premium which was transferred to the reinsurer in the first year, or over a longer period. In addition to the reinsurance commissions which are paid out of the premiums, as stated above, the reinsurers pay, under some of the agreements with respect to life insurance, a profit commission which is calculated as a proportional part of the profit from the insurance business operations which are covered through reinsurance.

The calculation of the profit commission for a particular reinsurance contract (in accordance with all of the policies which are included in the treaty period) also includes taking into account loss, if any, from previous years, and a profit commission is only received if the profit exceeds the loss. It is hereby clarified that insofar as an amount is paid with respect to a profit commission, and in the future there is loss with respect to that contract, the Company will not be obligated to repay the amounts which were received, and the matter will be reflected only in the offsetting upon calculation of a future profit commission, if any.

Reinsurers whose share in premiums in the segment constitute more than 10% of total reinsurance premiums in the segment during the reporting year

Proportion of total premiums to reinsurers for the operating segment in 2022	Premiums recorded in favor of the reinsurer for 2022 (NIS in thousands)	S&P rating as of the publication date of the report	Name of reinsurer
60.16%	97,346	AA-	Swiss Re
26.06%	42,162	AA-	Munich Re
10.14%	16,408	AA+	Gen Re

10.6.3.3. **Changes in reinsurance arrangements in the life insurance segment**

During the reporting year, no material changes occurred in the reinsurance arrangements in the long term savings segment.

10.6.4. **Reinsurance in the health insurance segment**

10.6.4.1. **Main types of reinsurance in the health and long-term care insurance segment**

Part of the Group's exposure in health and long-term care policies with respect to particular risk components is covered under quota share treaties. For details regarding the conclusion of settling of accounts between Clal Insurance and a reinsurer in connection with the reinsurance arrangements with respect to long-term care insurance for health fund members, see section 10.6.4.3 below.

The Group also has protection for accumulated damages, in non-proportional contracts, with respect to personal accidents policies, international travel personal accidents, long-term care and critical illness policies, within the framework of catastrophe coverage. The scope of the acquired protection is based on internal studies conducted by the Company.

10.6.4.2. **Description of the commission structure in the health insurance segment**

In some insurance contracts, a commission is paid by the reinsurers to the Group with respect to health insurance products of various kinds, which are covered by proportional reinsurance, which is calculated as a rate of the premiums transferred to the reinsurer. In most cases, this commission is paid only in the first year after the sale. In addition to the reinsurance commissions which are paid out of premiums, as stated above, in some of the reinsurance contracts, the reinsurers pay the Group with respect to the aforementioned reinsurance, a profit commission which is calculated as a proportion of the profit from the insurance business operations which are covered by the reinsurance. **For details regarding the calculation of the profit commission, see section 10.6.3.2 above.**

In non-proportional excess of loss reinsurance treaties, a commission is not received from reinsurers.

Reinsurers whose share in premiums in the segment constitute more than 10% of total reinsurance premiums in the segment during the reporting year

Name of reinsurer	S&P Rating As of the publication date of the report	Premiums recorded in favor of the insurer for 2022 (NIS in thousands)	Proportion of total premiums to reinsurers for the operating segment in 2022
Swiss Re	AA-	59,570	71.22%
Munich Re	AA-	14,015	16.76%

10.6.4.3. **Changes in reinsurance arrangements in the health insurance segment**

During the reporting year, no material changes occurred in reinsurance arrangements in the health insurance segment.

During the reporting year, the Company conducted a final settling of accounts vis-à-vis a reinsurer of collective long-term care insurance for members of Maccabi health fund, including a final cut off arrangement between the parties, which was accelerated by one year regarding the agreement with respect to Maccabi health fund), relative to the contractual data which was established in the collective insurance for members of Maccabi health fund. According to the Company's estimate, the above did not have, and is not expected to have, any significant impact on the Company's financial statements. For additional details regarding the termination of the agreement with the health funds with respect to the aforementioned collective insurance policies, see section 8.1.2.2(c) above.

10.6.5. Coverage restrictions and limits

10.6.5.1. **Restrictions or limits on coverage in the non-life insurance segment**[61]

In most proportional insurance contracts in property branches, the reinsurers restricted the cumulative scope of coverage to determined events, and particularly, to earthquakes. In the property contracts of most reinsurers, the limit per earthquake event is 4% to 5% of their proportional part in the insurance amount, and with respect to the total exposure limit which was determined in the contracts. For additional details, see section 10.6.7 below.

In contracts which protect the Group's retention against catastrophic events in the property insurance segment, the reinsurers limited their liability to a certain coverage ceiling, beyond which the liability applies to Clal Insurance.

In excess of loss contracts, the Company did not reach the determined limits in the reporting periods, and it has no outstanding claims in a scope which comes close to the determined limits.

10.6.5.2. **Restrictions or limits on coverage in the long term savings segment** [62]

No material restrictions apply to the reinsurer's participation in proportional treaty claims.

It is noted that as of the publication date of the report, in cases where coverage limits were determined in reinsurance treaties, in general, the Company does not cover amounts which exceed the coverage limit without facultative coverage.

In a contract which protects the Group's retention against catastrophe events in the long term savings segment, there is a coverage limit, and damages above this limit are the Company's responsibility.

10.6.5.3. **Restrictions or limits on coverage in the health insurance segment**[63]

In some quota share proportional insurance contracts in the long-term care and critical illness branch, certain stipulations apply regarding the conditions of the reinsurer's participation in claims. As of the reporting date, the stipulations have not been fulfilled.

It is noted that, in cases where maximum coverage limits were determined in reinsurance treaties in general, policies which are issued by the Company are within the framework of the aforementioned coverage limits.

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[61] The limit refers to the cumulative insurance amount in the reinsurance treaty; Maximum limit in proportional treaty - maximum insurance amount per policyholder.

[62] See footnote 60 above.

[63] See footnote 60 above.

10.6.5.4. **Restrictions by virtue of laws and/or treaties**

For several years, the reinsurers have been trying to include in the reinsurance treaties a clause which makes their contractual debts subordinated to legal restrictions by virtue of various state and/or international laws and/or treaties, which will be in effect from time to time, such as sanctions on Iran, avoidance of financing of terrorism, etc. (hereinafter: the "**Sanctions Clause**").

Clal Insurance clarified to the reinsurers that it objects to the inclusion of a sanctions clause in the sanctions contracts in a manner which reduces their obligation to pay in branches wherein it cannot include a corresponding clause vis-à-vis the policyholders. During the reporting year, the contracts with reinsurers do not include the aforementioned sanctions clause in branches where the Company cannot include corresponding coverage vis-à-vis the policyholders. However, the reinsurers repeatedly clarify that a restriction on payment may materialize as a result of the aforementioned legal restrictions.

Following the Russia-Ukraine war and the international sanctions which were imposed on Russia, as part of the renewal of the reinsurance treaties for 2023, sections regarding sanctions were included in most of the reinsurance treaties in the non-life insurance segment. Following the Company's letter, the Banking Supervision Department approved the addition of a corresponding section regarding sanctions to all insurance policies in the non-life insurance segment, except for the standard insurance policies (apartment insurance, and compulsory motor and motor property insurance). The addition of the foregoing section to the policy protects the Company against exposure in cases where the reinsurers do not pay claims due to sections regarding sanctions.

10.6.6. <u>Material changes in reinsurance arrangements which pertain to the period after the reporting date</u>

No material changes were made to the reinsurance arrangements during the period after the reporting date, except for a significant reduction in the scope of reinsurance with respect to factory loss of working capacity policies, and except for exclusions which were added to the reinsurance treaty which protect the Group's member companies against catastrophic events, with reference to the covers in the life, health and long-term care insurance branches, beginning from January 2023.

It is noted that, from time to time, the Company makes adjustments to the details of insurance arrangements, including with respect to the amount of commissions, the coverage limits and the retention amounts and rates, the limit on exposure to an earthquake event, based on an analysis of past results and the assessment of risk, including with reference to changes in products, in the market and in the regulations.

10.6.7. **<u>Exposure of reinsurers to an earthquake in Israel</u>**

The main catastrophe event to which the Group is exposed is an earthquake in Israel, and the main exposure to this risk exists with respect to the property branches which constitute a part of non-life insurance.

As of December 31, 2022, the amounts of property insurance in Israel, which include earthquake coverage, amount to approximately NIS 494 billion (gross). Clal Insurance is covered, with respect to the aforementioned property insurance, by proportional reinsurance on a quota share or surplus basis. Some of the relative reinsurance contracts include coverage limits for individual events.

With respect to catastrophic events, Clal Insurance purchased, or the property branches, beyond the coverage under the proportional reinsurance contracts (contractual and/or facultative) with respect to the cumulative retention, reinsurance on an excess of loss basis, in a defined amount with respect to the exposure due to such event, based on the estimate of Clal Insurance regarding the damage which is expected to occur due to a catastrophe with a certain probability.

The acquisition of reinsurance with respect to a catastrophic event is based on assessments of the risk, based on details and updated information regarding the exposures of Clal Insurance through designated international software program, which are based on quantitative models for the assessment of catastrophe risks. According to this evaluation, which was last performed in 2022, Clal Insurance purchased protection for the cumulative retention against catastrophe with a weighted MPL of approximately 2.05% of the non-life insurance amount in apartment and property insurance.

As a result of the aforementioned reinsurance arrangements, in case of a catastrophe event in Israel, which causes gross damage to insured property in Clal Insurance in a gross amount of up to NIS 10 billion (which is the expected damage, in accordance with the estimate described above), the maximum damage amount borne by Clal Insurance on retention (including the purchasing cost of reinstatement) will be approximately NIS 49 million. If the damage amount is higher than the aforementioned amount, Clal Insurance will bear part of the damages above the aforementioned amount, in accordance with the quota share contracts and the relevant surpluses.

It is noted that the Group also acquired catastrophe reinsurance with respect to **life and health insurance**, and an earthquake in Israel may activate this reinsurance as well. The scope of coverage which was purchased with respect to these products is based on internal studies which were performed by the Company regarding the impact of various scenarios, including an earthquake in Israel, insurance liabilities which cover cases of death or physical injury, which are covered under life and health policies. It is noted that the exposure to earthquake risk in Israel, as estimated with respect to this insurance, is of significantly lower scopes relative to the exposure to insurance in the property branches which are referenced by the data presented in this section and in Note 38(e2) to the financial statements.

The reinsurers of Clal Insurance which participate in the exposure, in non-life insurance, to an earthquake event in Israel are rated according to the following table:

Exposure of reinsurers to an earthquake (NIS in thousands) for 2022:

S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
A- and higher	913,000	9,989,271	10,902,271	96.68%
BBB- to BBB+	0	374,870	374,870	3.32%
Total	**913,000**	**10,364,141**	**11,277,141**	**100.00%**

Reinsurers whose exposure to earthquake risk exceeds 10% of the total exposure to earthquakes (NIS in thousands) for 2022:

Name of reinsurer	S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
Swiss Re	AA-	170,600	1,616,239	1,786,839	15.8%
Munich Re	AA-	170,600	1,488,636	1,659,236	14.7%

Exposure of reinsurers to an earthquake (NIS in thousands) for 2021:

S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
A- and higher	875,000	8,708,511	9,583,511	96.41%
BBB- to BBB+	0	349,393	349,393	3.51%
Lower than BBB- or unrated	0	7,583	7,583	0.08%
Total	**875,000**	**9,065,488**	**9,940,488**	**100.00%**

Reinsurers whose exposure to earthquake risk exceeds 10% of the total exposure to earthquakes (NIS in thousands) for 2021:

Name of reinsurer	S&P rating group as of the publication date of the report	Forecast regarding exposure to earthquake, non-proportional	Forecast regarding exposure to earthquake, proportional	Forecast regarding exposure to earthquake	Proportion of total
Swiss Re	AA-	163,000	1,404,358	1,567,358	15.8%
Munich Re	AA-	163,000	1,224,541	1,387,541	14.0%

Summary reinsurance results in non-life insurance for the years 2020 to 2022[64]

Reinsurance premiums in 2022 (NIS in thousands)	Compulsory motor insurance branch	Motor property insurance branch	Property and others insurance branch	Liabilities insurance branch	Total
Earthquake and natural risks	-	2,077	286,019	-	288,096
Reinsurance, proportional	259,242	110,528	411,445	46,801	828,016
Reinsurance, non-proportional	16,045	1,218	166,003	203,715	386,981
Total premiums	**275,287**	**113,823**	**863,467**	**250,516**	**1,503,093**
Reinsurance results	63,055	(46,415)	193,369	191,699	401,708

64 Profit and loss results of reinsurance only, according to operating segments in non-life insurance, including credit insurance, as reflected in the Company's reports to the Commissioner.

Reinsurance premiums in 2021 (NIS in thousands)	Compulsory motor insurance branch	Motor property insurance branch	Property and others insurance branch	Liabilities insurance branch	Total
Earthquake and natural risks	-	2,189	277,487	-	279,676
Reinsurance, proportional	243,215	86,096	360,053	51,761	741,125
Reinsurance, non-proportional	15,357	689	141,761	216,002	373,809
Total premiums	**258,572**	**88,974**	**779,301**	**267,763**	**1,394,610**
Reinsurance results	(219,223)	(15,534)	293,270	(537,305)	(478,792)

Reinsurance premiums in 2020 (NIS in thousands)	Compulsory motor insurance branch	Motor property insurance branch	Property and others insurance branch	Liabilities insurance branch	Total
Earthquake and natural risks	-	2,191	250,760	-	252,951
Reinsurance, proportional	225,434	175,999	326,489	56,419	784,341
Reinsurance, non-proportional	10,441	1	115,269	146,190	271,901
Total premiums	**235,875**	**178,191**	**692,518**	**202,609**	**1,309,193**
Reinsurance results	(89,566)	13,415	314,755	76,189	314,793

Explanations regarding the reinsurance results in non-life insurance:

- **Compulsory motor insurance branch** - The transition from loss to income was mostly due to the reduction of reserves due to the impact of the interest rate environment during the reporting year, as compared with the increase of reserves last year due to the impact of the interest rate environment, and the improvement in the development of claims relative to last year.

- **Motor property branch** - The increase in reinsurer loss during the reporting year reflects the change for the worse in the development of claims relative to last year.

- **Property and others insurance branch** - The decrease in reinsurer profit during the reporting year reflects the change for the worse in the development of claims relative to last year, mostly in the fire and property branches, which are mostly backed by reinsurance.

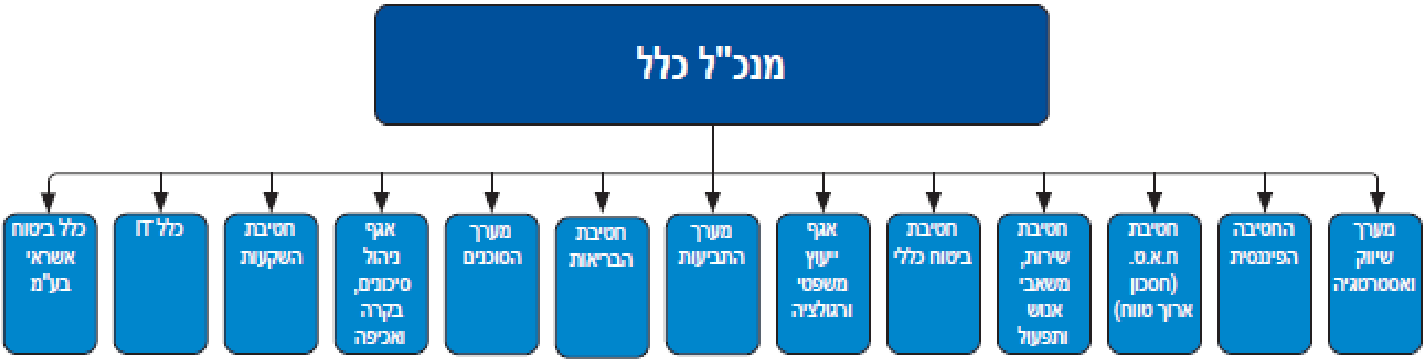
- **Liabilities insurance branch** - The transition from reinsurer loss to profit during the reporting year was mostly due to the change for the worse last year in the development of claims in the managers' insurance branch, which is backed by reinsurance, and by the reduction of reserves due to the impact of the interest rate environment during the reporting year, relative to the increase of reserves last year, due to the impact of the interest rate environment.

For additional details regarding reinsurance, see Note 38(f)(8) to the financial statements.

10.7. Human capital

10.7.1. Diagram of the Group's organizational structure

The following diagram reflects the functional-organizational relationships, as of the date of this report, of the various senior position holders, which is not necessarily identical to legal relationships. [65]



CEO of Clal												
Clal Credit Insurance Ltd.	Clal IT	Investments Division	Risk Management, Control and Enforcement Department	Agents Unit	Health Division	Claims Unit	Legal Counsel and Regulation Department	Non-Life Insurance Division	Service, Human Resources and Operations Division	Long-Term Savings Division	Finance Division	Marketing and Strategy Department

The Group's organizational structure as of the reporting date is as follows:

(1) Health division (a professional division which coordinates the health insurance activity).

(2) The long term savings division (a professional division which coordinates the activities in the life insurance, and in the pension and provident segment through Clal Insurance and Clal Pension and Provident Funds);

(3) The non-life insurance division (a professional division which coordinates the activity in the non-life insurance segment);

(4) The investments division, which coordinates the investing and credit provision activities in the Group;

(5) The claims unit, which coordinates the handling of claims by policyholders and members in all insurance and pension branches.

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65 The diagram reflects the structure of human capital in Clal Insurance. The Company's structure is as shown in the diagram; however, in accordance with a resolution of the Company's Board of Directors, the Company's officers include the Company's CEO, Legal Counsel, Financial Division Manager, Investment Division Manager and Risk Management Unit Manager. All of the Company's officers also serve as officers in Clal Insurance. Additionally, in Clal Insurance, which serves as the Group's primary business arm, individuals serving as corporate officers also include the Long Term Savings Division Manager, the Non-Life Insurance Division Manager, the Health Insurance Division Manager, the Service, Human Resources and Operations Division Manager, the Agents Unit Manager, the Claims Unit Manager, the CIO, and the Marketing and Strategy Division Manager.

(6) The agents unit, which coordinates the sales activity vis-à-vis the Group's agents;

(7) The service, human resources and operations division, which coordinates: (1) the service, operations and collections activity vis-à-vis agents and customers; (2) management of human resources in the Group; and (3) The private customers unit, which concentrates the direct sales activity of the risk and non-life insurance products;

(8) The finance division, which coordinates all of the financial, actuarial, payroll, and logistical activities in the Group;

(9) The Clal IT division, which coordinates all of the Group's information systems activities;

(10) The legal consulting and regulation division;

(11) The risk management, control and enforcement division;

(12) The marketing and strategy unit;

(13) The internal audit division, which reports to the Chairman of the Board.

The Group also owns controlled subsidiaries which have separate CEO's, including Clal Credit Insurance, Clal Pension and Provident Funds, Atudot Havatika and insurance agencies in the long-term savings segment and in the non-life insurance segment.

In February 2022, a change was implemented to the organizational structure of Clal Group, in which the Health Division and Customers Unit were split, the activities in the Customers Unit were split into several divisions, as specified below: (1) the Private Customers Unit, which coordinates activities involving the direct sale of risk products and non-life insurance, was transferred to the management of the Service, Human Resources and Operations Division Manager; and (2) The Customer Relations Division, which coordinates the retention activity in the Group, and the direct sales activity by license holders vis-à-vis employers and customers, was transferred to the management of the Long Term Savings Division Manager.

The organizational change was intended, inter alia, to assist the Company in meeting its strategic goals, including maximizing the unit's activity through maximum synergy, while maintaining the units' specialization and professionalism, and strengthening and maintaining organizational know-how.

On February 15, 2023, Mr. Barak Benski was appointed as Executive VP, Investment Division Manager, instead of Mr. Yossi Dori, who concluded his tenure in the Group.

On February 1, 2023, Mr. Eldad Eran was appointed as Executive VP, Health Division Manager in Clal Insurance, instead of Mr. Moshe Bar Siman Tov, who concluded his service in the Group.

10.7.2. <u>The Group's workforce</u>

During the reporting year, the Company continued working in accordance with its strategic plan, which is intended, inter alia, to adjust the workforce at the headquarters and operations entities, while expanding the units in the Group which support growth, and particularly the units which are engaged in sales, including the Group's insurance agencies (the growth in the number of employees in those units amounted to approximately 60 employees, out of the total growth of 110).

Presented below are data regarding the Group's workforce as of December 31, 2022 and 2021, in accordance with the organizational structure:

Units	Number of employees 31.12.2022	Number of employees 31.12.2021
Headquarters and central service entities [66]	639	625
Health division[67]	62	655
Agents unit	223	219
Long term savings division[68]	340	142
Non-life insurance division	125	121
Claims unit	356	332
Service, human resources and operations division[69]	1,554	1,143
Investments division	120	117
Clal Credit Insurance	47	48
Finance division	383	377
Total Company employees	**3,849**	**3,779**
Clal Agencies[70]	554	512
Total[71]	4,403	4,291

Out of the workforce described above, the Group's senior management (division, department, and headquarter unit managers, and the Chief Actuary of Clal Insurance) includes 13 managers, as well as the Company's CEO (who also serves as the CEO of Clal Insurance) and the Group's internal auditor.

For details regarding corporate officers in the Company, see Part D of the report - Additional Details Regarding the Corporation, section 18. For additional details regarding the employment terms of the Company's CEO, see Note 39(b)(5) to the financial statements, and for details regarding the compensation terms of corporate officers, see section 10.7.5(c) below.

The Company has no material dependence on any particular employee.

66 The headquarters and central service entities include: the CEO's office, the internal audit division, the marketing and strategy division, the legal advice and regulation division, the risk management, control and enforcement unit, and the Clal IT division.
67 The decrease was due to the separation of the health division and the customers unit into several divisions, including the transfer of the customer relations division to the long term savings division, and the transfer of the individual customers unit to the service, human resources and operations division.
68 The increase was due to the transfer of employees of the customer relations division from the health division and the customers unit to the long term savings division.
69 The increase was due to the transfer of employees of the individual customers unit from the health division and the customers unit to the service, human resources and operations division, and the adjustment to the activities of sales centers, according to the scopes of activity.
70 The increase was due to the intake of the operations of Davidoff Agency, and the creation of a sales center.
71 Out of the workforce as of the end of the reporting year, 90 employees are supplier employees, along with 98 supplier employees in the preceding year.

10.7.3. Benefits and terms of employment agreements

Types of agreements and compensation method -

In April 2022, a collective agreement was signed between the Company's subsidiaries Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (the "**Companies**") and the Histadrut New General Federation of Labor and the worker's committee in the Group (the "**New Collective Agreement**"), which generally centralizes all of the agreements and collective agreements which were signed between the parties since 2014, into one unified agreement, subject to the agreed-upon changes and additions, the main terms of which are specified below:

- The payment of salary raises to employees at a rate of 3% of the base salaries of the employees who are entitled to salary raises, each year, depending on the fulfillment of the Company's average annual profit target which was agreed upon with respect to the years 2021-2024. In April 2025, an additional budget will be allocated for salary raises at a maximum rate of 4% (raise of up to 1%) per year, in general, half of the total budget for salary raises will be paid as a uniform raise, and the other half will be paid as a differential raise, in the discretion of managers.

- Raising the minimum wage for monthly employees in 3 stages, up to a total salary of NIS 6,600 in September 2024;

- Raise salaries for veteran employees (who have been employed in the Company between 5 and 30 years, and more) to amounts between NIS 6,750 and NIS 9,450, beginning in September 2023;

- And raising the hourly rate of call center employees in 3 stages, up to an hourly rate of NIS 34, beginning in September 2024;

- Each year, depending on the fulfillment of the annual minimum profit condition, as defined in the new collective agreement, in the minimum amount of NIS 200 million, a special payment will be paid to employees, the total cost of which will be between NIS 11 million and NIS 55 million (insofar as the Company's annual profit exceeds NIS 1,200 million).

  In case the Company's minimum annual profit is between NIS 300 million and NIS 600 million, an additional payment will be paid to employees, the cost of which will be between NIS 4.25 million and NIS 17 million, depending on the results. The payment will be given to eligible employees by way of options, at an exercise price which will constitute the average closing price of the Company's shares during the 30 trading days preceding the date of the Company's Board of Directors' approval of the outline, and no less than the share price on the day before the resolution;

  Additionally, and further to the Company's financial results for 2021, an agreement was reached regarding the addition of special interest, as specified in section D.9 in Note 24 to the financial statements.

- The new agreement also defines the rate of payment of convalescence pay, in accordance with the employee's length of employment and employment commencement date, to increase the participation and to improve the terms of the health insurance policies for the Company's employees, to increase the participation in payment for summer camps, to change the framework for participation in employee meals, to cancel the retention bonus which was established in the previous agreement, and instead to give the employees a retention bonus depending on the Company's profits.

- In accordance with the agreement, in 2024 a voluntary retirement program was offered to employees aged 60 or older, the acceptance of which will be subject to the discretion of the Group's member companies.

- The agreement will be in effect for a period of 3 years, from January 1, 2022 to December 31, 2024, and industrial peace will be kept during the entire period of the agreement. Upon its signing, all of the parties' claims and assertions expired for the period of the agreement.

The new collective agreement applies to most employees of the Group's member companies, except for employees in specific positions which were defined in the agreement, and managers of a rank which was defined.

For details regarding the consequences of the financial results of the new collective agreement, see Note 24(d) to the financial statements.

As of December 31, 2022, the Group has around 768[72] employees who are not subject to the new collective agreement, including senior members of management, and who are employed in accordance with personal work agreements, which define their employment terms, including the base salary, social benefits and fringe benefits.

Provisions with respect to termination of employer - employee relationships -

Most of the employees who are subject to the collective agreements are subject to an arrangement in accordance with section 14 of the Severance Pay Law, 1963, for their entire period of employment.

For additional details regarding the provisions with respect to the termination of employer - employee relationships for the Group's employees, see Note 24 to the financial statements.

Additional terms and benefits -

The practice of the Group's member companies is to provide, from time to time, arrangements for the acquisition of insurance products and services for their employees, including, inter alia, elementary insurance, pension products and health and life insurance.

The Company has a collective health insurance policy which covers most employees of the companies, as defined above.

The Group allows employees to receive loans in accordance with defined internal policies and in accordance with the provisions of the law, in consideration of, inter alia, the employee's seniority and salary.

For details regarding the employment terms (including compensation) of the five highest compensation recipients among the executive corporate officers in the Group (including the Company's Chairman and CEO), and the highest compensation recipients during the reporting year, and for details regarding the salary which was paid to the directors in the Company, see Part D of the report - Additional Details Regarding the Corporation, section 11.

10.7.4. <u>The corporation's investments in continuing education and training</u>

As part of the Group's overall strategy regarding the development of human capital as a central asset, the Group invested, in 2022, a great deal of resources in professional education and training activities, in enforcement and compliance, and in the development of managerial skills in the organization, including remote management. This year as well, the Group focused on improving service quality and skill services to the Company's customers and agents, in improving professionalism and insurance knowledge in all segments of insurance, and in establishing implementation processes for the information systems which support the business core and improving middle management skills.

72 Not including employees of providers.

This year, the Group also invested in the performance of activities and training sessions which emphasized the wellbeing of employees.

These training sessions were intended, inter alia, to adjust the performance of the Group’s employees and managers with respect to market changes and developments, an advanced service standard, and regulatory requirements.

10.7.5. Executive salary and compensation policy

Beginning in September 2013, the Company is required to approve, once every thee years as a minimum, a compensation policy for corporate officers in accordance with the **Companies Law (Amendment No. 20), 2012**. Additionally, the institutional entities in the Group are subject to the Commissioner’s circular regarding the compensation policy in institutional entities from April 2014, as amended in October 2015 and in July 2019 (hereinafter, jointly: the “**Compensation Circular**”).

The Company’s compensation policy is intended to help realize the Company’s objectives and work plan in the long term, inter alia, in order to recruit and maintain high-quality executives with specific and unique specializations, who are capable of leading the Company to business success and of dealing with the successes which the Company faces, to employ motivated corporate officers, to achieve a high level of business performance without taking unreasonable risks, and to create an appropriate balance between the various compensation components, fixed vs. variable, short term vs. long term, and cash compensation (including fringe benefits) vs. capital compensation. The compensation policy establishes rules, criteria and benchmarks which will be used to determine the terms of tenure and employment of the Company’s corporate officers, in accordance with the specific characteristics of the operation for which the relevant corporate officer is responsible, and in accordance with their experience, qualifications and performance in the position, in accordance with and subject to the legal restrictions specified above and below.

A. The compensation circular and the compensation policy in institutional entities

The compensation circular from July 2014, and the amendments thereto which were added in 2015 and 2019, determine, inter alia, that an appropriate ratio will be determined between the fixed compensation component and the variable compensation component, in a manner whereby the rate of the annual variable component will not exceed 100% of the annual fixed component, subject to the exceptions which will be determined (which pertain to a one-time business event which is not repeated each year, and which does not apply to a broad group of senior position holders), according to which it will be possible to determine that the rate of the annual variable component will not exceed 200% of the fixed component, save with respect to the CEO. It was also determined that any payment of a variable component will be subject to repayment arrangements and to deferral arrangements, such that, in case the rate of variable compensation exceeds 40% of the fixed compensation, or the total compensation exceeds the maximum payment, as defined below, at least 50% of the variable component will be deferred and distributed according to the straight line method over a period of no less than three years. The circular sets forth various arrangements in connection with the allocation of shares or stock-based instruments, in connection with retirement bonuses, restrictions regarding the variable component for directors, and provisions regarding method used to determine the compensation of the Chairman of the Board. Additionally, the provisions of the circular determine that an institutional entity may not bear the employment costs of an employee due to his tenure in another corporation, and will ensure that an employee does not receive compensation due to his employment in the institutional entity from another entity. The compensation circular allows the application of an immaterial change (as defined in the compensation policy) to the compensation terms of an officer, with the CEO’s approval, and without the approval of the Board of Directors; The compensation circular applies to all of the Company’s employees; however, most of its restrictions pertain to officers and senior position holders, as defined in the circular.

B. **Executive Compensation Law**

In April 2016, the Compensation for corporate officers in Financial Corporations Law (Special Approval and Non-Permissibility of Expenses for Tax Purposes due to Exceptional Compensation), 2016 (hereinafter: the "**Executive Compensation Law**"), was published, which is intended to restrict and reduce the salary of senior corporate officers in financial entities.

The law defines a corporate mechanism for the approval of agreements involving the provision of compensation to an employee of a financial corporation (financial entity or entity controlling or controlled by the financial entity) for which the projected expense, as calculated on the date of approval in accordance with generally accepted accounting principles, is expected to exceed NIS 2.5 million (linked to the CPI beginning from the publication date of the Executive Compensation Law), and also determines that an agreement of this kind will not be approved unless the ratio between the expected expense with respect to the aforementioned compensation, and the expected expense with respect to the lowest compensation paid by the corporation to an employee of the corporation (including contract employees), directly or indirectly, in the year preceding the date of the agreement, is less than 35 (the "**Ratio Limit**").

In accordance with the mechanism specified in the law, the employment terms of the aforementioned employee will be presented for approval to the compensation (or audit) committee, the Board of Directors (by a special majority of outside directors), and the general meeting of that company, and in a public company, also by a special majority of minority shareholders in the general meeting. Additionally, the salary costs of employees in financial corporations which exceed NIS 2.5 million (linked to the CPI since the publication date of the Executive Compensation Law) will not be deductible for tax purposes by the Company. The aforementioned cost is after deducting accounting expenses recorded due to the allocation of shares or the right to receive shares, and after deducting the "excess cost of salary" (the difference between the cost of salary and NIS 2.5 million, if the cost of salary exceeds NIS 2.5 million) (the "**Maximum Payment**").

In accordance with transitional provisions which were determined, its provisions also apply to engagements which were approved before the publication of the law. Such engagements which were not approved in accordance with the Executive Compensation Law are not valid.

C. **Compensation policy**

On September 19, 2019, the Board of Directors of Clal Insurance and the Board of Directors of the Company approved, following the recommendation of the Compensation Committee, a compensation policy, in accordance with the provisions of the compensation circular, including the amendments to the compensation circular, amendment 20 to the Companies Law, and the Executive Compensation Law. The compensation policy was approved by the shareholders' meeting on October 27, 2019. This policy replaced the compensation policy of the Company and the compensation policy of the Group's institutional entities, which were in effect until the aforementioned date, and it was in effect during the years 2020-2022.

On September 29, 2022, the Board of Directors of Clal Insurance and the Board of Directors of the Company approved, following the recommendation of the Compensation Committee, the compensation policy, and in accordance with the provisions of the compensation circular, amendment 20 to the Companies Law, and the Executive Compensation Law. The compensation policy was approved by the shareholders' meeting in January 2023. This policy replaced the compensation policy of the Company, and in parallel, updates were made to the compensation policies of the Group's institutional entities, which were in effect until the aforementioned date, as stated above. The policy is in effect for the years 2023-2025.

The compensation policy addresses the entire set of employment terms of the Company's employees, officers and senior position holders, and establishes various provisions regarding them. The compensation may be comprised of several main components: fixed salary, and variable compensation comprised of an annual performance-dependent bonus which is paid in cash, an equity bonus, special bonuses which may be given in certain circumstances, fringe benefits, and indemnification and insurance arrangements.

The compensation policy includes caps on the maximum employment cost of officers and senior position holders in the Company, pursuant to the Executive Compensation Law, and as prescribed therein, and is based, inter alia, on the assumption that the total compensation for the Company’s employees should be affected by the Company’s business results, as reflected, inter alia, in the Company’s profitability, as well as the personal contribution of each employee towards its achievement, in consideration of the restrictions specified in the Executive Compensation Law, in regulatory directives, and in policy.

In accordance with the policy, the fixed salary will reflect the manager’s qualifications, including their experience, knowledge brought to the position, expertise in the field of activity, education, etc., while taking into account their level of responsibility, and the derived requirements of the position.

The policy allows the payment of variable compensation, which may be comprised of an annual bonus paid in cash, or equity payment. The payment of significant components of the annual bonus is conditional on the fulfillment of the minimum conditions specified in the compensation policy. The policy also establishes provisions regarding the composition of the annual bonus in accordance with the senior position holder’s performance, the performance of the unit to which they belong, and the Company’s business results. The variable bonus is comprised of measurable components, qualitative components, and a discretionary component. The policy allows the payment of special bonuses with respect to significant efforts by the senior position holder, including as part of the execution of a transaction which is not in the Company’s ordinary course of business. The policy includes provisions regarding the granting of an equity bonus which will be performance-dependent, for the purpose of encouraging and increasing the sense of identification, among recipients of such compensation, with the Company in general, particularly over the long term.

The policy establishes minimum ratios between the components specified in the employment terms and the total employment terms, and also includes provisions regarding the conditions for distribution, deferral and reimbursement of payments which were paid as part of variable compensation, and of retirement terms, with respect to certain office holders.

The policy establishes provisions regarding payments in connection with the conclusion of employment terms beyond the legal requirements, which include reference to the following components: severance pay, advance notice period, adjustment bonus, and compensation for the non-competition undertaking. The policy also includes provisions regarding the compensation of directors in the Company, and the regarding the compensation of employees in the Company who are not officers or senior position holders.

In light of the period which was passed since the adoption of the Company’s previous compensation policy, and in light of the experience which has accumulated in the Company regarding its adoption, certain provisions of the Company’s compensation policy were updated, including, inter alia, the determination that, in cases where a new officer is employed only during a part of the year, due to the commencement of their employment in the Company, the Company will be entitled to pay to them partial variable compensation, in consideration of the period during which they were employed during that year (instead of the requirement that, as a condition for the receipt of variable compensation, the employee will have been employed for at least 6 months). It was clarified that the variable component may be deferred due to a deviation from the permitted compensation limit for three subsequent years, provided that the officer is employed in the Company in the subsequent years, and insofar as the matter involves an annual variable component, the deferral will be permitted subject to the fulfillment of the minimum conditions in the relevant subsequent year.

It is noted that the Group has many position holders who are not considered senior position holders, as defined in the compensation circular, whose annual bonus is dependent on their fulfillment of personal, predetermined compensation benchmarks for each year.

It is clarified that the compensation policy applies to the Company and to the Group's member companies which are institutional entities. It is further clarified that the Company's officers, insofar as they also serve as officers in the Group's institutional entities, as specified in Part D - Additional Details Regarding the Corporation, section 18, are also subject to the compensation policies of the Group's relevant institutional entities.

It is noted, with respect to certain provisions which are required by virtue of the compensation circular with respect to institutional entities only, that principles only were determined in the Company's compensation policy, and such provisions were set forth in the compensation policy documents of the Group's institutional entities, which apply to the institutional entities' employees.

For the avoidance of doubt, the compensation policy will not prejudice the rights which have accrued with respect to periods before the date of its approval, and that subject to the transitional provisions which were determined in the compensation circular and in the amendment to the compensation circular, so long as they remain in effect, the compensation policy will not adversely affect any engagements and/or other rights of the employees in connection with their tenure and employment in the Company. The compensation policy does not specify the actual employment terms, but rather the approved framework according to which such rules will be determined.

The Company's compensation policy is attached as an annex to this part of the periodic report.

For the link to the Company's website presenting the compensation policy, see https://www.clalbit.co.il/clalins/reward_policy/Pages/default.aspx.

The Company's corporate officers are entitled to letters of exemption, indemnification and corporate officers' insurance. For details, see Part D of the periodic report - Additional Details Regarding the Corporation, section 23.

A. Adjustment of existing agreements to the compensation circulars and to the Executive Compensation Law

Provided that the compensation policy does not prejudice rights which have accrued with respect to previous periods, and subject to the transitional provisions which were set forth in the compensation circulars and in the Executive Compensation Law, the Company worked to adjust the compensation agreements of corporate officers and senior position holders, in accordance with the restrictions of the compensation circulars and the restrictions of the Executive Compensation Law.

B. **Implications**

The entry into effect of the compensation circular and the amendments thereto, the Executive Compensation Law and the compensation policy of the Company and of the Group's institutional entities, as updated with respect thereto, affected the compensation structure of the Group's corporate officers and managers, and the possibility of recruiting senior position holders. The salaries of the Company's CEO and Chairman of the Board became fixed salaries only. It is not possible to estimate all of the possible long-term implications of the Executive Compensation Law on the employment market in the financial segment.

10.7.6. Capital compensation plans for employees

- On March 24, 2015, the Company's Board of Directors adopted a performance-dependent compensation plan for employees and corporate officers for 2015 (hereinafter: the "**2015 Plan**"), according to which the Company will be entitled to allocate to employees and corporate officers in the Group warrants for the acquisition of ordinary company shares with a par value of NIS 1 each.

On June 22, 2015, the Company's Board of Directors resolved to adopt several amendments to the plan, and to publish an outline referring to the allocation of up to 435,000 warrants, which will be offered by virtue thereof, in accordance with a performance-dependent plan, to employees and corporate officers of the Company and/or of companies under its control. All of the warrants according to the aforementioned outline were allocated.

On December 17, 2015, the Company's Board of Directors resolved to publish an additional outline pertaining to the allocation of up to 35,000 warrants which will be offered by virtue thereof, in accordance with a performance-dependent plan, to corporate officers in the Company and/or in companies under its control. The warrants were allocated according to the aforementioned outline.

- As of the publication date of the report, the total number of warrants which were allocated according to the 2015 plan (to specific employees) is 470,000 warrants. 14,987 warrants are held by the trustee for specific employees. Around 72,134 warrants were exercised into Company shares.

- On March 25, 2021, the Company's Board of Directors resolved to no longer allocate options to employees and officers in accordance with the 2015 plan, and also resolved to erase all of the options which are held in the options reserve of the 2015 plan, from the register of the Company's securities.

As of December 31, 2022, approximately 14,987 warrants are exercisable.

On March 31, 2022, all of the remaining warrants in the 2015 plan will expire.

For additional details regarding the 2015 plan, see Notes 40(a)(1), 40(b) and 40(c) to the financial statements.

- On March 25, 2021, the Company's Board of Directors adopted a performance-dependent compensation plan for employees and corporate officers for 2021 (hereinafter: the "**2021 Plan**"), according to which the Company will be entitled to allocate to employees and corporate officers in the Group warrants for the acquisition of ordinary company shares with a par value of NIS 1 each.

Accordingly, an outline was published pertaining to the allocation of up to 3,300,000 Class A warrants (which are given in 3 tranches to managers and officers of the Group), and 200,000 Class B warrants (which are given in a single tranche to employees in accordance with the collective agreement) which will be offered by virtue thereof, in accordance with a performance-dependent plan, to employees and officers of the Company and/or companies under its control. The total number of warrants which were allocated in June 2021 in accordance with the 2021 plan (to specific employees) was 2,493,200 Class A warrants and 175,247 Class B warrants. The shares which will result from the exercise of these options constitute approximately 1.71% of the Company's current equity, assuming maximum exercise. As of the publication date of the report, 2,279,201 Class A warrants according to the 2021 outline, and 169,154 Class B warrants are held by a trustee for specific employees.

Additionally, in April 2022, in accordance with the 2021 plan, an outline was published pertaining to the allocation of up to 220,000 Class A warrants (which are given in 3 tranches), and 150,000 Class B warrants (which are given in a single tranche) which will be offered by virtue thereof, in accordance with a performance-dependent plan, to employees and officers of the Company and/or companies under its control. The total number of warrants which were allocated in June 2022 in accordance with the 2022 outline (to specific employees) was 213,000 Class A warrants and 137,396 Class B warrants. The shares which will result from the exercise of these options constitute approximately 0.23% of the Company's current equity, assuming maximum exercise.

As of the publication date of the report, 152,000 Class A warrants according to the 2022 outline, and 132,202 Class B warrants, are held by a trustee for specific employees.

- For additional details regarding the plan for 2021 and 2022, see Notes 40(a)(2), 40(b) and 40(c) to the financial statements.

- For additional details regarding options granted to employees in accordance with the collective agreement, see Note 24(d) to the financial statements.

10.8. Marketing and distribution

The marketing and distribution infrastructure in the Company is comprised of 4 units / departments:

- **Agents unit** - This unit concentrates the Group's entire activity vis-à-vis insurance agents in the fields of sales and service for agents, in the long term savings, life insurance, health insurance and non-life insurance segments, in order to concentrate, in a single unit, the entire set of relationships vis-à-vis the insurance agent, and the associated activity.

  As part of the above, the Company operates through three regions: the Haifa and Northern region, the Central region and the Jerusalem and Southern region, where it maintains a sub-branch in Beer Sheva.

- **The Group's agencies** - The Group's sales activities are also performed through agencies which are under the Company's control. These insurance agencies are controlled by Clal Agency Holdings ("**Clal Agencies**"), a wholly owned subsidiary of the Company (hereinafter: the "**Group's Agencies**"). The Group's agencies are engaged in the provision of insurance business agency services in all operating segments, and in the performance of transactions with pension products. The activities of the Group's agencies are mostly concentrated in two agencies: Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), which operates in the long term savings and health branches, and Batach Thorne Insurance Agency Ltd. (hereinafter: "**Batach**"), which is primarily engaged in non-life insurance.

  As part of the realization of Clal Group's business strategy for acquiring operations which are synergistic with the Group's operations, and to strengthen its core areas, the Group acted as follows during the reporting year:

  - In May 2022, the merger of Davidoff with and into Tmura was completed. Davidoff, a pension arrangement agency which was engaged in the industry of 15 years, and which specialized in the provision of operating and marketing services for insurance, pension and financial products, was acquired by Clal Agency Holdings in February 2021.

  - In September 2022, Clal Agency Holdings completed the acquisition of 30% of the shares of Newcom Pension Insurance Agency (2004) Ltd. (hereinafter: "**Newcom**"), for a total consideration of approximately NIS 18.2 million. Newcom is an insurance agency owned by the partners Azriel Shabtai and Yaron Tavor, which was formed in 2004, and which specializes in sales, through call centers, of health insurance, life insurance, and pension and financial savings products. In accordance with the agreement between the parties, Clal Agency Holdings was given the option to acquire up to 100% of the agency's shares, subject to the conditions and dates which were determined (until 5 years after the closing date of the transaction).

  For details regarding proposed changes under the 2023 Economic Arrangements Bill, see section 10.8.2 below.

- **Private customers unit**[73] - The Private Customers Unit concentrates the direct sales activity of the risk and non-life insurance products, through telemarketing salespeople and salespeople in the field. During the reporting year, the unit was mostly engaged in the sale of life insurance (risk), health insurance, including international travel

[73] In January 2022, the organizational structure of Clal Group was changed, including, inter alia, splitting the activity of the Customers Unit into several divisions, in a manner whereby the Private Customers Unit was transferred to the management of the Service, Human Resources and Operations Division Manager, and the Customer Relations Division was transferred to the management of the Long Term Savings Division Manager.

insurance and motor and home insurance, to individual customers who, in general, do not interact with the Group through insurance agents, or through sale collaborations with insurance agents.

- **Customer relations department**[74] - Concentrates both the retention activities in the long term savings, life insurance and health insurance segments, and the direct sales activities by license holders in the pension, finance (provident/study/private savings), risk and health segments, vis-à-vis employers and customers which, in general, do not work with the Group through insurance agents in the relevant products. This department includes the activities of pension license holders who are employed by the Group's institutional entities, and allows synergistic activities, based on a broad perspective.

10.8.1. Marketing and distribution methods and commission structure in the various segments:

10.8.1.1. **Long term savings**

Marketing and distribution methods in the long term savings segment

The distribution of products in the segment is implemented by insurance agents, including by the Group's agencies, and through pension advisers in the banks, and directly.

A. Sales through agents and agencies

- Products in the segment are sold by insurance agents, including "arrangement managers", including Tmura, which are large insurance agencies which also provide clearing services to employers, in connection with the separation of pension contributions to the institutional entities and to the various products, and features the combined marketing of life insurance, pension and provident products. The insurance agents receive various services to support their routine activities from the Group's institutional entities.

- Changes in the long-term savings segment may also affect the activities of agents and arrangement managers in the coming years, inter alia, due to the following: The expansion of the activities of the pension clearing house and the employers interface, which facilitates, and may continue facilitating, over the long term, the activities of agents (including arrangement managers), inter alia, in connection with the provision of service, the sale of additional products, and the performance of transfers, as well as the activities of operating entities. For details regarding the expansion of the clearing house's activity, see section 6.2.1(b) above.

- As of the publication date of the report, the Group is engaged in the segment through approximately 3,700 insurance agents[75], as compared with approximately 3,100 insurance agents in 2021. Most of the agents also engage with other insurance companies, and the Group's member companies do not have any insurance agent whose scope of activities in this segment exceeds 10% of the Group's scope of activities in the segment.[76]

- Approximately 14.5% of total premiums in the life insurance branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, as compared with approximately 14.2% in 2021.

[74] See footnote 72 above.
[75] Including agents who made sales in 2022 in an amount exceeding NIS 10,000.
[76] Excluding an agency wholly owned by the Group, as specified below. The above also does not apply to agents whose commissions are derived from the commissions of subagents, which engage directly with the Group's institutional entities.

- Approximately 13.5% of total contributions in the pension branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, as compared with approximately 13.3% in 2021.

- Approximately 17.1% of total contributions in the provident branch which were collected by Clal Insurance during the reporting year are due to the activities of the Group's agencies, as compared with approximately 16.8% in 2021.

- The increase in the rate of total premiums in the life insurance branch and in the amount of contributions originating from the Group's agencies was mostly due to the acquisition of Davidoff Agency and Newcom Agency (see section 10.8 above and Note 42(k) to the financial statements).

B. Sales through pension advisors

During the reporting year, most of the banks continued distributing provident funds and pension funds. Clal Pension and Provident Funds is engaged in distribution agreements with most of them. As of the publication date of the report, the banks have not yet begun advising regarding insurance products. It is noted that the directive regarding the **prohibition against the calculation of distribution commissions linked to the rate of management fees which are collected from members** (in accordance with the provisions of the amendment to the law regarding the calculation of distribution fees), in combination with the distribution agreements vis-à-vis the banks, which define a fixed commission for the bank with respect to each customer brought by an agent, have led to a situation in which the income from some of the members of Clal Pension and Provident Funds do not correspond to the Company's expenses in connection with those members.

As of the publication date of the report, customers who have significant accrued savings in provident and study fund products receive consulting through the banks; however, on all matters associated with the distribution of pension funds, the activities of banks are immaterial.

In June 2022, a proposed legislative amendment to the Pension Advice Law was published, in which it was proposed to allow pension advisors who are employed in the banks to provide pension advice to the bank's customers also via digital means, and to call customers when required as part of the process of providing pension advice.

In July 2022, the transitional provision from December 2020 was extended, which determined that enforcement measures will not be taken against banking corporation which provide pension advice digitally or by telephone until the lifting of the restrictions which were imposed due to the coronavirus pandemic, and in light of the Ministry of Finance's intention to promote the foregoing bill, until the end of three months after the instatement date of the 25th Knesset.

The Company believes that insofar as the bill is accepted and enters into effect, it will increase competition in the market of pension advice and marketing through banks, which could make the pension advice and marketing segment more concentrated, and could also cause the institutional entities to become exposed to the payment of fees at higher rates than the average rate which they currently pay in some of the products, and to the payment of fees also with respect to products, where most of the respective marketing fees have already been paid in the past.

The information presented on all matters associated with the possible implications of the draft legislation regarding the pension advice possibilities of banking corporations constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, according to the final wording of the amendment, insofar as it will be published, and in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct

of banking corporations, and on the types of products for which banking corporations will be allowed to provide pension advice services.

For details regarding proposed changes under the 2023 Economic Arrangements Bill, see section 10.8.2 below.

C. Direct sales

- Some of the products in the segment are marketed through direct sales to customers by the Group's employees who hold pension marketer licenses.

- The direct sales activities in the segment include: (A) Sales of pension products, with an emphasis on marketing pension arrangements in organizations which are generally not lenders in agents on their behalf; (B) Contact with the banking system in the pension advice segment, mostly with respect to provident and study fund products; (C) Telemarketing and frontal sales of risk products. The Company also has collaborations with selected agents, in which the Company's employees sell to customers who have been referred by the agent, in his name and with his permission, the Company's risk products.

- The Company operates a customer service center which provides direct support to customers, as well as a customer retention unit.

- The Company works vis-à-vis external consultants who are recruited by public companies and entities, for the purpose of publishing tenders and conducting negotiations regarding the selection of the pension insurer and determining the terms of the pension arrangements of their employees.

D. Mortgage banks - risk

The Company engaged in agreements for the provision of insurance services through mortgages with some of the mortgage banks which are under their control of insurance agencies. During the reporting year, the Group continued marketing risk policies to mortgage buyers, by an insurance agency which is owned by a bank, and also through insurance agents and direct sales, and continued marketing such policies to support mortgages from Clal Mortgages.

<u>Commission structure in the long term savings segment</u>

A. Insurance agents

Presented below are details regarding the structure of commissions paid to agents during the reporting year:

- **Life insurance branch**

The commissions which are paid to agents in the life insurance branch with respect to policies which were sold until 2004, are as follows:

- **Renewal commissions**: Commissions at a fixed or variable rate of the paid premiums, which are paid for a limited period, on an ongoing basis.

- **Collection fees**: Commissions at a fixed rate of the paid premiums which are paid throughout the entire lifetime of the policy as fronting fees.

- **Special commissions - First year commissions**: Upon the sale of the policy, or with respect to it, a one-time payment in cash and/or in cash equivalents may be paid, in accordance with specific agreements with agents, which are generally dependent upon the new output with respect to the first year of the policy sale.

Beginning in 2004, the commission structure in the life insurance branch is as follows:

- **Renewal commissions**: The commission is generally paid with respect to the sale of risk products and certain profile policies which were sold in the past, at a fixed or variable rate of the paid premiums, which are paid for a limited period, on an ongoing basis. In risk products, after a period of 15 years, the commission rate decreases significantly.

- **Commissions for management fees from deposits**: A commission which is paid with component deposited to savings in the policy, throughout the entire policy lifetime, at a rate which is derived from the management fees which are collected from the premium, and in accordance with the product type, with respect to products which were sold until April 2017 (see below).

- **Commissions for management fees from accrual**: A commission derived from the management fees which are collected from the balance of savings in the policy. In general, Clal Insurance discontinued paying commissions for management fees from accrual with respect to policies which were sold during or after 2013, in most products.

- **Commissions from accrual**: With respect to certain profile products which were marketed in the past, and with respect to certain profile products which were marketed during the reporting year, and with respect to deposits in individual savings policies, commissions from accrual are paid.

- **Special commissions: first year commissions** - Commissions which are paid on a one-time basis, with respect to new output, in the first year of the policy lifetime, in cash and/or cash equivalent, whose rate or amount is determined according to specific agreements with agents, and at times, for fulfillment of sales targets, and **management commissions** - commissions derived from the premiums and paid with respect to new output in the first years of the policy lifetime, for a limited period with respect to policies which were sold in the past.

With respect to some of the aforementioned commissions, advance payments are made to agents from time to time.

Following the amendment to the law regarding the calculation of distribution commissions, as specified in this section 10.8.1.1 below, which entered into effect in April 2017, the Group's institutional entities worked to adjust the compensation model for agents, in accordance with the legislative amendments. With respect to customers who join products beginning from the above date, fees are not paid as a proportion of the management fees which are collected from the customer.

In February 2019, the Commissioner established, with respect to life insurance products in case of death (risk), that the insurance companies are required to implement a mechanism for reimbursement of commissions on cancellations of risk policies, such that the cancellation of the policies in the first years after their purchase will lead to a gradual reimbursement of one-time sale commissions (first year commissions) which are paid by the insurance companies to the agents with respect to those policies. This mechanism may lead to increased retention in the risk insurance portfolio.

For details regarding the fee repayment mechanism with respect to risk policy cancellations, see section 6.1.4.1 above.

For details regarding the 2023 Economic Arrangements Bill regarding policy cancellations, which applies to insurance products, see section 10.8.2 below.

In collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately, in accordance with the law. The commission rate paid by an insurer to an insurance agent with respect to a collective life insurance policy may not exceed 5% of the gross premiums.

Commission rates to third parties in the life insurance branch

	2022	2021	2020
The average rate of the commissions (of various kinds) from total premiums in the life insurance branch, with respect to the various products, which are attributable to agents[77]	9.0%	9.5%	8.8%
Average rate of commissions from new annualized premiums in the life insurance branch, with respect to different products[78]	36.3%	33.7%	43.3%

- **Pension funds branch**

  - **Routine commissions from contributions** - Clal Pension and Provident Funds pays commissions to insurance agents with respect to pension product sales. In the comprehensive pension fund, these commissions were in the past generally paid as a rate of the contributions, according to a specific agreement between the agreement and the Company, in consideration of the total management fees which are collected from customers. With respect to pension products which are marketed from April 2017 onwards, these commissions are paid as a rate of the deposit, and not linked to the amount of management fees which are collected from customers (for details regarding the reform on this matter, see this section 10.8.1.1 below).

  - For details regarding the payment of special commissions with respect to new annualized first deposits of contributions to the comprehensive pension fund, see the description of special commissions in the life insurance branch above.

Commission rates to third parties in the pension fund branch

	2022	2021	2020
Rate of commissions paid to insurance agents with respect to pension products out of total deposits to pension products	3.1%	2.3%	1.0%

Provident funds branch

- **Commissions for management fees from accrual** - with respect to provident products which were marketed until 2017, the commissions with respect to provident product sales are generally paid to the insurance agents as a rate of the accrual of members.

- **Commissions from accrual** - with respect to provident products which are marketed from 2017 onwards, commissions are paid as a rate of the accrual, and not out of the management fees which are collected from the customer (for details regarding the reform on this matter, see this section 10.8.1.1 below).

- For details regarding the payment of **special commissions** with respect to new first deposits (and with respect to the past, including one-time deposits which are due to the transfer of accrued balances) of

77 The data include commissions of various kinds, some from premiums, others from accrual, and yet others with respect to new business, and accordingly, the possibility of reaching conclusions based on the data is limited.

78 The rate of commissions relative to premiums does not include fees which are paid with respect to non-recurring transfers.

contributions to provident funds which are managed by Clal Pension and Provident Funds, see the description of special commissions in the life insurance branch above.

Commission rates to third parties in the provident fund branch

	2022	2021	2020
Rate of commissions paid to insurance agents with respect to provident products[79]	0.8%	0.8%	0.3%

It is noted that in light of the complexity of the framework for the payment of commissions to insurance agents in long term savings products, as specified above, discussions are held, from time to time, between certain agents and the Group's institutional entities, regarding the method for payment and calculation of commissions, which conclude, in a significant part of cases, with arrangements which take into account mutual offsets between the parties.

- Presented below is a description of the regulatory provisions which were published during the years preceding the reporting year, and which affected, and may continue affecting, the payment of commissions to pension marketers, agents and arrangement managers in the long term savings segment:

  - In April 2017, the amendment to the Control of Financial Services (Provident Funds) (Amendment No. 20) Law, 2017, entered into effect, in which it was determined that a distribution commission should not be calculated by linkage to the rate of management fees which are collected from the member (the "**Legislative Amendment Regarding The Calculation Of Distribution Commissions**").

    The unlinking of commissions from management fees makes it difficult for the Company to create a direct link between income and expenses. For details regarding the dismissal of a motion to approve a class action which was filed with the District Court in connection with the compensation mechanism, against Clal Pension and Provident Funds Ltd. and additional entities, and regarding the appeal which was filed with the Supreme Court on this subject, see Note 41(a)(a2)(2) to the financial statements.

B. Payment to pension advisors

- The distribution commission rate paid to pension advisors was determined in the **Control of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006** (the "**Distribution Regulations**"), which determine that a pension adviser, and with respect to study funds also an investments adviser, is entitled to receive distribution commissions from an institutional entity with respect to the distribution of provident funds, pension funds and study funds, due to deposits to the provident fund, at an annual rate of up to 0.25% out of the total sum available to the customer in the provident fund, except with respect to accrued funds which are due to deposits which were performed until December 31, 2005, into provident funds which were defined in the aforementioned regulations, in which case, the commission rate will not exceed an annual rate of 0.1%, provided that the pension adviser receives standard compensation from all of the product producers.

- For details regarding proposed changes under the 2023 Economic Arrangements Bill, see section 10.8.2 below.

[79] The rate of the various commissions divided by the average accrual during the reporting year.

10.8.1.2. **Non-life insurance**

Marketing and distribution methods in the non-life insurance segment

The Group markets its products in the non-life insurance segment both through insurance agents, including the Group's agencies, and directly.

A. Insurance agents

The insurance agents are the central distribution channel in the segment to end customers, i.e., policyholders. Insurance agents generally engage with several insurance companies. **As of the publication date of the report, the Group operates in the non-life insurance segment through approximately 1,900 active insurance agents, as compared with approximately 1,500 agents in 2021.[80]**

The Group has no insurance agent whose scope of activities in this segment exceeds 10% of the scope of activities in the non-life insurance segment.

The rate of sales through insurance agents in this segment, out of the total sales in the non-life insurance segment during the reporting year, was approximately 85.82%, as compared with approximately 85.20% in 2021.[81]

Out of the total premiums in the non-life insurance segment in Israel, approximately 2.98% are due to activities of the Group's agencies, as compared with approximately 4.41% in 2021.

B. Direct sales

Some of the products in the segment are marketed through direct sales, without going through insurance agents. The direct activity is primarily vis-à-vis large business customers. The Company also directly markets compulsory motor and motor property insurance policies, apartment insurance policies, and guarantee policies, and also, through Clal Credit Insurance, credit and foreign trade risks insurance. During the reporting year, the Private Customers Unit continued its direct sales of motor and apartment insurance policies, mostly including through the digital platform or through collaborations with customer clubs and organizations, to customers who, in general, do not engage with the Group through agents, and continued developing the Company's collaborations with select agents, in which the Company's employees sell to customers who have been referred by the agent, through their name and with their permission, motor and apartment insurance.

C. Mortgage banks

The Company engaged in agreements for the provision of insurance services through mortgages with some of the mortgage banks which are under their control of agencies.

Commission structure in the non-life insurance segment:

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[80] Includes agents who made sales in 2022 in an amount exceeding NIS 10,000. The figures for 2021 referred to agents who made sales in an amount exceeding NIS 50,000.

[81] This figure includes sales which were performed by Batach Thorne Insurance Agency Ltd., which is an agency owned by the Group.

A. Commission structure

For insurance agency services, Clal Insurance pays to the insurance agents commissions in cash and/or cash equivalents. The commission amount is generally determined as a rate of the net premium (excluding fees), and is fees conditional upon the scope of the agent's sales, activity and/or profitability.

In general, in collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately.

With respect to some of the aforementioned commissions, advance payments are made to agents from time to time.

B. Average commission rate[82]

	2022	2021	2020
Average rate of commissions out of total gross premiums in the compulsory motor branch sub-branch	5.8%	5.6%	5.5%
Average rate of commissions out of total gross premiums in the motor property sub-branch	19.4%	19.5%	18.8%
Average rate of commissions out of total gross premiums in the liabilities and others sub-branch	11.9%	11.4%	11.9%
Average rate of commissions out of total gross premiums in the property and others branches	7.9%	8.4%	8.8%
Average rate of commissions out of total gross premiums in the other loss of property business branch	7.9%	8.6%	8.4%
Average rate of commissions out of gross total premiums in the comprehensive apartment branch including mortgages	20.6%	20.5%	20.6%

10.8.1.3. **Health insurance**

Marketing and distribution methods in the health insurance segment

The distribution of products in the segment is performed by both agents and insurance agencies, including the Group's agencies, and directly.

A. Distribution through agents and agencies

During the reporting year, individual health insurance policies of Clal Insurance were mostly marketed by insurance agents.

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82 The figures regarding the commission rates in non-life insurance were restated and segmented into sub-branches.

As of the publication date of the report, the Group operates in the health insurance segment through approximately 1,420 insurance agents, as compared with 1,228 agents in 2021.[83]Most of the agents also have engagements with other insurance companies.

Approximately 4.6% of total premiums in the health insurance segment which were collected during the reporting year by the Company are due to the activities of the Group's agencies, as compared with approximately 4.4% in 2021.

The Group does not have any insurance agent whose scope of activities in this segment exceeds 10% of the Group's scope of activities in the health insurance segment.

For details regarding a study of the Competition Authority regarding the effect of economic incentives on agent sales in the market for individual health insurance in Israel, see section 8.3.1 above.

B. Direct distribution

Some of the products in the segment are marketed through direct sales to private customers directly, or to private customers through employers (including through the Group's employees who hold pension marketing licenses).

The distribution of products in the segment is also performed through the Private Customers Unit and through the Company's collaborations with selected agents, in which the Company's employees sell to the customers who have been referred by the agent, in his name and with his permission, health products of the Company.

<u>Commission structure in the health insurance segment</u>

In long term individual insurance, the commissions are generally paid as follows:

Routine commissions - Commissions which are derived from the premiums and paid throughout the entire policy lifetime, on a routine basis.

For details regarding the payment of **special commissions** with respect to new annualized premiums in health insurance, see the description of special commissions in the life insurance branch above. Advance payments were made to agents with respect to some of the commissions.

	2022	2021	2020
Average rate of commissions out of total gross premiums in the various products in the segment	26%	27%	30%

In collective insurance, the agent commission is determined in negotiations with the agent regarding each transaction separately.

83 Including agents who made sales in 2022 in an amount exceeding NIS 10,000.

10.8.2. Industry-wide directives in connection with the field of marketing and distribution

10.8.2.1. In August 2022, an **amendment to the circular regarding customer service for agents and advisors** was published, which specified the instructions with which a license holder (insurance agent or pension advisor) must comply when providing service to customers. The amendment includes, inter alia, provisions which are intended to clarify the license holder's duties with respect to customers when the engagement is done passively, from the customer's perspective, without their knowledge or involvement, inter alia, due to the acquisition of an insurance portfolio, or the appointment of the license holder by the institutional entity (hereinafter: "**Transferred Customers**"). According to the amendment, the license holder must initiate a service call to transferred customers, in which the license holder will inform the transferred customer of the aforementioned change, and will explain to them, inter alia, their option to cancel the appointment of the new license holder, or to sign a new power of attorney (hereinafter: "**Service Request for Transferred Customer**"). In November 2022, an additional amendment to the circular regarding customer service for agents and advisors was published in which, inter alia, the time periods for service calls to transferred customers were extended, and clarification was added, as part of the explanatory remarks, that the provisions regarding service calls to transferred customers do not involve payments to the license holder, but rather only establish the rules with which the license holder must comply in cases where transferred customers are transferred to it.

The Company believes that the new license holder's obligation to inform transferred customers of their transfer, as stated above, could result in immaterial changes in the patterns of execution of market transactions involving the acquisition of insurance portfolios and the merger of agencies. For details regarding the proposed changes the Economic Arrangements Bill, in connection with the foregoing, and their possible effects, see section 10.8.2.4 below.

The information presented on all matters associated with the possible implications of the amendment to the circular regarding customer service for agents and advisors constitutes forward looking information, which is based on the Company's estimates and assumptions, and actual results may differ, inter alia, due to the conduct of insurance agents on the matter.

10.8.2.2. In accordance with the 2023 Economic Arrangements Bill, it is proposed to apply the following arrangements to the compensation which is paid by institutional entities to insurance agents:

10.8.2.2.A.1. To amend the Insurance Law such that institutional entities will pay to insurance agents brokerage fees in an identical amount for each group of in an identical amount of the "insurance plan" type, which have been defined by the Commissioner as alternative products. In parallel, it is proposed to amend the Provident Funds Law such that a managing company, including an insurer which is controlled by the same controlling shareholder as the managing company, will pay identical commissions, in terms of proportion or amount, with respect to each group of products which have been defined by the Commissioner as alternative products.

10.8.2.2.A.2. To promote an arrangement under which insurance agents, including pension insurance agents, will repay to the institutional entity the proportional part of the brokerage fees which were paid to them, whether in cash or in cash equivalents, with respect to insurance mediation or pension marketing which does not constitute routine commissions, with respect to the remaining period until the end of 6 years after the date when the customer was added to the insurance plan or provident fund, in any of the following cases: (A) Transfer of all or some of the funds from a provident fund, to another provident fund, or withdrawal of all of the funds from a provident fund; (B) Cancellation of the insurance contract; and (C) Appointment, for the policyholder, of another license holder to handle the provident or insurance fund, or notice by the policyholder that they are no longer interested in receiving service from the insurance agent, beginning from the date of appointment of the new license holder, or the policyholder's announcement that they are not interested in receiving service from the agent.

10.8.2.2.A.3. To amend the Insurance Law such that insurance agents will be required to disclose to the customer, before signing the insurance contract under their agency, the brokerage fees which is expected to be paid to the insurance agent by the insurer with respect to the signing of the insurance contract. It is further proposed that the insurer will send reports to the reports, which will include details regarding the brokerage fees which the insurer paid to the insurance agent with respect to insurance mediation services which were performed for the policyholder.

The Company believes that the obligation for institutional entities to pay a standard commission with respect to each group of products may result in changed to the mix of sales by insurance agents within a group of products, as stated above, although there is uncertainty regarding the effects on the Company's activity, since it is not known which products will be effectively included in each group of products. The mechanism which requires insurance agents to repay to the institutional entity part of the compensation that was paid to them, as stated above, constitutes a part of the Authority's trend of reducing the "replacement" phenomenon of canceling policies for customers and buying new policies, which is taking place in the insurance and pension market, and may result in increased retention in the insurance portfolio of the products to which it applies.

10.8.2.3. The 2023 Economic Arrangements Bill includes a proposal to amend the Pension Advice Law, and to determine that an institutional entity will not unreasonably refuse to engage, and will not seek to terminate the engagement in an agreement, for the execution of a transaction with a pension adviser, where the terms regarding the rate and conditions of the distribution commission, the service given thereunder, and its period, are similar to the terms of agreements in which it has engaged with another license holder; That an institutional entity will not refuse an engagement due to the number of the adviser's customers, their characteristics or accrual, or their scope of activity, or due to their status as a pension adviser, or for other reasons which will be determined by the regulator; That the institutional entity will specify, in writing, the reason for their refusal to engage with a license holder; And that the institutional entity will not be entitled to discriminate, regarding the services for its systems, between license holders with which it has engaged. It is further proposed to determine that the Commissioner will be entitled to specify circumstances where a violation thereof will be considered discrimination for the foregoing purpose.

The Company is unable to estimate the impact of the obligation requiring institutional entities not to refuse to engage with pension advisors and under conditions, as stated above, inter alia, in light of the uncertainty regarding their correspondence with distribution agreements vis-à-vis the banks, and the conditions prescribed in the Control of Financial Services Regulations (Provident Funds) (Distribution Commissions), 2006, pertaining to the distribution commissions which a pension adviser is entitled to receive from an institutional entity.

10.8.2.4. The 2023 Economic Arrangements Bill also includes a proposal to amend the Insurance Law by determining that a permit for the control of a corporate agent will not be given to an institutional entity or to a person controlling an institutional entity, and that an institutional entity, or an entity controlled by an institutional entity, a person controlling an institutional entity, or an entity controlled by a person as above, will not acquire the means of control of a corporate agent if it causes their total stake in the corporate agent to exceed 20%, until December 31, 2024. During that period, an inter-ministerial taskforce will be created to evaluate institutional entities' holdings in insurance agencies. The taskforce will evaluate the effects of the institutional entities' holdings of corporations which constitute insurance agents on the activities of those agencies, and on their objectivity in the marketing of products, the means for addressing those effects, and the desired arrangement with respect to existing holdings of institutional entities in insurance agencies. The taskforce will formulate its recommendations, including the required operative measures and legislative amendments, within ten months.

The Company believes that the foregoing transitional provision, insofar as it will be accepted as currently phrased, will reduce the acquisition of insurance agencies by institutional entities and the holding companies which control them, and consequently, will lead to a reduction of that distribution channel.

The information presented on all matters associated with the proposed amendments in the 2023 Economic Arrangements Bill constitutes forward looking information, which is based on the Company's estimates and assessments, and actual results may differ significantly from the forecast, inter alia, according to the final wording of the amendments, insofar as they will be published, and in light of the fact that actual implementation may differ from the forecast, and depends, inter alia, on the conduct of institutional entities and the alternatives which are available to them, the conduct of distributing entities, and the preferences of customers.

10.8.3. **Dependence on distribution channels**

The Company is dependent on the direct distribution channel and on the distribution channel through agents and arrangement managers. However, the Company is not dependent on any particular distribution entity (any particular marketer or agent) in either of the aforementioned distribution channels.

10.9. Suppliers and service providers

The Group's member companies acquire products and services from a large number of suppliers and service providers. Expenses in connection with suppliers and service providers include, inter alia, the following:

A. Direct expenses in connection with claims which are directly charged to the cost of insurance claims, including payments to assessors, loss adjusters, legal service providers, investigators, damage repair services, medical services, etc., as well as payments to entities which provide associated coverages to policyholders ("**Riders**").

   For details regarding marketing and distribution, see section 10.8 above.

B. Expenses in connection with operating services for the operation of provident funds which are managed by Clal Pension and Provident Funds. For details regarding Clal Pension and Provident Funds' engagement with the aforementioned provider, see section 10.17.2 below.

C. General expenses of the Company to various providers, including: rent and office maintenance, payroll processing services, vehicle leasing services, advertising services, telecommunication and postal services, operating services, legal collection, audit services, communication and data communication services, professional consulting, maintenance, licensing and leasing of hardware and software, automation services and depreciation. These expenses are charged to indirect claim settlement expenses, marketing expenses, other acquisition expenses, and other general and administrative expenses (for additional details, see Note 34 to the financial statements).

D. There are also additional expenses which are discounted for assets in the financial statements, and which include, inter alia, automation, construction and equipment expenses.

For details regarding Clalbit Systems, a wholly owned subsidiary of the Company, which is responsible for the provision of automation services to the Group's member companies (and which acquires services in the automation segments), and regarding the Group's expenses with respect to automation during the reporting year, see sections 10.10.3.1 and 10.10.3.2 below, and Note 34 to the financial statements.

There is no primary provider upon which the Company is unambiguously dependent, save for Sapiens Technologies (1982) Ltd. ("**Sapiens**"), with which Clal Pension and Provident Funds engaged in an agreement for the acquisition of a system for the management of members' rights in pension funds, and for the provision of development and maintenance services for the system. During the reporting year, the Group paid to Sapiens a total of approximately NIS 13.1 million with respect to the aforementioned development and maintenance services, as compared with a total of approximately NIS 14.7 million in 2021. However, due to the nature of circumstances, within the framework of the work done by providers in the Group, in certain cases, the providers gain unique know-how, or provide services which sometimes create a dependence on them for the Company, for a short period, due, inter alia, to the need to create the projects and/or to perform services in the determined timeframe in accordance with regulatory requirements. For details regarding suppliers, as stated above, with whom Clal Pension and Provident Funds engaged, see section 10.17.2 below.

10.10. Property, plant and equipment

Presented below are data regarding the Company's property, plant and equipment which primarily includes rented and owned buildings, furniture, office equipment and IT equipment.

10.10.1. Data regarding rented and owned buildings for self use, in square meters, for the years 2021 and 2022

		As of December 31, 2022		As of December 31, 2021	
Company / Unit	**Location**	**Owned area (square meters)**	**Rented area (in square meters)**	**Owned area (square meters)**	**Rented area (in square meters)**
Clal Insurance	Tel Aviv [1]	-	33,662	-	35,196
	Petach Tikva	-	5,678	-	5,678
	Haifa (2)	2,618	-	2,618	-
	Jerusalem	-	1,627	-	1,627
	Beer Sheva	-	1,290	-	1,290
	Herzliya (3)	-	250	-	250
Clal Credit Insurance	Tel Aviv	-	955	-	972
Clal Pension and Provident Funds	Tel Aviv	-	3,839	-	4,045
	Petach Tikva	-	1,251	-	1,251
	Jerusalem	-	73	-	73
	Beer Sheva		968		810
Clalbit Systems	Tel Aviv	-	9,036	-	8,057
Agencies under control (4)	Throughout Israel	1,027	3,755	1,027	3,555
Total		**3,645**	**62,384**	**3,645**	**62,804**

Excluding parking lot areas.

1. Including area of Canaf.
2. 78 square meters, leased to Clal Pension and Provident Funds.
3. Backup site for the Group's IT systems (there is also a backup site in Greece, in an immaterial area),
4. including Batach and Tmura (including Davidoff Agency, which was merged into Tmura during the reporting year). The increase was due to area which was leased during the reporting year for Tmura's sales center.

Regarding which are held employed through rental, the rental periods vary from building to building, where the largest rental period is until 2038 (including an exit point in 2030), with respect to the Company's offices in Kiryat Atidim (for details, see section 10.17.1(a) below). In some of the rental agreements, the Company has the option to extend the rental period.

For additional details in connection with the rent payments which are paid by the Company, see Note 27 to the financial statements.

Data regarding buildings which constitute a part of the nostro investment portfolio of Clal Insurance, in square meters, for the years 2022 and 2021*

Location	Designation	As of December 31, 2022	As of December 31, 2021[84]
Gush Dan area	Offices and commercial	45,957	43,952
South	Offices and logistical warehouse	3,835	2,418
North	Trading	1,992	1,992
HaSharon area	Offices and commercial	28,188	28,188
Haifa	Offices	13,474	3,096
England and Scotland	Offices	7,596	7,596
Jerusalem	Offices and commercial	8,905	8,905
United States	Offices, commercial and multifamily	4,574	4,574
Total		**114,521**	**100,722**

* Additionally, there are holdings in these assets and/or other assets, out of funds managed for others (members and/or policyholders) in the Group - see Note 10 to the financial statements.

10.10.2. Leasehold improvements, furniture and office equipment

In general, the leasehold improvements, furniture and office equipment which are used in the main site and in the end units are owned by the Group.

10.10.3. IT equipment and peripheral equipment

10.10.3.1. **IT systems of the Group in Israel**

The Group's information systems are critical to the management of its business affairs, and the Group considers some of them as strategic assets. The Group's member companies own a wide variety of IT equipment, including servers, infrastructure and communication equipment, terminals and other peripheral equipment. The Company also has a wide variety of ownership rights and/or usage rights with respect to various software programs, including self-developed software programs.

For the purpose of its various operations, the Group uses the IT systems, inter alia, for the purpose of fund management (including funds of the Group's customers), management of customers and their rights, as well as back office systems, organizational systems and decision support systems.

The activities in the IT department are done through Clalbit Systems, which is a wholly owned subsidiary of the Company. Clalbit Systems Ltd. is responsible for providing IT services to the Group's member companies, and as of the reporting date, does not provide services to companies outside of the Group. Clalbit Systems engages with external providers for the performance some services.

The Group has two IT centers, which back up one another in an Active-Active configuration. There is also a third international site, which serves for data backup only. The Group's ability to continue providing a high level of service to its agents, policyholders and customers, and to operate certain core processes, is critical to the Company's business continuity.

[84] The data for 2021 included an immaterial restatement.

The Group has a business continuity management (BCM) unit and a business continuity plan which includes identification of critical processes that are required for recovery, emergency files which are intended to facilitate activities on the level of the various divisions, and a technological disaster recovery unit, allowing rapid technological recovery. The Company is also prepared to allow its employees to work remotely securely, in order to allow continued response in all operating segments.

10.10.3.2. **The Group's investments in IT systems**

The Group is working to develop and upgrade the IT systems, from time to time, in accordance with its needs and the needs of the Group's member companies. Presented below is a description of the material activities which were performed in the Group's IT systems during the reporting year, some of which are also expected to continue after the reporting year.[85]

Life insurance systems -

In the life insurance segment, Clal Insurance works through two main core systems of a previous technological generation, which were developed many years ago. The functional redundancy of these systems increases operating and maintenance costs in this segment, and places burdens on the adjustment of the systems to all of the Company's needs, including on all matters associated with external data and regulatory interfaces, the requirements for which have been expanded in recent years. **For details regarding these requirements, see section 6.2.1(b) above.** In recent years and during the reporting year, the Company has been working on expanding and improving the core systems of the life insurance branch, in a manner which will increase the efficiency of the current core systems, and is taking supplementary control and operational actions, in order to ensure the adequacy of the supported processes.

In light of the complexity, limitations and redundancy of the aforementioned systems, the Company performed a comprehensive evaluation of the long term processes which are required for implementation in the future, for the purpose of improving its IT capabilities, inter alia, on all matters associated with the management of members' rights, and formulated a strategic plan which includes, inter alia, the implementation of a technological upgrade in some of the relevant systems, the consolidation of modules for company-wide infrastructure, and the development of new components for existing systems, with modern technology.

In recognition of the importance of having efficient and modern automation systems, the Company has prioritized this issue, and in recent years, the Company has invested hundreds of millions of NIS in upgrading and improving the automation systems in the long term savings segment. For additional details, see Note 6 to the financial statements.

According to the Group's estimate, its current IT systems in the life insurance branch, and the organizational data infrastructure which was developed, will serve the Group's needs for the upcoming period. In light of the multiple changes to the regulatory directives which apply to the activities of the Group's institutional entities (inter alia, as specified above), which create material changes and significant and frequent reforms in insurance activities in general, and in the long term savings segment in particular, the Group is currently in an ongoing process of adjusting its IT systems to the regulatory directives and to the changes and reforms implemented therein, inter alia, by implementing technological upgrades thereto and by developing new components, and ensuring the compliance of the IT systems with the terms of the products offered by the Company (such as insurance policies and regulations of pension funds and provident funds).

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[85] Some of the services for the core systems are performed by external providers (provident fund operating services, which also include automation of the activity, are performed through Bank Leumi; and maintenance and development services for the pension activity management system are given by Sapiens).

According to the Group's estimate, the process adjusting the IT systems in accordance with the regulatory directives, and of upgrading the IT systems which support its operations, in a manner which will ensure support for all of the Group's products in the long term savings segment, will continue in the coming years, and will involve significant costs and operational preparations on the part of the institutional entities in the Group. The development requirements are derived both from the requirements of the business operations and regulatory directives.

Digital segment -

The Group has set for itself the goal of continuing to promote digital innovation, with an emphasis on providing information, performing actions independently in the Company's digital channels (agents, customers, employers) and sales. investments in IT and digitization provide a solution for the needs of customers, and have facilitated, and will continue facilitating, increased efficiency. For additional details, see section 10.18 below.

During the reporting year, the group launched advanced digital tools, including in the fields of service, claims and sales, such as "Clal Pay", "Clal View", and "Bot All-Stars", for the purpose of providing information in all of the insurance branches, self service actions for the Company's customers, and an upgraded site for agents. Additionally, the customer website and the app "Clal Button" offer customers a wide variety of services, including the display of information and the digital performance of actions such as claim filing, viewing the information in their personal file, submitting loan or redemption requests, issuing policies, and more. The Company believes that the integration of digital tools into the Company's activity is expected to continue improving the availability of information and services for customers, improving the customer experience, increasing resulted in, and increasing operational efficiency.

The information presented on all matters associated with the integration of digital tools into the Company's activities constitutes forward looking information, which is based on the Company's estimates and assumptions, and the actual results may differ significantly from the forecast.

For details regarding automation expenses in the Group, see Note 34 to the financial statements. For details regarding the scope of acquisitions and self-development, and the amortization of software programs and computers, see Notes 6(a) and 8(a) to the financial statements.

Cloud computing services -

in recent years, and as part of the emerging worldwide trend, the Company is evaluating, as needed, the use of cloud computing services. The Company implemented the use of several cloud computing systems, and also decided to upgrade the CRM (customer relations management) system, and to implement an advanced cloud-based CRM system. The first stage of the project was launched during the reporting year. The Company expects that insofar as the process is completed, the system will lead to improvement in the service and sale processes for customers and agents. The project is expected to take several years.

Additional systems:

As part of the preparations for the adoption of the provisions of IFRS 17, the Company is striving to prepare for the adaption of the IT systems for the purpose of adopting the standard. These preparations are expected to continue until the standard enters into effect in accordance with the relevant regulatory directives, and involves significant costs. For additional details, see Note 4 to the financial statements.

10.10.3.3. **Management of cybersecurity risks in the Company**

- The Company manages its cybersecurity risks in accordance with the principles and guidelines which were established in the cybersecurity policy which was approved by the Company's Board of Directors, through and under the guidance of the Group's CIO, cybersecurity administrator, and the cybersecurity steering committee under the leadership of the Company's CEO, whose members also include the Chief Risk Officer.

- The Company has received certification from the Standards Institution of Israel for several international information security and business continuity standards, including ISO22301 (business continuity), and ISO 27001 + 27799 (information security). The Company has an annual cybersecurity work plan, which is approved by the Board of Directors, and Company management receives routine reports regarding the status of fulfillment of the work plan. The board of directors also receives routine updates regarding the implementation of cybersecurity products, the level of employee awareness, surveys on the status of preparedness and vulnerabilities in significant systems, approval of major IT engagements and transactions, and approval for the management of major cloud-based projects. The Company periodically conducts cybersecurity drills, in collaboration with management and the board of directors.

- The Company performs various processes for the identification and assessment of cybersecurity risks, and performs actions to mitigate them, including operating a monitoring and control system; conducting risk surveys; identifying anomalies; implementing architectural adjustments to hinder attacks; testing the completeness, confidentiality and availability of data; testing the processes involved with employee recruitment and engagement with suppliers; increasing employee awareness; physical security measures; network protection; protection of systems and applications; permission compartmentalization processes, separation of responsibilities; audits conducted by the Company's internal audit division (including through external factors specialized in the area); establishing methods for responding to cybersecurity incidents (by degree of severity), and more.

- On all matters pertaining to the receipt of outsourcing services, the Company implements a structured risk management process, including an undertaking by the provider to meet the information security requirements which were determined by the Company, and additionally, the Company performs, from time to time, information security audits at providers.

- Systematic drills are periodically conducted for the Company's management and board of directors, for the purpose of drilling decision making in uncertain condition with respect to cybersecurity risks, including in accordance with the Commissioner's directives and the reference scenario which he established.

- The Company has a cybersecurity policy which includes coverage, in a limited amount, for certain expenses, debts and damages which may be incurred due to a cybersecurity incident.[86]

- The Company routinely performs risk management activities, including security testing of the organization's systems, in order to verify the existence of defenses, and to minimize vulnerabilities. The surveys are conducted by an independent entity specialized in penetration testing and security surveys.

- In recent years, the scope of attempted cyber attacks, and in the variety of attack methods, has increased continuously. The Company has taken, and continues taking, significant steps to defend itself against the many cybersecurity threats arising during this period, including using intelligence sources, with an emphasis on phishing attacks, comprehensive testing of the robustness of the organization's cybersecurity apparatus, in consideration of the changing threats, while implementing proactive measures in the Company's protective infrastructure; Providing a rapid response through the response teams, in order to investigate suspicious attempts to remotely connect to the Company's network, or any irregular activity of employees; Increasing technological controls and issuing guidelines to increase awareness among the Company's employees; The Company is continuing to strictly and continuously manage cybersecurity risks in accordance with the changing threats.

- According to the Group's assessment, the level of organizational preparedness for dealing with cybersecurity risks, in consideration of the scope and complexity of the activity of the Group's member companies, is appropriate. However, in light of the frequently changing threats and the technological developments in the field of cybersecurity, and particularly in light of the ongoing increase in the scope of cyber attacks, the variety of attack methods, and the improvement in attack capabilities, including depending on the attacker's identity, the Group is required, and will be required in the future, to continuously adapt its processes and methods of defense, including through the continuous evaluation of tools in the field of cybersecurity, and review of work process and organizational tools.

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[86] The policy includes a deductible.

The Group's assessments on all matters associated with the level of organizational preparedness in dealing with cybersecurity risks constitute forward looking information, which are based on the Group's estimates and assumptions, and actual results may differ significantly from the forecast.

For additional details regarding the Group's exposure to cybersecurity risks, see section 10.16(c)(6) below.

10.11. Seasonality

10.11.1. Long term savings

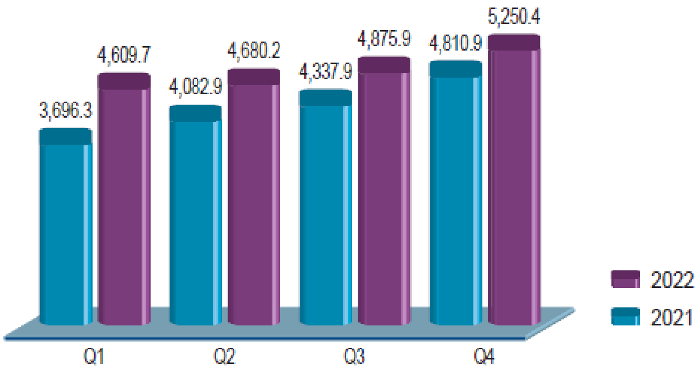
In general, income from premiums in life insurance, and income from management fees in pension funds and provident funds, are not characterized by seasonality, and therefore, seasonality is not a factor with respect to claims.

However, due to the timing of the end of the tax year, a certain degree of seasonality exists with respect to deposits from premiums/benefits contributions to pension savings products in December, since substantial amounts are deposited during that month by employees and self-employed persons who initiate deposits that are not in the framework of their salary, with the intention of making full use of the tax benefits, as well as by employers completing obligations in respect of the tax year or making one-time deposits, usually in respect of seniority severance pay debts. There are also certain months, which vary from year to year, in which the scope of premiums/contributions could be higher, this being mainly due to one-time payments made by employers to workers, in respect of which contributions are provided.

Presented below is the distribution of the gross premiums and contributions in the long term savings division over the last two years, by quarters (NIS in thousands):

2022	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Premiums and contributions, NIS in thousands	4,609.7	4,680.2	4,875.9	5,250.4	19,416.2
2021	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Premiums and contributions, NIS in thousands	3,696.3	4,082.9	4,337.9	4,810.9	16,928.0

Distribution of gross premiums in life insurance and contributions
By quarters in 2021-2022
NIS in millions



10.11.2. Non-life insurance

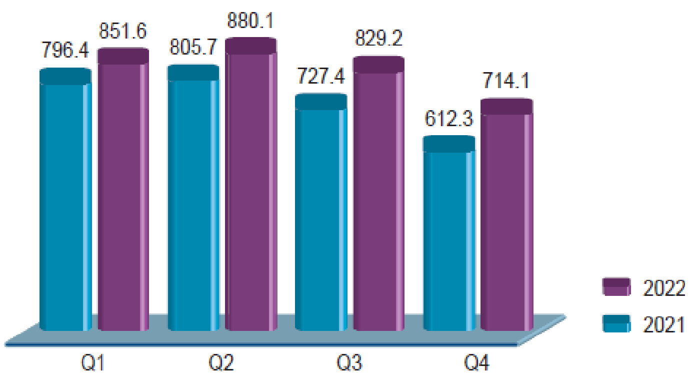
In general, income from premiums in the non-life insurance segment does not feature clear seasonality. However, the premiums in the first quarter of the year were higher than the premiums in other quarters, mostly due to the renewal dates of insurance agreements which conclude at the end of the calendar year. There are also insurance agreements of business policyholders and of large vehicle fleet, which feature high premiums, the renewal or discontinuation of which may affect premium volatility during certain months of the year. The effect of this seasonality on reported income is neutralized by the unearned premium reserve.

There is no clear seasonality in the other expense components, such as claims, and in other income components, such as income from investments. However, it should be noted that in the winter season, a marked increase in claims is sometimes seen in the first or fourth quarters of the year, or in both of them, mainly in the property branches, and as a result, a reduction occurs in the reported income for the period.

Presented below is the distribution of gross premiums in the non-life insurance division over the last two years, by quarters (NIS in thousands):

2022	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Premiums in thousands of NIS	851,628	880,110	829,165	714,127	3,275,030
2021	**First Quarter**	**Second Quarter**	**Third Quarter**	**Fourth Quarter**	**Total**
Premiums in thousands of NIS	796,372	805,707	727,388	612,292	2,941,759

Distribution of gross premiums in non-life insurance
By quarters in 2021-2022
NIS in millions



10.11.3. Health insurance

The health insurance segment is not characterized by seasonality. In the international travel insurance sub-branch, there has been an increase in the scope of policies sold to international travelers during the summer and holiday periods. However, the above had no significant effect on the distribution of total premiums in the health segment during the calendar year.

The global coronavirus pandemic is affecting activity in the international travel insurance segment. During the reporting year, the activity in this segment increased relative to the year before the reporting period, although the activity in this segment is still less than the scope of activity in the year before the coronavirus pandemic began (2019). The foregoing did not have a significant impact on the financial results of Clal Insurance in the health segment.

10.12. Intangible assets

10.12.1. Intellectual property

The name "Clal" is registered as a trademark under the name of IDB Development. The Group uses, for the purpose of its operations, the names and logos of the Group's member companies, most of which are not registered as trademarks.

The Group's member companies use, for the purpose of their operations, software programs which are owned by member companies in the Group and/or for which usage licenses were acquired. For additional details, see section 10.10.3.1 above.

The Company develops, through its employees and through providers, software programs for self use to which it owns copyrights.

The Company owns internet domains.

For additional details regarding intangible assets, see Note 6 to the financial statements.

10.12.2. Databases

The Group's member companies have databases which include, inter alia, data regarding customers, agents and service providers, which are used, inter alia, for marketing activities, using advanced software programs (CRM), which allow segmentation of the data in various ways. The Company's marketing strategy is based on the databases, which are critical to the management of the Company's business affairs.

The Group works on a routine basis to register its databases in Israel in the records of the Registrar of Databases, in accordance with the provisions of the law. Some of the databases are currently in registration processes and/or evaluation and preparation for the purpose of registration.

10.13. Legal proceedings

Material legal proceedings are currently pending against the Group, including motions to approve class actions pursuant to the Class Action Law. For details regarding claims which are not in the ordinary course of business, including class actions which have been approved for filing as class actions; pending motions to approve class action status for material claims; motions to approve class action status for material claims which were dismissed during the reporting year; material class actions which concluded during the reporting year and until the publication date of the report; immaterial class actions; and material claims against the Group which are not in the ordinary course of business, including a derivative claim, see Note 41(a)-(c) to the financial statements.

For details regarding legal risk factors in connection with class actions, see section 10.16(b)(5) below.

For details regarding the exposure to the risk associated with class actions, see Note 41(a) to the financial statements.

For summary details regarding the Company's exposure to legal proceedings, see Note 41(c) to the financial statements.

10.14. Financing

10.14.1. Rating

For details regarding the ratings of member companies in the Group and regarding liability certificates which were issued as of the publication date of the report, see Note 25(e) to the financial statements. For details regarding the rating which was given for the Company and for the bonds which it issued after the reporting date, see Note 25(d) to the financial statements.

10.14.2. Credit

For details regarding deferred liability notes which constitute Tier 2 capital for the purpose of the economic solvency regime, see Note 25(b) to the financial statements. For details regarding the restrictions on the recognition of the liability certificates as Tier 2 capital for solvency purposes, see Note 16(e) to the financial statements. For details regarding bonds which were issued by the Company after the reporting date, see Note 25(d) to the financial statements.

10.14.3. Raising of sources to funds the operation of the Company's business

The Group may be required, in the coming year, to raise sources by way of an issuance and/or exchange (through Clalbit Finance and/or the Company), subject to developments regarding its capital status, the capital target which will be determined by the Board of Directors, market conditions, payments in connection with the Max transaction, regulatory developments, and the Commissioner's approval, if and insofar as required.

As of the reporting date, the Company and Clalbit Finance have shelf prospectuses in effect.

The information presented on all matters associated with the raising of funds to cover the Company's routine business operations in the coming year constitutes forward looking information, which is based on the Company's estimates and assumptions as of the publication date of the report. Actual implementation may differ significantly from the forecast, inter alia, due to regulatory requirements which will be determined, the state of capital markets, the business position of the subsidiaries in the Group, actions taken to optimize the capital and debt management in the Group, and the materialization of the risk factors specified in section 10.16 below.

10.15. Taxation

For a description of the taxation arrangements which apply to the Group, see Note 23 to the financial statements.

10.16. Discussion regarding risk factors

This section, which discusses the risk factors with respect to the Company, also includes forward looking information. Forward looking information is uncertain information regarding the future, which is based on information which is available to the Company as of the reporting date, and which includes the Company's estimates and intentions as of the reporting date. Actual results may differ significantly from the results forecasted or implied based on such information, inter alia, due to changes in the business environment any other party in risk factors, including future risk factors.

The institutional entities are obligated to appoint a Chief Risk Officer. For a description of the responsibilities of the Group's Chief Risk Officer, and for details regarding the risk management policy and regarding risk management processes and methods in the Group, including a description of the work process and the methods used to identify the risks and controls which exist in the Group's member companies, see Note 38 to the financial statements.

Presented in the following table are risk factors, according distributed by macro risks, branch-specific risks and risks which are unique to the Group, as well as details regarding the risk factors.

Risk factors	**Risk factor's impact on the Group**		
	Significant impact	**Medium impact**	**Limited impact**
A. Macro risks			
Economic downturn in Israel	X		
International economic downturn and price drops in capital markets	X		
Overall market risk	X		
Specific market risks:			
Interest rate risk	X		
Credit margin risk		X	
Inflation risk		X	
Exchange rate risk		X	
Stock price risk	X		
Other assets price risk		X	
Credit risk		X	
Environmental, social and governance (ESG) risks			X
B. Branch-specific risks			
Insurance risks	X		
Portfolio retention	X		
Catastrophe risks:			
Earthquake in Israel		X	
Terror attack and/or war in Israel		X	
Pandemic		X	
Stability of reinsurers		X	
Strategic risks:			
Changes in legislation and regulations	X		
Competition risks	X		
Availability of reinsurers		X	
Legal risks	X		
C. Risks on the level of the Group			
Compliance and regulatory risks	X		
Liquidity risk			X
Underwriting, pricing and assessment of insurance liabilities		X	
Operational risks	X		
Information system risks	X		
information security and cybersecurity risks	X		
Business model risks			X
Reputation risk	X		
Engagements with external providers		X	

The impact of the foregoing risk factors is based on the judgment of group management, based on the information which is available as of the estimation date, refers to each risk independently, and takes into account the estimated probability of the materialization of each risk and its potential results. The estimation of the extent of the risk factors' impact refers to the direct implications on the Group, and does not take into account indirect effects.

A. Macro-economic risks

(1) Economic downturn in Israel

The Group is materially exposed to the state of the Israeli economy, and a downturn in the Israeli economy could affect the scope of the Group's business, particularly in the long term savings segment, including: a reduction in the volume of savings made by the public; Possible delays in deposits and an increase in withdrawals; An increase in the unemployment and an erosion in real salaries may result in an increased number of cancellations, and in a decline in the premiums and contributions collected by the institutional entities in the Group, as well as in an increase in the scope of claims. Additionally, as a result of an economic downturn, as stated above, the risk associated with the Group's exposure to entities in Israel through its investments and through certain insurance activities may increase (see credit risks and market risks below).

(2) International economic downturn and price drops in capital markets

The Group is exposed to harm to the value of its investments in financial assets in international capital markets, and in other assets abroad. A global economic downturn could also affect the results of Clal Credit Insurance, which insures the debts of debtors in various countries, who are affected by the economic situation in those countries. Additionally, the stability of the reinsurers with which the Group engaged may be reduced as a result of price drops in international capital markets, or an economic downturn in the countries where they operate.

(3) Overall market risk

The prices of assets and returns in the capital markets in Israel and around the world very significantly affect the Group's business results. The Group's self investment ("**Nostro**") portfolio, as well as the asset portfolios of members and policyholders in investment-linked policies, provident funds and pension funds ("**Portfolios Managed for Others**") are invested in various assets, in Israel and abroad, and their value is subject to volatility which is due, inter alia, to changes in interest rates, the prices of stocks and other assets, credit margins, actual inflation rates and inflation forecast, and foreign currency exchange rates.

The Group is exposed to losses with respect to changes in these risk factors, as a result of their direct impact on the value of the assets in the Group's nostro portfolios. Failure to achieve the target returns which served as the basis for pricing the products, and for the calculation of the insurance liabilities, could adversely affect the Group's business results.

The Group is exposed to overall market risk, including indirectly, as a result of the impact on the Group's profits due to returns which are achieved in portfolios managed for others. Within the framework of the Group's activities with respect to the management of these funds, the Group's member companies collect fixed management fees from the accrual, the scope of which may be harmed as the scope of managed assets decreases, as a result of negative returns and/or a decrease in the scope of deposits and/or redemptions and/or transfers.

Additionally, in accordance with the provisions of the law, in some of the investment-linked policies which were sold in the years 1991 to 2003 (hereinafter: "**Profit-Sharing Policies**"), Clal Insurance collects, in addition to fixed management fees, also variable management fees, which are calculated as a proportion of the real returns of the investment portfolio, after deducting fixed management fees and direct expenses due to the performance of transactions (hereinafter in this section: the "**Addition**"). The addition is calculated on an annual basis, according to positive or negative values. In accordance with the provisions of the law, insurers may only collect a positive addition; however, in the calculation of each positive addition, the negative addition which accrued in previous periods will be included. The aforementioned addition affects the Group's profitability. For details regarding the quantitative impact of the exposure to market risks which is due to the management of such funds as of December 31, 2022, see Note 38(c) to the financial statements. Since the calculation of variable management fees in a given calendar year is conducted on a cumulative basis, management fees are collected or returned throughout the year from/to policyholders, according to the real returns which were charged for the quarter, which may result in a great deal of fluctuation in income from management fees from quarter to quarter.

(4) Specific market risks

Full correspondence does not exist between the assets in the nostro portfolio and the liabilities held against them, in terms of cash flows and the timing thereof, and the linkage basis and currency. Additionally, complete symmetry does not exist between the accounting treatment of liabilities and assets, and a difference exists between the accounting principles and the rules of the economic solvency regime. For this reason, the economic equity, accounting equity, solvency ratio and comprehensive income of the Group are exposed to changes in risk factors, of which the main ones are specified below. The capital requirements which apply to the Group's insurance companies in accordance with the economic solvency regime are based on economic principles. It is noted that the types of risks which will be specified below also exist in portfolios managed for others in Otzma, since they are not necessarily identical to those described regarding the nostro portfolios.

A. Interest rate risk - From an economic perspective, the Group's main exposure is to an interest rate decrease and the flattening of the interest rate curve, due to the fact that the average lifetime of its liabilities is significantly longer than the average lifetime of its assets. Additionally, an interest rate decrease could also cause adverse effects and volatility in the solvency ratio of Clal Insurance. In the current interest rate environment, the Group is exposed (including in accounting terms) to losses in case of an interest rate reduction, despite the fact that the extent of the exposure has decreased significantly, due to regulatory changes and the Company's activities in managing assets and liabilities. The interest exposure affects the calculation of the reserves, inter alia with reference to the discount rates which are used in the calculation of the liability adequacy test (LAT), the calculation of the K factor, and the calculation of pension reserves, in a scope which may exceed the capital gains which will be created in that scenario with respect to assets which are sensitive to interest rates (see Note 38(e)(e1) to the financial statements). However, the Group may also be exposed to certain scenarios involving interest rate increases, due to the relatively long average lifetime of the assets, in consideration of the long term nature of most of the liabilities, due to the fact that, in accordance with the currently practiced accounting method, in certain scenarios involving changes to interest rates, there is not necessarily full correspondence between the change in the market interest rate and the discount rate which is used to discount the various insurance liabilities. It is noted that, in the long term, the Group's is also exposed to an ongoing low level of interest rates, with an emphasis on the index-linked interest rate, which may make it difficult to achieve the guaranteed rate of return for guaranteed-return products, and to achieve the returns that were used to price other insurance products, and to require a renewed evaluation of the actuarial assessment of the Group's insurance liabilities (see Note 38(c)(3) and Notes 38(e)(e1)(d)(1) and 38(e)(e2)(4)(a) to the financial statements).

B. Credit margin risk - The Group is exposed to the risk of loss due to the effects of changes in the credit margin in the market, on the value of marketable debt assets, and due to a certain effect on the calculation of a part of the Group's non-marketable debt assets, and of the calculation of a part of the insurance reserves.

C. Inflation risk - The Group is exposed to increases in the inflation rate, due to the fact that the majority of the Group's insurance liabilities are adjusted to the inflation rate on a monthly basis, while the assets held against them are not necessarily CPI-linked. Additionally, due to the fact that the collection of variable management fees in the profit-sharing portfolio depends on the real returns which were achieved, an increase in the inflation rate may reduce the Group's income from management fees. Additionally, some of the Group's financial debt is CPI-linked, and increases in the inflation rate will result in an increase in the Group's financing expenses.

D. Exchange rate risk - The Group is exposed to changes in foreign currency rates, primarily with respect to the foreign investment portfolio, which is not fully hedged against changes in exchange rates.

E. Stock price risk - The Group is exposed to changes in the prices of marketable stocks which are characterized by high potential volatility, both in the nostro portfolio and in portfolios managed for others. In light of the scope of the exposure of the profit-sharing portfolio to volatility, the volatility in stock prices may significantly affect the scope of variable management fees collected by Clal Insurance.

F. Other assets price risk - The Group is exposed to alternative investments, which include investments in real estate and in real estate funds, in investment funds, in non-marketable shares and in additional investment instruments. These assets are exposed to changes in their value, which may result, inter alia, from changes in capital markets in Israel and around the world, changes in prices of commodities, discount prices, and real estate, and specific business risks. By nature, these investments are less volatile than marketable investments, and respond to market events with a certain delay. For details regarding sensitivity tests to market risks, see Note 38(c)(2) to the financial statements.

(5) Credit risks

The Group is exposed to the possibility of financial loss as a result a decrease in credit quality and insolvency of borrowers and other debtors, in light of its exposure to financial assets, and through insurance operating segments of the Group which include policies in accordance with the Sales Law and credit insurance, as a result of its exposure to other debtors, including agents, employers, policyholders and reinsurers. With respect to its holdings in debt assets, the Group is exposed to decreased asset value as a result harm to the debtor's financial stability (including debt settlements) and/or as a result of the increase in the credit margin in the market, as stated above.

Additionally, an increase in business insolvency cases in Israel may also affect the scopes of claims in the directors and officers liability insurance branch, in which the Group operates (see section 7.1.1.3 above), the scope of employers' debts with respect to non-transfer of payments to pension insurance for their employees, which requires the Group's institutional entities to initiate collection proceedings, and the insurance risks in the operations of Clal Credit Insurance (see section 10.16(b)(1) below).

In its assets portfolio the Group is exposed to various market sectors, primarily the banking and finance sector (which also includes exposure through deposits), the infrastructure and energy sector, and the local real estate sector. The exposure to the banking sector and to the financial sector is also due to the fact that the Group holds most of its assets and of its customers' assets in accounts at banks, financial institutions and brokers in Israel and abroad, and receives clearing services through banks. The Group is also exposed to reinsurers, as stated above (see section 10.16(b)(4) below). Despite the fact that the Group is working to increase the distribution where possible, the exposure to the banking segment in Israel is characterized by exposure to a relatively small number of counterparties with high ratings, as a result of the concentration-oriented structure of the branch in Israel. A deterioration in financial stability, non-fulfillment of the liabilities of those entities, or an insolvency event in any of the aforementioned entities, may have a significantly adverse effect on the Group's business results.

For additional details concerning credit risks, see Note 38(f) to the financial statements.

(6) Environmental, social and governance (ESG) risks

The Group is exposed to adverse effects on its business or financial profile and/or reputation due to exposure to environmental, social or corporate governance events, in the various business lines (including indirect exposure through reinsurers), and in the investment activity which indirectly also affects Clal Insurance itself.

B. Branch-specific risks

(1) Insurance risks

In the insurance operations, the Group is primarily exposed to risks associated with changes in risk factors, as compared with the actuarial assumptions, and to risk of a single large damage or to the accumulation of damages due to a catastrophic event.

The actuarial models which are used by the Group's insurance companies to price products and to estimate of insurance reserves which they hold, are mostly based on the assumption that past behavior patterns and past claims will represent future occurrences. Changes in the risk factors which affect the prevalence and severity of events, as compared with the estimates in the actuarial model, may significantly affect the Group's business results and economic solvency ratio:

In non-life insurance business, the main insurance risks are due to the difference between the risk at the time of pricing and at the time of the estimation of insurance liabilities, and their actual occurrence. The gaps may be due to incidental changes in insurance business results, and to changes in the average cost of claims and/or in the prevalence of claims due to various factors. In particular, in the liabilities branches, there is significant uncertainty regarding the cost of claims, inter alia, due to the existence of time gaps between the event date, the disclosure date and the payment date (long tail claims).

In credit insurance business operations, the main insurance risks are credit risks, due to the ability of debtors to service their liabilities, and also depending on the state of the business and economic environment. Foreign trade risks insurance also involves foreign political risk. Additionally, catastrophic events such as war, international sanctions, lockdown or strike involve credit risks, due to their impact on the ability of debtors to service their liabilities.

In life and health insurance business operations, the main risk factors include demographic risks, such as changes in the mortality rates, changes in morbidity and disability, and medical developments, as well as risks pertaining to policyholders' conduct and options in policyholders' policies, and the development of medical inflation (for sensitivity tests regarding the actuarial assumptions, see Note 38(e)(e1) to the financial statements). In life insurance specifically, an increase in life expectancy and/or an increase in the rate of policyholders who withdraw, as an annuity, the funds which accrued in the insurance funds which are managed by the Group and which have a guaranteed life expectancy annuity factor, and/or changes in the choices of policyholders with respect to the annuity receipt track, among the tracks which are available in the policies, may result in the need to increase its insurance liabilities, and primarily in insurance funds in which the annuity factor was determined based on mortality tables which are different from the current or future mortality tables. Additionally, there is the risk that the level of expenses throughout the lifetime of the portfolio will be higher than the estimate, inter alia, due to changes in the conduct of members or policyholders, the scope of realizations of the option to transfer the accrued amounts in the fund or in the policy, and regulatory changes. In the health and long-term care insurance branches specifically, and in coverages with respect to loss of working capacity, the main risk is increase in morbidity and disability rates which affect the number of claims, the duration thereof, and the cost thereof. Such an increase may also be affected by changes in the interpretation of the insurance event by the regulator and/or by the courts. An additional risk factor is the realization rate of the option for continuity without underwriting in collective insurance policies, where a risk exists that the option may be used by policyholders with greater insurance risk.

(2) Portfolio retention level

The change in the portfolio retention rate, which depends on the cancellation, suspension and transfer rates, constitutes a significant insurance risk in the life and health insurance business operations, due to the fact that the profitability in this segment is based on a margin in premiums (positive or negative) and the collection of management fees throughout the lifetime of the policy (for sensitivity tests regarding the assumptions with respect to cancellations, see Note 38(e)(e1)(c) to the financial statements). The portfolio retention rate also constitutes a significant risk in pension fund and provident fund management business operations (for details regarding transferring while joining a pension fund, see section 6.3.1 above). It is noted that the cancellation of the policies also causes the write off of deferred acquisition costs with respect to those policies.

(3) Catastrophe risks

The Group is exposed to the risk that a single event with great impact (a catastrophe), such as an earthquake, natural disasters, war, terror attack or epidemic, will result in a significant accumulation of damages.

- **Earthquake in Israel** - The most significant catastrophic event to which the Group is exposed in Israel is an earthquake, primarily due to its exposure in the property insurance and life and health insurance branches.
- **Risks of war and terror attack in Israel** - The Company is exposed to an event of this kind primarily in life and health insurance.
- **Pandemic** - The Company is exposed to an event of this kind primarily in life and health insurance.

Clal Insurance acquires partial protection against the accumulation of insurance events, including, inter alia, against earthquakes, natural disasters, and war and terrorism damages. The scope of acquired coverage is based on model-based assessments and/or on studies concerning the extent of damages expected to result from a catastrophic event, with a given probability, and there is no certainty regarding the materialization of the associated forecasts. In the event that actual damages are higher, the Group will bear the excess damage, which may be significant. For details regarding the scope of the protection which is acquired against catastrophic events, see section 10.6.7 above.

(4) Stability of reinsurers

The insurance companies in the Group insure some of their business operations in reinsurance through foreign reinsurers. However, the reinsurance does not release the direct insurers from their obligation towards their policyholders according to the insurance policies. The Group is exposed to risks which are due to counterparty risk in light of the uncertainty regarding the ability of reinsurers to pay their share in the insurance to the Group's member companies. Despite the fact that the exposure of the Group's member companies is backed by reinsurance which is distributed between various reinsurers, limits apply to the scope of potential exposure to reinsurers and the main exposures are to reinsurers with high international ratings, the collapse of one of the large reinsurers with which the Company has engaged could have a significant impact on the Group. The Group has very significant exposure in case of a catastrophic event simultaneously with the collapse of a large reinsurer which insures the Company against an event of this kind. However, the probability of the materialization of an event of this kind is estimated to be low, due to the fact that the two events have low probability. For details regarding the exposure of the Group's member companies to reinsurers, see Note 38(f)(8) to the financial statements, and for details regarding the sections regarding sanctions in reinsurance treaties, and the difficulty in obtaining and renewing reinsurance treaties, see section 10.6.5.4 above.

(5) Strategic risks

The Group is exposed to changes in its operating environment, which may affect its business operations, and particularly:

- Changes in legislation and regulation - The Group is exposed to changes in legislation and regulation which pertain to its operating segments, some of which constitute significant reforms. In particular, some of the regulatory changes which were implemented in recent years, and those which are proposed, some as non-final drafts, may constitute a threat on components in the branch's business model. Additionally, changes in legislation and in regulation, including circulars, determinations in principle, position papers and directives which the Commissioner is authorized to impose in connection with changes in policy terms, including tariffs, may affect the Company also when approving new products, and with respect to products which were sold in the past, including by way of cancellation and replacement of products (including temporarily suspending the sale of products whose terms have been changed), by way of retroactive application, and also due to their impact on the interpretation of agreements which were signed in the past. For details regarding the known regulatory changes which may affect the Group, see, inter alia, sections 6.1.2.1, 6.1.2.3, 6.2.1(a), 7.1.1.2(a), 7.1.1.2(b), 8.1.2.1, 8.1.2.1(c), 8.1.2.2, 10.2, 10.5.5.1(a), 10.5.5.1(b) and 10.8.2, above, as well as Note 41(d) to the financial statements.

- Competition risks - The Group is exposed to a high level of competition in all of its operating segments, including as a result of structural changes in the market, including the entry of new competing entities, including both producers and distribution channels, and insufficient variety of products. The intensification of competition is also affected by the regulatory changes mentioned above, and the reduction of barriers to entry. For additional details, see section 10.3.1.2 above. These changes may reduce the Group's profitability, both due to their direct effect on the profitability of the products and services in which the Group is engaged, and due to increased operating, marketing and distribution costs. For additional information, see sections 6.3, 7.2 and 8.3 above.

- Availability of reinsurers - The Group's continued activity in various insurance segments, in which it relies on reinsurance coverage, is exposed to reinsurers' offering of those reinsurance policies which meet the minimum conditions which the Company has determined, which depends, inter alia, on the willingness of reinsurers to share the risk, and on the appropriate capacity and price.

- Legal risks - The complexity and scope of the Group's operations, and particularly, the long validity period of the insurance and reinsurance treaties, create significant exposure to legal risks which may arise due to deficiencies in legal documents, including policies and reinsurance contracts, to operational deficiencies in the implementation of agreements, and to changes over time in interpretation or in the determination of standards of conduct, including with respect to products which were sold many years ago, including through retrospective application. Additional risks are due, inter alia, to legal precedents pertaining to the payment of claims, and which may increase the amount of claims which the Group's member companies will be required to pay, as well as regulatory directives and decisions. All of the above may expose the Group to material claims which are not in the ordinary course of business, and which may affect the operations and/or financial results of the Group's member companies, or the need to increase the insurance liabilities.

  In particular, the Group has significant exposure to class actions and derivative claims, both those for which legal proceedings have been initiated, and those regarding which the potential exposure to the filing of a class action or a derivative claim was brought to the attention of the Group's member companies through self-disclosure and/or through inquiries by customers or third parties, by various means, and those regarding which the Group's member companies is unaware, as stated above. In recent years there has been an increase in both the number of motions filed to approve class actions, and in the number of claims approved by the court as class actions. (For details regarding the exposure to class actions and derivative claims, see Notes 41(a) and 41(b) to the financial statements.)

C. Risks on the level of the Group

Presented below are details regarding the risks which may materialize on the level of the Group without materializing simultaneously in all or most the companies operating in the same branch:

(1) Compliance and regulation

The Group's activities are subject to many legal directives, and to the oversight of regulatory entities. The ability of the Group's institutional entities and agencies to operate in its areas of activity is conditional upon the holding of the licenses and permits which are required in order to engage in those areas of activity, including compliance with regulatory capital requirements, including the economic solvency regime. For details, see section 10.3.1.2 above.

Additionally, significant operations in the Group are subject to specific and complex regulations. In particular, the insurance and long term savings operations are subject to various regulatory provisions, which change from time to time, with respect to products which were sold over many years, and which have long insurance coverage periods and/or savings periods. Non-fulfillment of regulatory requirements may result in sanctions including, inter alia, revocation of licenses and permits, and financial sanctions against the Group, and orders of reimbursement, including as part of audits by supervisory entities or complaints or defects which have been identified, and may serve as the basis for lawsuits filed against it. For additional details, see Note 41(d) to the financial statements. Changes to the control structure of the Company, which is a company without a control core, as specified in Note 1 to the financial statements, may affect the composition of the Company's various organs and its actions, inter alia, due to regulatory arrangements. Additionally, future changes in the control of the Company and/or corporate governance events may harm the Group's business and financial profile, and reputation, the availability of financing sources, and the ratings of the Company and of the Company's subsidiaries. The existence of clauses regarding a change in control in certain agreements of the Group's member companies vis-à-vis third parties, including reinsurers, may require, upon the fulfillment of the aforementioned circumstances involving a change in control, negotiations with those third parties in order to extend the agreements.

For additional details regarding the permits for the control of the institutional entities which are under the Company's control, and regarding the status of the permits for the control of the Company and of its institutional entities as of the reporting date, see Notes 1 and 16(e)(7) to the financial statements.

(2) Liquidity risks

The Group is exposed to risks due to the uncertainty regarding the date when the Group's member companies will be required to pay financial liabilities, claims and other benefits to other policyholders and creditors, relative to the scope of funds which will be available for this purpose at that time. The possible need to raise sources unexpectedly and in a short time may require significant realization of assets under pressure conditions, and the sale thereof at prices lower than the market prices. In the Group's insurance activities, liquidity risk is not estimated to be material due to the high scope of liquid assets in the nostro portfolio, the high scope of current incoming cash flows from premiums and investment activity, and the fact that the payment of claims is conditional upon the fulfillment of insurance events, some of which have long average lifetimes. However, liquidity risk may increase upon the materialization of a significant catastrophic event.

(3) Risks associated with underwriting, pricing and assessment of insurance liabilities

The Group is exposed in its insurance activities to **model risk** - The risk that the wrong model will be chosen for pricing and/or for the evaluation of insurance liabilities; **Regarding parameter risk** - the risk of the use of incorrect parameters in models, and **regarding underwriting risk** - the risk of the use of incorrect pricing due to deficiencies in the underwriting process.

(4) Operational risks

The Group is exposed to operational risks, i.e., the risk of loss due to the inadequacy or failure of internal processes. people or systems, or due to external events. The Group's exposure is due to processes which include, inter alia, processes involving purchasing, payroll, investment, collection, policy production, policy operation and long term savings, including the implementation of changes thereto, and the attribution of funds to the product's various components and layers, claim payments, manual operations, data entry into the information systems, production of reports, calculation of reserves, and processes involving activities vis-a-vis insurance agents, employers, salary bureaus, pension clearing house, institutional entities, and contractual engagements with foreign entities, including foreign brokers and clearing houses, reinsurers and service providers. Inter alia, the Group is exposed to operational risks also with respect to negligence by its employees, agents and third parties operating on its behalf, and with respect to malicious actions which may lead to claims in material scopes against the Group and/or to damages in material scopes for the Group. The Group is also exposed to fraudulent actions on the part of its customers and additional entities with which it works. These exposures to operational risks are due, inter alia, to the complexity of the products and services which are currently marketed by the Group, and which were marketed by it in the past, and to the complexity of regulation which applies to its operations, which increase the risk that a dispute may arise with a customer regarding the interpretation or implementation of the provisions of the law or of an agreement, or to a malfunction in the operation of the products and services. This exposure is greater in long term products, and particularly in life insurance products, due to the high operational complexity of the products, and due to the fact that they are exposed to frequent regulatory changes. In this regard, it is noted that the routine activities involving the cleansing of data regarding members' rights in the long term savings segment may lead to operational implications and to additional monetary implications, which the Group is unable to fully estimate. Additionally, the process of implementing the provisions of the law regarding interfaces for the execution of transactions and for the transfer of information between various entities which are active in the pension savings market (the institutional entities, license holders, employers policyholders and members), which includes an interface with many factors, is highly complex, and involves significant operational difficulties in the short term, although, in the longer term, it is expected to reduce the operational risks associated with the relevant activity (for details, see section 6.2.1(b) above). In light of the scope of activities of the Group, which currently manages, as of December 31, 2022, assets in the amount of approximately NIS 295 billion, of which approximately NIS 256 billion are assets managed for others (see Part B of the Report - Board of Directors' Report, section 2.3.1), and despite the steps taken by it to identify the risks and to determine adequate controls and risk mitigation actions, the scope of its exposure to operational risks of the type specified above is significant.

(5) Information system risks

A significant part of the Group's activities is based on various information systems. Information systems support the management processes, including the calculation of the rights of the Group's customers. The absence of sufficient infrastructure and/or deficiencies and/or failures in the computerized information systems may cause significant damage to the Group's operations. As specified in section 10.10.3.2 above, the IT systems are subject to an ongoing process of adjustment to the frequently changing regulatory directives, in order to ensure the compatibility with the Group's products. A malfunction in information systems and/or information systems which do not comply with the regulatory directives and/or the absence of full compatibility between the IT systems and the terms of the products or the performed actions may expose the Group to non-fulfillment of the regulatory provisions, to errors in data interfaces, and to errors in the operation of products which are marketed by the Group, and which were marketed in the past.

(6) Cybersecurity and information security risks

The Group is exposed to cybersecurity risks, primarily with respect to the large scope of sensitive information which is at its disposal, and with respect to the large scope of funds which it manages. Such risks include, inter alia, the risk of financial damage, disruption of the adequate and continuous operation of work processes, the availability, completeness and confidentiality of its information, and harm to its reputation, as a result of unauthorized use of its information assets and/or deficiencies in its information security system and/or actions performed by hostile entities, including with respect to the debts which apply to the Company by virtue of regulatory directives, and enforcement measures which were conferred therein. For details regarding the management of cybersecurity risks in the Company, see section 10.10.3.3 above.

(7) Business model risks

The Group is exposed to changes in the business environment, in the business model including in the manner of implementation of strategy, or the absence of an adequate response to segmental, economic or technological changes.

(8) Reputation risk

The Group's reputation serves as a critical component in its ability to operate in all of its operating segments. Therefore, the Group is exposed to risk of harm to its business position, as a result of harm to the Group's image and reputation as perceived by policyholders, members, institutional entities, investors, debt holders, business partners, supervision entities, agents, distribution entities, media and others, inter alia, due to the public mood, and criticism by any of the aforementioned entities regarding its method of conduct, including in connection with the settlement of claims. In this regard, it is noted that the Company, Clal Insurance, Clal Credit Insurance and bonds which were issued by the Company and by Clalbit Finance are rated by rating companies (see Note 25(d) to the financial statements), whereby a reduction of the rating could significantly harm their activities.

(9) Engagements with external providers

Within the framework of its activities, the Group enters into agreements with various suppliers and service providers, including regarding the operation of provident funds, payroll management, loss adjusters, garages, plumbing service providers, medical service providers, legal service providers, IT service providers, and others. The Group is exposed to risk of harm to reputation and profitability as a result harm to the quality of services which will be provided to it or to its customers, in case the service quality given by those providers is in adequate, and is also exposed to the risk associated with the difficulty in finding an alternative provider, if necessary.

10.17. Material agreements and collaboration agreements

10.17.1. Presented below is a description of the material agreements to which the Company is party, or which pertain to the Company

(A) **Agreement for the rental of areas with Atidim - Science Based Industries Ltd. -** On March 12, 2013, the Company engaged in a binding memorandum of understanding with Atidim - Science Based Industries Ltd., according to which the Company rents, on its own behalf and on behalf of the Group's member companies, office areas with an area of approximately 47,000 square meters (including 24 floors), a lobby floor, warehouses and approximately 1,000 underground parking spaces, in Atidim Tower in Ramat HaHayal, Tel Aviv. The agreement between the parties is in effect for a period of approximately 24 years, with one exit station after around 16 years.

(B) Collective agreement with the Histadrut Worker's Committee in the Group - In April 2022, a new collective agreement (the "**Agreement**") was signed between the Company's subsidiaries: Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (hereinafter: the "**Companies**") and the Histadrut New General Federation of Labor and the worker's committee in the Group, which generally centralizes all of the agreements and collective agreements which were signed between the parties in a unified agreement, subject to the agreed-upon changes. The agreement is in effect until December 31, 2024. For additional details regarding the agreement, see section 10.7.3 above and Note 24(d) to the financial statements.

(C) **Agreement for the acquisition of systems for automating the management of pension operations** - In January 2015, Clal Pension and Provident Funds began operating the pension operations through the Nissan system, a system for the management of members' rights, and also launched a commission payment system module, which were purchased from Sapiens. Sapiens also provides maintenance services for the system. The agreement is renewed automatically once per year, subject the right of Clal Pension and Provident Funds not to extend it, by giving advance notice. For additional details regarding the agreement with Sapiens, see section 10.9 above.

(D) **Acquisition of Max IT Finance Ltd.** - On August 12, 2022, the Company engaged with WP XII Financial Investment B.V in an agreement to acquire the entire issued and paid-up capital of WPI. For additional details regarding the agreement, see Note 42(j) to the financial statements.

10.17.2. Presented below are details regarding significant agreements which are immaterial and to which the Company is party, or which involve the Company

Agreement for the receipt of routine operating services of provident funds - In June 2016, Clal Pension and Provident Funds engaged in an operating agreement with Bank Leumi Le-Israel Ltd. and Leumi Capital Market Services Ltd. (hereinafter, jointly: "**Bank Leumi**"), according to which Bank Leumi will provide to Clal Pension and Provident Funds operating services with respect to the provident funds which are managed by it. In accordance with the agreement, with respect to the operation of the provident funds, a consideration will be paid to Bank Leumi according to an annual rate out of the fund assets, and with respect to the operation of the study fund, a consideration will be paid to Bank Leumi in a fixed monthly amount. The agreement period will be 5 years, and Clal Pension and Provident Funds will be entitled to terminate the agreement by providing notice 6 months in advance, and Bank Leumi will be entitled to terminate the agreement by providing notice 12 months in advance. Since January 2018, Bank Leumi has operated all of the provident funds which are managed by Clal Pension and Provident Funds. In April 2021, Clal Pension and Provident Funds engaged with Bank Leumi in an addendum to an agreement for the receipt of operating services, which mostly included the extension of the period of the agreement for an additional 5 years, until July 2026. The replacement of Bank Leumi, without an advance preparation period, could temporarily adversely affect the provision of services in the funds which it manages, until an alternative provider has been found.

10.17.3. Presented below is a description of the collaboration agreements to which the Company is party or which pertain to the Company

Collaboration and shareholders agreement with Atradius Insurance Group - Clal Insurance engaged with Atradius Group, the owner of 20% of the shares of Clal Credit Insurance, in an agreement which regulates the business collaboration with it as a strategic partner, and sets forth the relationship between the parties as shareholders in Clal Insurance (hereinafter: the "**Agreement**"). The agreement establishes the right of Clal Credit Insurance to receive from Atradius Group professional assistance and information regarding foreign debtors and credit risks (hereinafter: "**Right to Receive Information**") and formalizes the collaboration between the parties. Additionally, it was determined in the agreement that Atradius Group is entitled to be a leading reinsurer of Clal Credit Insurance, subject to the fulfillment of market conditions and the receipt of a minimum rating (hereinafter: the "**Reinsurance Right**"), and is also entitled to appoint a director in Clal Credit Insurance, who will have veto rights with respect to certain resolutions, as specified in the agreement. Additionally, in accordance with the agreement, Clal Insurance has right of first refusal towards Atradius Group for the acquisition of its shares in Clal Credit Insurance, Atradius Group has the right to join the sale of shares of Clal Credit Insurance by Clal Insurance, under identical conditions as those of Clal Insurance, while Clal Insurance will be entitled to add Atradius Group to the sale of all of its shares in Clal Credit Insurance to a third party, in accordance with the conditions which were determined in the agreement. The agreement is in effect for 3 years, and is renewed automatically every 3 years, unless one of the parties to the Agreement has notified the other party 6 months before the end of the relevant period, regarding its desire to terminate the Agreement, or in case of termination of the agreement by one of the parties due to a fundamental breach by the other party. On January 1, 2022, the agreement was renewed automatically, as stated above, for three additional years, until December 31, 2024. In case of termination of the agreement by Atradius Group, option will have the option to acquire from Atradius Group its shares in Clal Credit Insurance at a price which reflects market value. In case of the termination of the agreement by Clal Insurance, Atradius Group will be obligated to acquire, and Atradius Group will be obligated to sell, its shares in Clal Credit Insurance, at a price which reflects market value. In case of a fundamental breach of the agreement by Clal Insurance, Atradius Group will have the option to sell to Clal Insurance its shares in Clal Credit Insurance, at a price which reflects market value. In case of a fundamental breach of the agreement by Atradius Group, Clal Insurance will have the option to acquire from Atradius Group its shares in Clal Credit Insurance at a price which reflects market value.

It was further determined that if Clal Credit Insurance cancels the right of reinsurance, then without the act constituting a fundamental breach of the agreement, Atradius Group will be entitled to choose one of the following two options: (A) cancellation of the right to receive information, or (B) termination of the agreement, in which case, Clal Insurance will acquire the shares of Atradius Group in Clal Credit Insurance at a price which reflects market value. It was further determined that if Atradius Group cancels the right to receive information, then without the act constituting a fundamental breach of the agreement, Clal Insurance will be to choose from among the following two options: (A) cancellation of the right of reinsurance, or (B) termination of the agreement, in which case, Clal Insurance will acquire the shares of Atradius Group in Clal Credit Insurance at a price which reflects market value.

10.18. The Group’s vision, goals and business strategy

The Group’s vision - The Group strives to continue being a leading insurance and finance group in Israel, while increasing its financial strength, and maximizing value for to its shareholders. The Group achieves this by improving the core activities in Clal Insurance and Finance, and by developing additional and supplementary financial activities in the holding company.

Business strategy - In late 2019 Clal Insurance adopted a three-year strategic plan for sustainable accelerated growth and for increased operational efficiency, in order to respond to challenging market conditions, which include a complex and frequently changing competitive environment, the development and introduction of new competitors and distribution channels, frequent regulatory changes, a low interest rate environment for years, with significant consequences for Clal Insurance, and increasing capital requirements. during 2023, Clal Insurance is expected to validate the strategic plan and to define updated targets in accordance with the Company’s performance, and in accordance with the changing reality in markets and in the insurance branch. In 2021, the Company held discussions regarding business development in the Company as a holding company, in which an emphasis was placed on the importance of developing the holding company, and maintaining it alongside the insurance company, and on diversifying profit sources, including through the acquisition of significant operations. For details regarding the Company’s engagement in the Max transaction, see section 2.5.1.8 above.

Main tasks in the implementation of the business strategy:

- Growth in new business revenue and profitability: Focusing on growth of new business, while emphasizing the sale of risk products, through its various distribution channels, with an emphasis on the agents' channel and the expansion of collaborations, including digital support for the distribution channels, and providing tools to realize the sales potential to existing and new customers, and retaining those customers, inter alia, through the use of advanced data tools.
- Growth in the financial segment: The Group considers the financial segment to be a major growth engine for the coming years, and continues to offer a wide variety of products and savings tracks to meet the needs of its customers, while evaluating possibilities for growth.
- Acquisition of operations which are synergistic with the Group’s operations, including in consideration of regulatory restrictions, through the Company as a holding company, while evaluating, inter alia, operations in the agencies segment and/or additional financial operations, inter alia, for the purpose of creating additional sources of profit for insurance activity, with less dependence on the capital market.
- Limiting the increase of expenses to support the cost/income ratio: In the challenging competitive and regulatory environment, which is affecting the decline in premiums and management fees, the Company set a goal of increasing operational efficiency and limiting its current expenses, while changing the mix of expenses in a manner which will allow it to increase revenue and growth.
- Leading investment management: Leading returns for the Group’s customers, in various investment channels, through Canaf - the Group’s internal investment branch, which performs the Group’s investment management activities, and which is one of the largest extra-banking institutional investors in Israel, while maintaining appropriate risk levels, based on a long term approach.
- Innovation and digitization: Leading the sector in processes of digital transformation innovation, for customers, agents, employers and operators. The development of advanced digital tools in the service and sales segment, the development of advanced data infrastructure which will allow the Group to maximize its sale opportunities, and to increase operational efficiency.
- Improving service: Continued activity on improving service and improving the satisfaction of its customers, insurance agents and other interested parties.

- Maintaining and improving the financial soundness and solvency ratio of Clal Insurance: Maintaining the Group's overall financial management and risk management, inter alia, by developing quantitative benchmarks, and incorporating them into the management of its business affairs, and particularly, in order to support the maintenance of an adequate economic solvency ratio, in consideration of the challenges which are due to the portfolio's past exposures, market volatility, the interest rate environment, and regulatory effects.
- Maintaining and improving the Company's position vis-à-vis all interested parties, inter alia, by strengthening the brand and its value in the eyes of the public, boosting organizational connectedness, and increasing the sense of pride among the Group's employees.

For details regarding the Max acquisition transaction, which was closed on March 27, 2023, see Note 42(j) to the financial statements.

The information presented on all matters associated with the strategic plan, as specified below, constitutes forward looking information which is based on the Group's estimates, intentions and strategy, as specified below, which reflect its policy and intentions as of the publication date of this report, and which are based on current estimates regarding the Group's operating segments and the Group's position as of the publication date of the report, and may change, entirely or partially, from time to time. There is no certainty regarding the realization of the Group's intentions or of this strategy. The goals described above may not be realized in the future, or the Group may decide not to implement the aforementioned strategy, in whole or in part, due, inter alia, to the following reasons: changes in economic profitability, changes in the business environment, changes in competitive market conditions and changes in the markets themselves, regulatory changes, changes in the capital market in Israel and around the world, and due to the other risk factors which apply to the Group's activities, as specified in section 10.16 above and in Note 38 to the financial statements.

Part V - Corporate Governance

11. Corporate governance

The following sections are provided in this part of the Company's periodic report for 2022 in accordance with the Commissioner's directives regarding the description of the corporation's business for insurance companies; however, some of the information which is included herein is provided in accordance with the Securities Regulations, insofar as it is relevant.

11.1. Outside directors

On September 29, 2022, Mr. Sami Moualem, an outside director in the Company, announced his resignation, after the Company's Board of Directors resolved, on September 22, 2022, not to propose Mr. Moalem's candidacy for an additional term as an outside director on the Company's Board of Directors. On October 6, 2022, Mr. Moalem sent to the Company a letter, through his representative, in which he specified the circumstances which led to his resignation. Mr. Moalem alleged that the reason for the non-renewal of his tenure by the Board of Directors was his objection to the Max transaction. He also alleged various defects in the corporate governance of the Company. The Company responded to Mr. Moalem that it unequivocally rejects his assertions, and that the Company maintains high standards of corporate governance.

For details regarding the two additional outside directors who serve in the Company, see Part D of the Report - Additional Details Regarding the Corporation, section 17.

For details regarding the method for appointment of directors in the Company, see Note 1(c) to the financial statements.

11.2. Directors with accounting and financial expertise

For a list of directors with accounting and financial expertise, and for details regarding their education, experience, qualifications and knowledge, based on which the Company's Board of Directors considers the aforementioned directors as possessing accounting and financial expertise, see Part D of the report - Additional Details Regarding the Corporation, section 17.

11.3. Corporate governance

11.3.1. Company without a control core

In light of the recent increase the number of listed companies in Israel with a decentralized ownership structure, In June 2022, the **Companies Bill (Amendment No. 36) (Corporate Governance in Public Companies Without a Controlling Shareholder), 2022** (the "**Bill**"), further to the **Companies Law Memorandum (Amendment No. ___) (Corporate Governance in Public Companies Without a Controlling Shareholder)**, and the **Draft Companies Regulations (Matters Not Constituting Ties) (Amendment No. ___), 2021** (the "**Draft Regulations**") which was published in March 2021. The bill includes a proposal to adjust and update the rules of corporate governance which apply to companies without a controlling shareholder. For details, see section 10.2.2 above.

It is also noted that the Insurance Law prescribes unique provisions regarding an insurer without a control core, inter alia, in connection with the method of appointment of directors and reports regarding the holding of means of control of an insurer with no controlling shareholder. Due to the fact that some of the aforementioned provisions apply to an insurer with no controlling shareholder, while the Company controls Clal Insurance, some of the aforementioned issues were regulated in the Commissioner's letters to the Company, as stated below. For additional details, see Note 1 to the financial statements.

11.3.1.1. **The Commissioner's directives**

On December 8, 2019, the Company received a letter from the Commissioner (the "**Commissioner's Letter**"), in which the Commissioner announced, inter alia, that in light of the changes which occurred in IDB Development's stake in the Company, the Commissioner evaluated the issue of the control of the Company. In accordance with the Commissioner's letter, as part of the aforementioned evaluation, the positions of the Ministry of Justice, the Israel Securities Authority and the Competition Authority were received as well. The findings of the aforementioned evaluation, which, according to the Commissioner's position, are based on the Company's representations, indicated that, as of the date of the letter, there is no entity which holds, directly or indirectly, the Company's means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Insurance Law, and therefore, the Company is required to receive a permit for the control of Clal Insurance from the Commissioner. Further to the above, the Company received several letters from the Commissioner, and discussions were held between the Company and the Commissioner, involving the determination of an outline for exercising the means of control of Clal Insurance, which specify, inter alia, the Commissioner's reference to arrangements which will apply when exercising the Company's means of control in Clal Insurance, including as regards the appointment of directors in Clal Insurance. The outline for exercising control, including the letters which were received, replaces the need for a control permit.

For additional details regarding the Commissioner's letters with respect to exercising the means of control in Clal Insurance, and provisions regarding the appointment of directors in Clal Insurance, see Note 1 to the financial statements.

11.3.1.2. **Policies which are relevant to the change in the status of control**

As stated above, in December 2019, the Company became a company without a control core. In parallel, additional shareholders acquired and/or increased their holdings in the Company, in a manner whereby some of them received holding permits, and became interested parties in the Company. In light of change in the status of control and in the holding structure, the Company adopted policies pertaining to contact with shareholders, and a policy regarding the method for approving transactions with related parties.

(A) Related parties policy - transaction with an shareholder or with a party in which an interested party has a personal interest

As of the present date, the law does not include provisions regarding the method for approving transactions with entities which may have a personal interest in the Company who are not officers or controlling shareholders, due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities in the Group manage members' funds, the Company considered it appropriate, due to the status of a group without a control core, to adopt a policy which defines its internal conduct, in order to avoid potential conflicts of interest which may arise between different entities, in their roles as shareholders on the one hand, and as business partners / customers on the other. In March 2020, the Audit Committee and Board of Directors approved for the first time a related parties policy which defines related parties and formalizes the method of engaging with them, on any matter associated with transactions involving investment, purchasing and insurance. The policy was also approved in March 2020 by the Audit Committee, Investment Committee and Board of Directors of Clal Insurance. Limits on exposure to related parties were also established. In March 2022, the policies were ratified and updated by the audit committees of the Company and of Clal Insurance.

For the purpose of this policy, related parties were defined as follows: Any of the following entities, to the best of the Company's knowledge: Anyone who holds over 2.5%[87] of any kind of the Company's means of control, and any relative of theirs; Anyone who has proposed a candidate for service as a director in the Company or in the Group's institutional entities in the last meeting, and any relative thereof, so long as the candidate holds office; Any director in the Company or in the Group's institutional entities, any candidate for office as such a director, and any relative of theirs[88], and any corporation whose director or candidate for director therein, as stated above, serves as the CEO or Chairman of the Board; Any corporation which controls and/or is controlled by any of the above; Anyone whom the Related Parties Committee (the relevant Investment Committee and/or the Audit Committee, as applicable) has designated as such, excluding institutional entities, banks and investment houses, provided that they have proposed a director, or that the related parties committee has not decided otherwise in their case. Any corporation in which a person who served as an officer in the Group during the preceding 12 months, serves as an officer.

The policy includes quantitative restrictions on engagements with related parties, including with any controller of theirs, or any entity controlled by them, and also specifies the method of engaging with them, in a manner whereby non-insignificant transactions will be presented for approval to the relevant Investment Committee and/or to the Audit Committee, as applicable, and insignificant transactions will be presented for approval to the relevant Investment Committee with respect to investment transactions, and regarding other transactions – the evaluation will be performed the officer who is responsible for the relevant department in the Group.

The policy also established a requirement to report to the related parties committee regarding any negotiations with a related party, at a preliminary stage of the negotiations, and receipt of instructions and guidelines from the relevant committee, regarding the manner of action during the period of the negotiations, and quarterly reporting to the Investment Committee regarding non-marketable transactions with related parties, for which a decision has been made not to approve them.

In accordance with the decision of the Audit Committee and Board of Directors, the policy will be presented for review and update as required.

(B) Policy regarding meetings between officers and shareholders

On November 3, 2020, the Company's Board of Directors adopted for the first time a policy regarding meeting of officers with shareholders (hereinafter: the "**Policy**"). The resolution to adopt the policy was passed, inter alia, following the conclusions and recommendations of the examiner's report regarding the issue of the ties between directors and shareholders, while reviewing various approaches in the literature, and the development of trends around the world with reference to this issue.

Based on a review of the trends taking place around the world, regarding meetings between officers and shareholders, as well as the legal situation in Israel, the Company decided to allow Company officers to meet with shareholders, in accordance with the principles which were specified for this purpose in the adopted policy.

The policy includes the establishment of principles formalizing the current practice regarding multi-participant meetings with shareholders, as part of investor relations activities, while establishing guidelines regarding the way in

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[87] It is hereby clarified that, as of the publication date of the report, the obligation to report to the Company regarding the stakes of shareholders in the Company applies only to interested parties, as defined in the Securities Law, 1968, only.

[88] In case of reference to a candidate director, the foregoing will apply from the date of the offer to the general shareholders' meeting, until the end of tenure, or until the date when the candidacy expires; Anyone who has proposed a director, and whose holdings in the Company fall below 1%, and where the director they proposed was re-appointed in the meeting in accordance with the board of directors' proposal, will no longer be considered a related party for the purpose of this policy.

which such meetings should be held (including via digital means); submission of advance notice; subjects permitted for discussion in the meetings; documentation and reporting of the main matters and discussed, etc.

The policy also includes rules of action regarding specific meetings of officers with shareholders (on mattes pertaining to their role as shareholders), including the determination of a guiding principle, according to which meetings of this kind will not be held, in general, in a one-on-one format, except for extraordinary circumstances and before the appointment of directors in the meeting. The policy also specifies the identity of officers who are permitted to meet with shareholders, and possible meeting compositions (addition of several officers); Specification of the entity that may initiate a meeting (including clarification stating that the initiative for the meeting may also come from the shareholder); "Blackout periods" during which, as a rule, meetings will not be held with shareholders (prior to the publication of financial statements); The frequency of meetings; The location of such meetings; The obligation to notify the Company's organs in advance, and retroactive documentation of the meeting's contents; Restrictions on subjects which are permitted for discussion in meetings, specific directives regarding the holding of meetings and dedicated arrangements as part of an appointment committee which is responsible for recommending directors in the Company, and more. It is noted that the main terms of the policy regarding meetings also apply, subject to the relevant changes, to written correspondence between officers and shareholders.

(C) The examiner's report and subsequent events and developments

Following the meetings which were held between the Company's former Chairman of the Board and the Company's CEO on May 3 and 4, 2020, regarding the conclusion of the CEO's tenure, and the exchange of letters between each of them and the Company's Board of Directors (hereinafter: the "**Events Involving Discussion of the CEO's Tenure**"), which were announced and published in the media, at the request of the Israel Securities Authority, on May 10, 2020, in an immediate report of the Company (reference number 2020-01-045729), on May 11, 2020, the Audit Committee of Clal Insurance appointed, in coordination with the Commissioner, the Supreme Court Justice (Emeritus) Prof. Yoram Danziger as an examiner on its behalf (the "Examiner"), to examine the entire set of circumstances pertaining to the events involving the discussion of the CEO's tenure, including all related aspects, including examining corporate governance aspects pertaining to the process, contact with the shareholders, the assertions which were raised in the correspondence between the Company's former Chairman of the Board and the Company's CEO, and reference to the manner of proposing an alternative CEO. The examiner's report was submitted to the Audit Committee and was also submitted to the Board of Directors of Clal Insurance and to the Company's Board of Directors.

Additionally, on July 21, 2020, the Company received the Commissioner's reference to the events and facts which were specified in the examiner's report, in which the Commissioner welcomed and supported the examiner's report and its findings, and requested to delve deeper into certain issues, and as part of the above, the Commissioner believes that, in circumstances involving an insurer without a control core (including a holding company which is an insurer's controlling shareholder, and where the majority of its assets constitute holding of an insurer), then beyond the boundaries which may apply to any other public company without a control core, it would be appropriate impose more stringent restrictions on the nature of the relationship with the shareholders, and to prevent the existence of external pressure on the institutional entity's investment infrastructure. Regarding the replacement of Clal Insurance's CEO, the Commissioner stated that the process of concluding the tenure of an insurer's CEO should be done with the knowledge and consent of the insurer's Board of Directors, following a comprehensive process which should include reference to the entire set of relevant considerations, through a decision made with awareness, and free of any foreign considerations, and that the decision to appoint a new CEO for an insurer must be made within the framework of a process which includes the appointment of a Search Committee. According to the Commissioner's position, a situation of an insurer with no controlling shareholder requires the existence of a mechanism to ensure that directors and executive officers of the insurer are chosen in a manner which allows the appointment of the most suitable candidates, while protecting the interests of the Company as a whole, which requires an orderly and transparent process of selecting the appropriate candidate, as well as processes regarding the dismissal and discontinuation of tenure of executives holding office, and certainly the CEO.

The Company and Clal Insurance have been working since the reporting date on the implementation of the examiner's recommendations, by establishing appropriate rules and policies. On this matter, see, inter alia, the policies specified in this section above. For additional details regarding the Commissioner's letters, see Note 1 to the financial statements. For additional details regarding the events in connection with the examiner's report, see the immediate reports which were published by the Company on June 14, 2020 (reference number: 2020-01-061770), June 28, 2020 (reference number: 2020-01-058843) and July 13, 2020 (reference number: 2020-01-067378).

11.3.1.3. **Appointment of directors in the Company**

As stated above, in accordance with the provisions of the law and in accordance with the Commissioner's directives, no instructions of the Commissioner were established regarding the appointment of directors in the Company; however, in the Commissioner's letters to the Company it was clarified that anyone who was proposed the appointment of one third of the directors holding office in the Company, and whose proposal has been accepted, will be considered as its controlling shareholder, and accordingly, may be required to obtain a control permit from the Commissioner.

In consideration of the Company's status as a company without a control core, in September 2020 the Board of Directors appointed a special board committee, whose members included the two outside directors and the Acting Chair of the Board at that time, who also served as the committee chair. The committee served, inter alia, as a committee passing recommendations to the Board of Directors in connection with the formulation of a list of recommended criteria for the appointment of directors in the Company, and recommended suitable candidates for tenure on the Company's Board of Directors (the "**Company's Search Committee**"). The committee also received assistance from external consultants, including an external consultant on behalf of a human resources company, an observer and external legal advisers. The Company's Search Committee published a call for candidates to propose their candidacy for tenure on the Company's Board of Directors, in advance of the Company's annual general meeting, and initiated meetings with certain shareholders which hold at least 1% of the voting rights (according to information which was in its possession), and which are not institutional entities, and held meetings with several such shareholders who had requesting them, in order to hear their positions regarding the process of appointing directors in the Company, and regarding the proposal of candidates they consider suitable for tenure on the Company's Board of Directors.

In advance of the annual meeting for 2021, the Company's Board of Directors recommended the re-appointment of all of the "ordinary" directors who serve on the Company's Board of Directors, inter alia, in light of the importance of the Board of Directors' stability, providing the possibility for directors to gain knowledge and experience over a longer period of tenure, particularly in consideration of the complexity involved in the Group's field of activity, in light of the fact that some of the currently serving directors were appointed in October 2021 also as directors in Clal Insurance, and in the interest of creating synergy and stability, and allowing the Company to exercise its control of Clal Insurance, and in light of the fact that the currently serving directors were appointed with the recommendation of a search committee which was convened towards the previous annual meeting, which was held in January 2021.

On April 14, 2022, a special meeting of the Company was scheduled for May 23, 2022, at the request of Alrov, which holds 15% of the Company's shares, to select and appoint two additional directors which it had recommended.

In accordance with the Israel Securities Authority's request on May 22, 2022, the meeting was postponed to May 31, 2022, in order to complete an evaluation regarding the impact of the appointment of the two directors whose appointment is on the meeting's agenda, on the control of the Company. The Company was requested to submit to the Israel Securities Authority its written position on the subject, and was later requested by the Israel Securities Authority to publish its position, as stated in this convention report, and to contact Alrov and allow it to include in its report also its position on the matter. Accordingly, on May 29, 2022, the Company published, as part of the meeting convention report, its position which was sent to the Israel Securities Authority on May 26, 2022, including the annexes thereto, and Alrov's position, which was submitted to it on May 29, 2022, including the annexes thereto. At the request of the Israel Securities Authority, the meeting was scheduled for May 31, 2022. The appointment of one of the directors who were recommended by Alrov was approved in that meeting.

On September 19, 2022, the Company published preliminary notice regarding its intention to convene a shareholders' meeting in December 2022. Following the announcement, two shareholders contacted the Company and proposed candidates for tenure as directors in Clal Insurance, who will be proposed in the shareholders' meeting. The meeting was convened on January 4, 2023, and appointed 6 of the 7 candidate directors (5 directors who already held office, and an additional director who was proposed by a shareholder). Before the convention of the meeting, Alrov, a shareholder in the Company, published a position statement regarding the resolutions on the meeting's agenda, and the Company's Board of Directors published, in response, a position statement on its behalf. According to the position of the Company's Board of Directors, over the last two years the Company has been subjected to a vociferous and unprecedented attack by Alrov and its controlling shareholder, Mr. Alfred Akirov ("**Akirov**"), including through a malicious media campaign, threat letters, and lawsuits. In response, the Company's Board of Directors stated that it considers unfortunate way in which the matter has been handled and how it has been dragged into Akirov's threatening and defamatory campaign against the Company and its officers.

The Company's Board of Directors has not expressed its position regarding the merits of candidates who may be appropriate; However, it requested to express the main problem in Akirov's conduct, sometimes through Alrov, as reflected in the issue of the appointment of directors, which was on the agenda of the shareholders' meeting.

On September 10, 2022, Mr. Roni Maliniak, who served as a director in the Company, passed away before his time.

On September 29, 2022, Mr. Sami Moualem, an outside director in the Company, announced his resignation, after the Company's Board of Directors resolved, on September 22, 2022, not to propose Mr. Moalem's candidacy for an additional term as an outside director on the Company's Board of Directors. On October 6, 2022, Mr. Moalem sent to the Company a letter, through his representative, in which he specified the circumstances which led to his resignation. For additional details, see section 11.1 above.

11.3.1.4. **Appointment of directors in Clal Insurance**

The Commissioner's position, as reflected, inter alia, in his letters, is that, in light of the Group's corporate structure, according to which Clal Insurance is a private company under the control of the Company, which is a public company without an ultimate controlling shareholder, and with the aim of realizing the intent of the Insurance Law regarding insurers without a controlling shareholder, through the appointment of directors in Clal Insurance, will be done similarly to the mechanisms currently prescribed in the Control Law, regarding the appointment of directors in insurers with no controlling shareholder, subject to adjustments, and without prejudice to the legal right of other shareholders to propose candidates, insofar as this right is available to them. Within this framework, an external committee will be formed which includes two outside directors in Clal Insurance, in accordance with the provisions of the Insurance Law regarding a insurer without a control core, and the Commissioner established an outline to guarantee the fulfillment of the relevant purposes, as stated above.

Accordingly, in September 2021, general meetings of Clal Insurance were convened, in which it was resolved to appoint directors in Clal Insurance, in consideration of the committee's recommendations regarding candidates for tenure on the Board of Directors of Clal Insurance, and in consideration of additional candidates who were proposed by the Company's Board of Directors, in accordance with the outline of discussions which the Company held with the Commissioner.

It is noted that on December 25, 2022, clarification was received from the Commissioner in connection with the outline for exercising the means of control of Clal Insurance. In the letter, it was clarified that any shareholder that holds over 2.5% of the Company's means of control ("Holder"), or two or three shareholders, each of whom holds over 1% and no more than 2.5%, and who together hold 2.5% to 5% ("Group of Holders"), will be limited to the proposal of one candidate for the Board of Directors of Clal Insurance. In other words, so long as a director who has been proposed by a holder, or by a group of holders, serves on the Board of Directors of Clal Insurance and on the Company's Board of Directors, no additional director will be proposed to the Board of Directors of Clal Insurance, who was appointed as a director in the Company, in accordance with the proposal of that same holder or group of holders.

On September 10, 2022, Mr. Roni Maliniak, who served as a director in Clal Insurance, passed away before his time. On September 29, 2022, Mr. Sami Moualem, who had also served as a director in Clal Insurance, resigned.

According to the Commissioner's position, as stated above, in February 2023, general meetings of Clal Insurance were convened, in which it was resolved to appoint directors in Clal Insurance, in consideration of the candidates who are serving on the Board of Directors of Clal Insurance, who were appointed in accordance with the committee's recommendations, and in consideration of additional candidates who were proposed by the Company's Board of Directors, in accordance with the outline of discussions which the Company held with the Commissioner.

In the Commissioner's letter dated March 27, 2023, it was stated, inter alia, that in accordance with the Commissioner's authority to approve officers in Clal Insurance who also serve in parallel as officers in Max or in WPI, the Commissioner will take into account, inter alia, the number of officers in institutional entities in Clal Group, who serve simultaneously as officers in Max or in WPI, and their positions. It is clarified that the tenure, as stated above, of up to two officers in Max or in WPI, provided that none of them serves as the Chairman of the Board, will not constitute a significant consideration of the Commissioner when evaluating the appointment of a candidate for tenure as an officer in Clal Insurance, as stated above, subject to an evaluation of each request on its own merits.

For additional details, see Note 1(c) to the financial statements.

11.3.1.5. **Reporting policies**

Policy regarding the evaluation of significance

With respect to the evaluation of significance, the Company adopted a policy which was first approved by the Company's Board of Directors on August 20, 2008 (and recently approved in February 2023), in which the Company established for itself guidelines and rules regarding the evaluation of whether a certain event or affair of the Company and/or its investee company (the "**Event**") is significant to the Company, with respect to the obligation to file an immediate report regarding it by virtue of Regulation 36 of the Securities Regulations, and for the purpose of the classification of the transactions specified in section 270(1), (4) and (4a) of the Companies Law. The main principles of the policy are as follows:

In principle, each case will be evaluated on its own merits, and a quantitative and quantitative evaluation will be conducted regarding the relevant event, based on the entire set of information, data, relevant facts and assessments, in light of the entire set of circumstances which are relevant to the Company. Without derogating from the generality of the foregoing, the quantitative and qualitative evaluations will be conducted in the manner described below.

(A) Quantitative evaluation

11.3.1.5.A.1. Regarding any event which fulfills the significance test, all of the relevant indicators will be taken into account, as applicable, among the following indicators, with reference to and based on the last published consolidated financial statements (audited or reviewed) of the Company, and the data included therein: (A) Assets ratio - the total scope of assets involved in the event (assets acquired or sold) divided by total assets[89]; (B) Profit ratio - comprehensive income or comprehensive loss, actual or forecasted, which are attributed to the event, divided by the average annual comprehensive income or comprehensive loss (i.e., over four quarters) in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements have been published; It is hereby clarified that the income/loss which is attributed to the event, and the income/loss in each quarter, are calculated according to their absolute values. (C) Equity ratio - the increase or decrease in equity, divided by equity before the event; (D) Liabilities ratio - the financial liability associated which the event, divided by the Company's total assets in the consolidated balance sheet before the event.

[89] In a transaction performed with the assets of the nostro and/or profit sharing portfolio, the assets ratio will be evaluated relative to the total assets in the Company's consolidated balance sheet. In a transaction performed with the assets of provident funds and/or pension funds, the assets ratio will be evaluated relative to total members' asset in the provident funds and pension funds which are managed by the Group.

In light of the Group's fields of activity and scope of assets, it was clarified, regarding the purchase and sale of marketable and non-marketable assets, that realization events, including the conversion of non-marketable assets into marketable assets, or revaluation with respect thereto, which are performed in the Company's ordinary course of business as part of the financial investment of the assets of the Company or of members, even if the profit or loss which was recorded with respect thereto in the financial statements is material, will not be considered as material events for the purpose of this policy, and will be evaluated as part of the approval of the financial statements.

insofar as, for the purpose of implementing the foregoing tests, there is non-uniformity with respect to the basis of the financial statements in the relevant measurement periods (e.g., where with respect to only a part of the measurement periods, the financial statements are pro forma reports), then the Company's Financial Division Manager will have the discretion to determine the relevant measurement periods and/or to make other adjustments to the Company's financial measurement data, in a manner which results in the optimal implementation of those tests.

11.3.1.5.A.2. Without derogating from the need to estimate, with respect to each event whose significance is evaluated, which of the indicators specified in section 1.A.11.3.1.5. above are relevant, the following indicators will be considered relevant to the transactions specified below:

- Acquisition of an asset - assets ratio
- Sale of an asset - profit ratio, assets ratio
- Acceptance of a loan - assets ratio
- Service provision transaction, including insurance transaction - income ratio, profit ratio (according to the profit expected from the transaction).
- In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, an event will be considered significant if one of the relevant indicators which are calculated for it, as specified in section A.1 above, exceeds 10%.
- In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, an event will be considered insignificant if all of the relevant indicators which are calculated for it, as specified in section A.1 above, are lower than 5%.
- Events which are not classified under one of the above categories may be considered significant, and an evaluation of qualitative considerations should be performed regarding them, taking into account the entire set of information, and all of the relevant circumstances.

(1) An evaluation of the significance of an event which is expected to take place in the future should include taking into account the likelihood of the event's materialization, and the importance and expected impact of the event, if it materializes (the "reasonableness-intensity test" / "expectancy test").

(2) In case of an event which involves an associate of the Company, an evaluation should be performed regarding the event's impact on the Company's relative share in the event, i.e., relative to the Company's holding rate in the associate company, including application of the aforementioned significance tests (as opposed to a subsidiary of the Company, where the evaluation will be conducted regarding the impact on the entire Company).

(3) In case of an event which does not constitute an investment in the securities of any corporation, such as engagement in service receipt agreements, etc., an evaluation should be performed regarding the consequences of the relevant event on the Company, also with respect to additional relevant accounting items, which pertain to the characteristics of the event in question.

(B) Qualitative test

The significance of the event will be evaluated, as stated above, also in terms of qualitative considerations. The qualitative evaluation may lead to the refutation of presumptions arising from the quantitative test, with respect to the significance or insignificance of the event. The qualitative evaluation regarding the significance of the event may include taking into account its consequences and implications on the Company, in light of one or more of the following considerations:

- It involves significant chances, risks or exposures. The evaluation of this aspect will include taking into account if, and to what extent, the risks associated with the event reflect risk factors to which the Company is exposed, and which were included in its previous reports. Additionally, an evaluation will be performed regarding whether or not the event involves the materialization of a risk factor which was reported to the investor public before the event took place;

- If the event involves entry into a new and significant operating segment, or departure from a current and significant operating segment;

- If the disclosure of the event may result, with a reasonable degree of certainty, and based on past experience, and with respect to evaluation and reference models conventionally applied by investors and analysts, in a significant change in the price of the Company's securities;

- If the event may have a special impact on the Company's financial statements (such as on the reclassification of certain components, on the segmental note, etc.), or on another business component of the Company, which has an important role in all matters pertaining to the analysis of its business operations and profitability;

- The event has the potential to affect the Company's compliance with significant regulatory requirements, significant financial covenants, which may impose significant difficulties on the Company, or on other significant contractual requirements;

- The event may significantly affect analysts and/or investors in their analysis of the Company's activities and results.

- The event is perceived as a significant event by Company management, and is used as the basis for reaching managerial decisions. Events which do not receive special managerial attention, and à fortiori those which are not brought to the attention of Company management, will generally be considered immaterial events from a qualitative perspective.

(C) Legal claims (including class actions)

Without derogating from the generality of the foregoing, in an event which involves the filing of a claim, including a class action, against the Company or its investee company, the materiality of the event will be evaluated as follows: (1) Quantitative evaluation - will be conducted based on the Company's estimate regarding the amount of the claim, multiplied by the Company's holding rate in the sued company, in the case of an associate company, as opposed to a subsidiary. If an estimate of the claims' chances is available during the stage involving the evaluation of significance, these chances will be taken into account, and the prediction regarding the claim assessment will be taken into account. The relevant quantitative indicator for the evaluation of the significance of claims will be the profit ratio. In other words, the weighted claim amount which will be obtained from the performance of the aforementioned calculations will be divided by the average annual comprehensive income or comprehensive loss during the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published. The ratio which will be obtained from the performance of the aforementioned calculation, in light of the ordinary quantitative evaluation policies specified in section A above. (2) Qualitative evaluation - including the evaluation regarding whether or not the filing of the claim or threat of its filing[90] significantly affect the entire set of information

[90] It is hereby clarified that a threat to file a class action, or a preliminary motion for disclosure of documents / derivative claim, does not require the submission of an immediate report, since it constitutes a preliminary event (sometimes with respect to

which serves as the basis for reaching investment decisions, by the investor public, with respect to the Company's securities. As part of the foregoing, one or more of the relevant considerations will be taken into account, including: the identity of the plaintiff; The group of plaintiffs; The group of defendants; The fact that the claim was filed against other companies; The expected effects in case the claim is approved as a class action, and in case it is accepted by the judicial instance; The expected duration of handling the process, and its cumulative effects on a broad class of plaintiffs; The existence of similar claims against the Company, which pertain to a similar matter, and the extent of the impact of the additional claim on the entire set of information which is available to the investors; Reference to the class action in the Company's financial statements.[91]

Notwithstanding the foregoing, with respect to an event which involves an insurance claim, it will be considered significant, in quantitative terms, if it cumulatively fulfills the following two conditions:

- The amount claimed, less reinsurance (retention), interest and expenses, exceeds 1% of equity.
- The amount claimed (gross) exceeds 5% of Company's equity.

Additionally, an event involving an insurance claim will be considered significant in quantitative terms if the gross amount claimed exceeds 20% of the Company's equity.

(D) With respect to administrative or criminal proceedings

In case of an event which involves a criminal investigation being conducted against the Company, on a material issue, by the proceeding, the Israel Securities Authority, or another regulatory authority, and events which involve criminal or administrative proceedings against the Company regarding a significant matter, excess weight will be given to the qualitative evaluation of the significance of the event, and particularly, an on the subject will be placed on the way in which the event may affect investors and/or analysts in their analysis of the Company's activities and results, and the reference of investors to the manner in which the Company conducts its business affairs.

11.4. Internal auditor

11.4.1. Details of the Internal Auditor

- Name: Eran Shachaf.
- Tenure commencement date: April 1, 2014.
- The Internal Auditor fulfills the conditions prescribed in section 3(a) of the Internal Audit Law, 1992 (hereinafter: the "**Internal Audit Law**").
- The Internal Auditor complies with the provisions of section 146(b) of the Companies Law, and with the provisions of section 8 of the Internal Audit Law.
- The Internal Auditor has no business relations with the Company or with any entity which is related thereto.
- The Internal Auditor is an employee of Clal Insurance and serves as an Internal Auditor in the Company, in Clal Insurance and in additional member companies in the Group.

11.4.2. Appointment method

The Internal Auditor was appointed in November 2013 by the Company's Board of Directors and Clal Insurance, further to the recommendation of the Audit Committee of the Company and Clal Insurance, and his tenure began in April 2014. The appointment of the Internal Auditor was done in light of his education, and the obligations and responsibilities of the Internal Auditor in accordance with the law in the Company and in Clal Insurance, in consideration of, inter alia, the Company's size, type, scope of activities and complexity. The authorities of the Internal Auditor are set forth in a positions and authorities document, which was last approved on December 25, 2022 and on

proceedings which are essentially preliminary) which is not material (quantitatively or qualitatively), and which will not necessarily lead with the filing of a claim, unless the Company believes that there is a special qualitative reason to report the receipt of the warning.

91 As much as possible, the financial statements included limited disclosure regarding claims which have been estimated as immaterial, and where the risk assessment regarding them has changed, such that they became material, the disclosure given regarding them in the reports will be expanded.

December 29, 2022 by the Audit Committee and Board of Directors of the Company and of Clal Insurance, respectively.

11.4.3. Identity of the Internal Auditor’s supervisor

In accordance with the provisions of section 148 of the Companies Law, the individual in the organization who supervises the Internal Auditor is the Chairman of the Company’s Board of Directors.

11.4.4. Work plan

- The internal audit operates in accordance with a multi-annual work plan (for a period of 4 years), and in accordance with an annual work plan which is derived therefrom.
- The determination of audit subjects significantly depends on the risk level inherent in each audited operating segment, and on the probability of the materialization of the risk. The determination of the audit subjects and the frequency of audits therein is based, inter alia, on a risk survey which was performed by the internal audit unit in 2020 which was used to determine the multi-year work plan for the years 2021-2024, in which an emphasis was placed, inter alia, on the financial scope of the activity regarding which an audit is proposed, and on the exposure to operational, regulatory and other risks which are inherent in each operation.
- When determining the Internal Auditor’s work plan, the Internal Auditor consults with the Chairman of the Board, the Audit Committee Chairman, the Company’s CEO and members of management.
- The Internal Auditor submits the work plan to the Company’s Audit Committee for approval, in accordance with the provisions of section 149 of the Companies Law.
- The work plan allows judgment for the internal auditor to deviate from the plan, in cases such as regulatory changes, specific requirements of the Commissioner, changes in work processes or changes in the organizational structures which are relevant to the activities on which an audit was planned in accordance with the work plan, as approved by the Audit Committee. In case of an insignificant deviation from the work plan, the Internal Auditor is not subject to additional approvals, but submits updates to the Audit Committee regarding those changes.
- The Internal Auditor was invited to all meetings and attended most meetings of the Board of Directors and the Audit Committee, including meetings which included discussions regarding material transactions.

11.4.5. Audit of investee companies

The internal audit unit’s work plan for 2022 also addressed the activities of subsidiaries, and particularly, material investees of the Company in Israel: Clal Insurance, Clal Credit Insurance, Clal Pension and Provident Funds and the Group’s agencies. These investee corporations did not have an additional internal auditor during the reporting year.

It is noted that Atudot Havatika has a separate internal auditor, whose activity is not associated with the Group’s internal audit division.

11.4.6. Scope of employment

The Internal Auditor is employed by the Company in a full time position. The Internal Auditor was responsible, during the reporting year, for internal auditing in the Company’s abovereferenced investee companies, excluding Atudot Havatika, as stated above. The scope of the audit in the investee companies is derived from the unique characteristics of the activity of each investee company, and from the scope of its activities relative to the scope of the Group’s activities.

Presented below is the scope of internal audit work hours which were performed regarding the activity of the Company and of its investee companies during the reporting period:

Company name	Hours worked	Additional internal auditor	Outsourcing	Total
Clal Insurance[92]	26,550		450	27,000
Clal Credit Insurance	1,000			1,000
Clal Pension and Provident Funds	8,850		150	9,000
Atudot Havatika		**1,140**		1,140
Agencies under the Company's control	1,000			1,000
Total:	**37,400**	**1,140**	**600**	**39,140**

The total scope of audit work hours in the Group in 2022 (including 1,140 audit hours of Atudot Havatika) amounted to a total of approximately 39,140 hours, similarly to the Group's total scope of hours in 2021. Atudot Havatika has an additional, separate Internal Auditor, whose activity is not associated with the Group's internal audit division.

11.4.7. Performance of audits

- The audit is performed in accordance with professional internal auditing guidelines, and in accordance with the guidelines set forth in the regulation codex of the Authority of Capital Markets, Insurance and Savings, volume 5, part 1, chapter 8 (formerly institutional entities circular 2007-9-14).
- The Company's Board of Directors is satisfactorily convinced that the internal audit unit is working in accordance with the requirements which were determined in the aforementioned guidelines, inter alia, based on various issues which were presented to the Board of Directors and/or to the Audit Committee for approval, including the letter of authorities for the internal audit unit, qualifications, and the resources of the internal audit unit, and routine maintenance and monitoring of the Internal Auditor's independence.

11.4.8. Access to information

As part of the work done by the internal audit unit, any document or information requested by the Internal Auditor and required for the performance of his responsibilities were presented to him. No restrictions were imposed on the work of the internal audit unit, and as part of the foregoing, the Internal Auditor was given free, continuous and immediate access to the Company's information systems and financial data.

11.4.9. Reports of the Internal Auditor

- The Internal Auditor's reports are submitted in writing to the Audit Committee.
- The internal audit reports are presented, on a routine basis, to the CEO of the audited company, for the purpose of holding a discussion regarding the findings of the audit, before presenting them t the relevant Audit Committee. The audit reports are available to all of its Board members.

92 The figure includes 100 audit hours in Clalbit Finance.

- Presented below are the dates when discussions were held regarding the Internal Auditor's findings in the Company's Audit Committee, including a summary of the audit activity during the reporting period, if not they did not include a discussion of the audit reports themselves:

  Clal Insurance

  16.1.2022,15.2.2022, 13.3.2022, 10.4.2022, 15.5.2022, 14.6.2022, 17.7.2022, 14.8.2022, 14.9.2022, 23.10.2022, 20.11.2022, 13.12.2022, 25.12.2022.

  Clal Holdings

  16.2.2022, 24.3.2022, 18.5.2021, 17.7.2022, 6.11.2022 and 25.12.2022.

  The audit reports are rated by the internal audit department by level of severity. It is noted that some of the internal audit reports are submitted for review to the Audit Committee members for information purposes only, and are not discussed in the committee's meetings, in cases where the audit report is rated by the audit report unit with a relatively low severity level, in a manner which does not require presenting the report for discussion. It is emphasized, also with respect to the internal audit reports which are presented for information purposes only, that each of the Audit Committee members has the possibility of requiring that a specific discussion be held regarding the findings and recommendations which are included in the report.

- It is noted that, in light of the Commissioner's announcement from June 2019, entitled "announcement regarding issues for discussion in joint meetings", which includes a list of issues which the members of an institutional entity's Board of Directors and board committees may discuss in joint meetings with board members of the institutional entity's parent company, the Company's Audit Committee conducts separate meetings from the Audit Committee of Clal Insurance. As part of the above, the Audit Committee determined that it will discuss the audit reports which are unique to the Company, and it will also be informed regarding process-related issues which are intended to ensure adequate corporate governance, adequate processes and sufficient resources in the Group, and it will also be informed, on a quarterly basis, of significant audit reports (as defined by the Audit Committee), following a discussion thereof by the Audit Committee of Clal Insurance, plus recommendations for implementation. At the request of the Company's Audit Committee, it is receiving the agendas and background materials of Clal Insurance's Audit Committee.

11.4.10. Board of directors' assessment of the Internal Auditor's work

In the opinion of the Company's Board of Directors, the scope, nature of continuity of the activities and work plan of the internal audit unit are reasonable in light of the circumstances, and are sufficient to achieve the goals of internal auditing in the Company and in the subsidiaries.

11.4.11. Compensation

- The Internal Auditor is employed as an employee of Clal Insurance, with the status of Executive VP, in a full time position, and receives a monthly salary, including social fringe benefits. The auditor's compensation is based on generally accepted principles for the compensation of members of management (including audit functions).
- The internal auditor's salary and employment terms are approved by the Compensation Committees and the boards of directors of Clal Insurance and of the Company, with the recommendation of the Audit Committees.
- The compensation policy of the Group's institutional entities applies to the Internal Auditor. For details regarding the policy, see section 10.7.5 above.

- The Internal Auditor has a personal compensation plan with respect to the distribution of an annual bonus, as part of the general compensation policy adopted by the Company. The personal compensation plan of the Internal Auditor is based, inter alia, on the Company's profit, professional targets associated with the internal audit work plan, including in accordance with the assessment of the Audit Committee and the assessment of the chairman of the Company's Board of Directors regarding the Internal Auditor's work. The targets are approved on an annual basis by the Compensation Committee, Audit Committee and Board of Directors, as is the fulfillment thereof. For additional details, see the annex regarding the compensation policy.

- In 2021, 66,000 non-marketable warrants, exercisable into ordinary Company shares, were granted to the internal auditor as part of the 2021 warrants plan which applies to officers and employees of the Company and of the Group's member companies. For additional details, see Note 40(a)(2) to the financial statements.
- The Internal Auditor's total compensation in 2022 amounted to approximately NIS 1.67 million.
- On March 14 and 30, 2023, the Audit Committee and Board of Directors evaluated the correspondence of the compensation received by the Company's Internal Auditor in 2022, as specified in this section above, to the terms of the Company's compensation policy, and found that the variable and fixed components of compensation correspond to the terms of the compensation policy of the Company and the institutional entities.

  In light of the foregoing, the Board of Directors believes that the employment terms of the Internal Auditor are appropriate for his position, are reasonable and fair, and reflect the Internal Auditor's fulfillment of his personal targets, and his contribution to the Company.

  In light of the Board of Directors' impression regarding the internal auditor's professionalism and the quality of his work, and in light of the fact that the fixed salary constitutes at least 55% of the internal auditor's compensation package, compensation package the Company's Board of Directors found that there is no suspected conflict of interest in the fact that the internal auditor was given warrants, and that, as part of his compensation plan, he may receive a variable bonus, and that this should not affect the work of internal auditing.

  In light of the foregoing, the Company's Board of Directors believes that the compensation given to the Internal Auditor does not affect his professional judgment.

11.5. Auditor's Report

11.5.1. Details Regarding the Auditing Firms

- **Kost Forer Gabbay & Kasierer** - Tenure commenced in 1978. Name of responsible partner: Tel Hai Zion, C.P.A. (since April 2019).
- **Somekh Chaikin** - Tenure commenced in 1998. Name of responsible partner: Shira Lichtenstadt, C.P.A.

11.5.2. Payments to the auditors

NIS in thousands, excluding VAT

	2022				2021			
	Audit and tax services	Audit-related services	Other services	Total	Audit and tax services	Audit-related services	Other services	Total
The Company	105	30	-	135	100	20	-	120
Clal Insurance and subsidiaries*	6,076	105	393	6,574	4,948	140	468	5,556
Clal Agency Holdings and subsidiaries	184	-	-	184	271	-	-	271
Other companies	-	-	-	-	30	-	-	30
Total companies	**6,365**	**135**	**393**	**6,893**	**5,349**	**160**	**468**	**5,977**

* During the reporting year, the audit services included fees with respect to SOX, a solvency audit, and IFRS 17.

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The professional fees of the accountants with respect to the audit services were determined by the Board of Directors, in accordance with the recommendation of the Audit Committee. The professional fees with respect to the audit services were determined following negotiations with the auditors, in which the scope and complexity of the audit were evaluated, with reference to the auditor's salary, according to the conventional practice in the branch. The professional fees with respect to services which are not associated with auditing were determined primarily in accordance with the type of work, the scope of work hours and the audited subject.

11.6. The corporation's donations

As part of its social activities, in 2022, the Group donated a total of approximately NIS 4 million in Israel, in accordance with the defined strategy: support for entities and associations working to support special needs groups, including population groups affected by illness, people with disabilities, disabled population groups, with an emphasis on supporting children and youths, including by encouraging education.

This year as well, the Company provided main sponsorship for the fundraising broadcast of Pitchon Halev in advance of the Passover holiday. Pitchon Halev Association strives to break the inter-generational poverty cycle in Israel, and each year assists around half a million people in Israel. This is the fifth year in a row that the Company donates to the "7 Plan", which is designed for youths in the geographical periphery, and which accompanies them for 7 years, from the high school period until they are integrated into higher education and in post-military employment.

This year is the second year that the Company has adopted, as part of the "Special in Uniform" program, a unit of 11 youths on the autism spectrum or with mental disabilities, who are serving at Zikim base, while accompanying them at serious junctions in their lives, and supporting the association.

In 2021, the Company published its first corporate responsibility report. The corporate responsibility report reflects the entire set of social, environmental, ethical and values-based considerations taken into account by Clal Insurance in its day-to-day business activities.

This year, Clal Insurance won, for the third year in a row, the highest ESG rating - Platinum Plus, and it is included on the list of Israel's leading companies in terms of corporate responsibility. Clal Insurance's win attests to the Company's activity and commitment to the promotion of corporate responsibility issues, with social and environmental impact, as part of its routine business activities.

To the best of the Company's knowledge, there are no ties between the associations to which the Group donated NIS 50,000 or more during the reporting year, and the Company or its officers.

11.7. Effectiveness of internal control over financial reporting and disclosure -

11.7.1. The Securities Regulations

In December 2009, **The Securities Regulations (Periodic and Immediate Reports) (Amendment No. 3), 2009**, were published, which deal with the system of internal controls over financial reporting and disclosure in a corporation, which are intended to improve the quality of financial reporting and disclosure in reporting corporations.

In an amendment dated July 7, 2011, it was stipulated that a corporation which consolidates, or proportionately consolidates, a banking corporation or institutional entity, may choose to apply, with respect to the internal control over that banking corporation or institutional entity only, the framework for the evaluation of the effectiveness of internal control as set forth in the other legal provisions which apply to them in this regard, insofar as a framework of this kind exists for the quarterly report.

Accordingly, in addition to the executive certifications and the report regarding the effectiveness of internal control, which are provided as part of this quarterly report, executive disclosures and certifications are attached, which refer to the internal control in the consolidated institutional entities, which are subject to the Commissioner's directives.

11.7.2. The Commissioner's directives regarding internal control over financial reporting and disclosure

The Commissioner published, in recent years, several circulars (hereinafter: the "**Commissioner's Circulars**") which are intended to implement the provisions of Section 302 and Section 404 of the SOX Act in insurance companies, in managing companies of pension funds and provident funds, in pension funds, and in provident funds (hereinafter: the "**Institutional Entities**").

Accordingly, Clal Insurance and the consolidated institutional entities included the information subject to the provisions of the law, in reports filed by the dates set forth in the aforementioned provisions.

11.7.3. Section 302 and section 404 of the SOX Act - Management's responsibility for internal control over financial reporting and disclosure

In accordance with the circulars published by the Commissioner, which are based on section 302 and section 404 of the **SOX Act**, and as described in the previous Board of Directors' reports of Clal Insurance, Clal Insurance acted and routinely acts to implement the process required in accordance with the foregoing provisions, including an evaluation of the work processes and internal controls which are implemented, in accordance with the stages and dates set forth in the circulars. In accordance with foregoing, Clal Insurance adopted the internal control model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which constitutes a defined and recognized framework for the evaluation of internal control.

The management of Clal Insurance (the institutional entity), in collaboration with the CEO, the Executive VP of Clal Insurance and the Financial Division Manager have evaluated, as of the end of the period covered in this report, the effectiveness of the controls and procedures regarding disclosure of Clal Insurance. Based on this evaluation, the CEO, Executive VP of Clal Insurance and Financial Division Manager have concluded that, as of the end of the aforementioned period, the controls and procedures involving the disclosures made by Clal Insurance are effective for the purpose of recording, processing, summarizing and reporting the information which Clal Insurance is required to disclose in the annual report, in accordance with the provisions of the law, and the reporting directives which were issued by the Commissioner, and by the date specified in those directives.

During the covered period ended December 31, 2022, no change took place in the institutional entity’s internal control over financial reporting which could have materially influenced, or which could reasonably have been expected to materially influence, the institutional entity’s internal control over financial reporting.

Executive certifications regarding the effectiveness of internal control over financial reporting and disclosure, with reference to the relevant processes, in accordance with the Commissioner’s circulars, are attached to the report.

Clal Insurance Enterprises Holdings Ltd.

Haim Samet	Yoram Naveh
Chairman of the Board of Directors	**Chief Executive Officer**

March 30, 2023

* * *

The Board of Directors' Report regarding the state of the corporation's affairs for the period ended December 31, 2022 (hereinafter: the "**Board of Directors' Report**") reviews the main changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") during 2022 (hereinafter: the "**Reporting Period**").

The Board of Directors' Report was prepared in accordance with the Securities Regulations (Periodic and Immediate Reports), 1970; the Board of Directors' Report with respect to Insurance Business Operations was prepared in accordance with the Control of Insurance Business Regulations (Particulars of Report), 1998, and in accordance with circulars issued by the Commissioner of the Capital Markets, Insurance and Savings Authority (hereinafter: the "**Commissioner**").

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1. Description of the Company's controlling shareholders

In the Commissioner's letter dated December 8, 2019, it was stated that there is no entity which holds the Company's means of control, either directly or indirectly.
For additional details regarding the holdings in the Company during the reporting period, see Note 1 to the financial statements.

2. Board of Directors' Remarks Regarding the Corporation's Business Position

The Company's activity is subject to continuous regulation, and to regulatory changes and reforms. The Company's activities and results are also significantly affected by changes in the capital markets, including, *inter alia*, due to interest rate changes, which affect the Company's insurance liabilities and financial asset portfolios, and therefore also management fees and financial margin from investments.

2.1 Significant events during and after the reporting period:

A. Transaction to acquire Max IT Finance Ltd. (Max)

On August 12, 2022, the Company acquired the entire issued and paid-up capital of Warburg Pincus Financial Holdings (Israel) Ltd., a holding company which holds, *inter alia*, Max IT Finance Ltd. ("Max"). The net consideration in the transaction amounted to a total of approximately NIS 1.6 billion, and is subject to regulatory approvals.

Max's activity is focused on two operating segments:

1. The issuance segment, which is focused on activities for two main types of customers:

   A. Solutions for financial institutions - joint issuance and processing of credit cards with banks, on behalf of their customers (B2B2C).

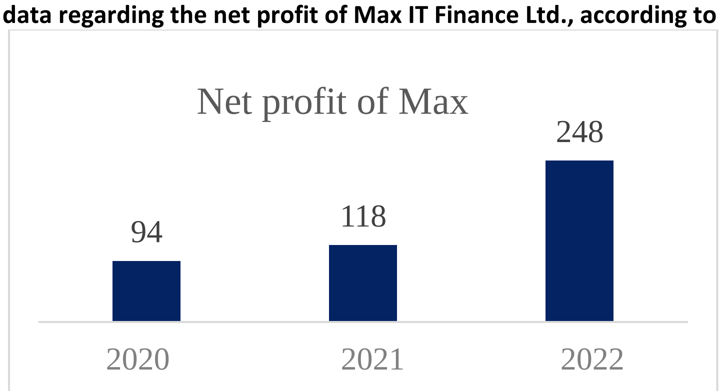
   B. Private customers - Sale and marketing of a total of credit cards, consumer credit and other products, directly to private customers, in other words, the consumers (B2C), including through joint clubs.

2. The clearing segment, which includes the following activities:
   A. Clearing services - Guaranteeing payment against transaction slips made using credit cards, in consideration of a fee which is collected from the business.
   B. Related services and supplementary products to clearing services.
   C. Financial solutions, products and services which are offered to the businesses, such as loans, voucher discounting, advance payments, and guarantees.

Max's net profit in 2022, according to its publications, amounted to a total of approximately NIS 248 million, as compared with profit in 2021 of approximately NIS 118 million only.

For additional details regarding the transaction, see Note 42(j) to the financial statements.

Presented below are data regarding the net profit of Max IT Finance Ltd., according to its publications:



2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.1 Significant events during and after the reporting period: (Cont.)

B. Declines in capital markets and increase of the interest rate curve

The results during the reporting period were primarily affected by financial effects on the one hand, and sharp declines were recorded in the markets of marketable capital, which affected the investment income in the nostro portfolio. Additionally, in profit sharing insurance policies, variable management fees were not collected during the reporting period (and a liability to policyholders was created in the amount of approximately NIS 753 million before tax, where until it has been covered, the Company will not collect variable management fees). On the other hand, a significant increase was recorded in the risk-free interest rate curve, which resulted in a decrease of the actuarial reserves. For details regarding the consequences of the above on results, see the table regarding special effects, in section 2.2(a) below. For details regarding the Company's sensitivity to changes in the capital market and to interest rates, see Note 38 to the financial statements.

C. Shelf prospectus

During the reporting period, the Company and Calbit Finance published a shelf prospectus. For additional details, see Note 16 to the financial statements.

D. Rating

The Company - In February 2023, a rating of AA- was given by the rating company S&P Maalot, for the Company and the bonds it has issued at a scope of approximately NIS 400 million. For additional details, see Note 25 to the financial statements.

Clal Insurance and deferred liability notes which were issued by Clalbit Finance

D. For details regarding the ratings which were given by Midroog and Maalot in July 2022, in which they ratified the ratings of Clal Insurance and of deferred liability notes which were issued by Clalbit Finance, see Note 25 to the financial statements.

E. Bond issuance by the Company

After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report. The net issuance proceeds amounted to a total of approximately NIS 397 million. For additional details, see Note 25 to the financial statements.

F. Solvency ratio

Clal Insurance published an economic solvency ratio report as of June 30, 2022, in which the ratio, without the distribution provisions, was 103% (105% after taking into account actions performed after that date), as compared with a ratio of 92% as of December 31, 2021.

In consideration of the distribution provisions, the ratio was 178% as of June 30, 2022, as compared with a ratio of 168% as of December 31, 2021. For additional details, see section 2.3.3 below and Note 16 to the financial statements.

G. Change in provisions pertaining to life insurance plans combined with savings, which include "annuity factors representing a life expectancy guarantee"

In June 2022, the Commissioner published a circular which addressed, *inter alia*, the changes in life expectancy, including future improvements, and the associated effects on the amount of reserves, and the methods used to create them. The circular includes expansion of the use of the new mortality table for retirees of insurance companies, which was based, *inter alia*, on the mortality experience of retirees of the insurance companies.

During the reporting period, the Company increased its estimates regarding the liabilities with respect to insurance contracts in the amount of approximately NIS 627 million, including a total of approximately NIS 149 million with respect to the paid pension liabilities and a total of approximately NIS 478 million with respect to liabilities for supplementation of the annuity reserve, in light of the trends arising from the circular.

H. Financial effects after the reporting date

During the period after the reporting date and until the approval date of the financial statements, the volatility in marketable capital markets and the increase in the inflation rate continued, which resulted in an increase of the balance of the liability specified in section B above, in the amount of approximately NIS 87 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounted to a total of approximately NIS 840 million, before tax.

At this stage, it is not possible to estimate the continued developments in the market, or their effects on the results for 2023, and the foregoing does not constitute any estimate of the Company's projected financial results in 2023, or regarding the economic solvency ratio, due, *inter alia*, or regarding the economic solvency ratio, *inter alia*, with reference to continued developments in the aforementioned markets.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (for details regarding operating segments, see Note 5 to the financial statements).

Presented below are details regarding comprehensive income (loss), distributed by segments:

		Year			Q4	
NIS in millions	Item	2022	2021	2020	2022	2021
Life insurance	2.2.1.1	**(96)**	1,107	366	**87**	413
Pension	2.2.1.4	**18**	28	6	**1**	6
Provident	2.2.1.3	**(2)**	8	(2)	**(1)**	-
Total long term savings division		**(81)**	1,143	370	**87**	420
Non-life insurance	2.2.2	**(91)**	112	49	**39**	22
Health insurance	2.2.3	**353**	193	175	**38**	(13)
Financing expenses	2.2.6	**194**	186	143	**50**	57
Other and items not included in the	2.2.4	**(341)**	808	381	**(78)**	187
Total comprehensive income (loss) before		**(354)**	2,068	832	**36**	556
Taxes (tax benefit)		**(121)**	661	226	**22**	160
Total comprehensive income (loss) for the period, net of tax		**(233)**	1,407	606	**14**	396
Attributable to Company shareholders		**(237)**	1,402	602	**12**	395
Attributable to non-controlling interests		**3**	5	4	**1**	1
Return on equity in annual terms (in percent) *)		**(3.1)**	22.3	10.6	**0.6**	21.6

*) Return on equity is calculated by dividing the profit for the period attributable to the Company's shareholders, by the equity as of the beginning of the period attributable to the Company's shareholders.

A. The Company's results during the reporting period

Comprehensive loss after tax attributable to the Company's shareholders in the reporting period amounted to a total of approximately NIS 237 million, as compared with comprehensive income of approximately NIS 1,402 million in the corresponding period last year.

Presented below are the main reasons for the differences in results relative to the corresponding period last year:

Underwriting results:

During the reporting period, underwriting improvement was recorded in operating segments in the property, liabilities and credit insurance branches in elementary insurance, as well as an improvement of risk profits in risk of death and loss of working capacity products in life insurance, while on the other hand, a change for the worse was recorded in underwriting in the motor branches in elementary insurance and in the individual long-term care branch, as specified below in sections 2.2.2-2.2.3.

During the reporting period, gross premiums earned, contributions and receipts with respect to investment contracts amounted to a total of approximately NIS 27,756 million, as compared with a total of approximately NIS 27,170 million in the corresponding period last year, an increase of approximately 2%. The increase was mostly due to the increase in contributions in provident and pension funds and the increase in premiums in the non-life insurance and in the health segment. The increase was despite the decrease in receipts from investment contracts due to, *inter alia*, the declines in capital markets.

The aforementioned increase in premiums, together with the Company's activity to contain the increase in expenses, despite the impact of rising inflation during the reporting period, resulted in a situation where the ratio between general and administrative expenses and commissions, marketing expenses and other acquisition expenses, to total gross premiums earned, contributions and receipts in respect of investment contracts, remained at a ratio of approximately 11% during the reporting period, similarly to the corresponding period last year.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

Financial effects, investment income and capital markets:

During the reporting period, sharp declines were recorded in capital markets, which affected the Company's returns, such that a financial margin was recorded in life insurance in the amount of approximately NIS 461 million only, and loss was recorded from investments not allocated to segments in the amount of approximately NIS 310 million, as compared with the positive financial margin in life insurance in the amount of approximately NIS 1,699 million, and income from investments not allocated to segments in the amount of approximately NIS 844 million in the corresponding period last year. A liability to policyholders was also created with respect to negative returns in the portfolio of profit-sharing policies in life insurance in the amount of approximately NIS 753 million, where until it has been covered, Clal Insurance will not collect variable management fees.

On the other hand, during the reporting period a decrease was recorded in insurance reserves due to the increase in the risk-free interest rate curve and other financial effects, in the amount of approximately NIS 1,640 million, as compared with the decrease of the reserves in the amount of approximately NIS 18 million in the corresponding period last year, as specified in the following table.

Updates to assumptions in actuarial models and class actions:

The results during the reporting period were also negatively affected by the increase of the reserve in life insurance in the amount of approximately NIS 627 million, due to **update to actuarial assumptions** , in light of the Commissioner's update to the default assumptions regarding mortality and improvements in mortality (the "**Updated Mortality Tables for Retirees**"), with no effect in the corresponding period last year, and other changes in assumptions in the calculation of liabilities to supplement the annuity reserve, which resulted in an increase of the reserve in the amount of approximately NIS 155 million, as compared with the increase due to the change in assumptions in life insurance in the amount of approximately NIS 87 million in the corresponding period last year.
For additional details, see Note 42(a) to the financial statements.

Additionally, during the reporting period, an update to the provision for class actions was recorded in the amount of approximately NIS 100 million, mostly in the life insurance segment. with no significant impact in the corresponding period last year.

Return on equity in annual terms during the reporting period amounted to a negative rate of 3.1%, as compared with a positive rate of 22.3% in the corresponding period last year.

Managed assets:

During the reporting period, the assets managed by Clal Pension and Provident Funds increased due to the improvement in incoming transfers. This increase was mostly offset by the negative impact of returns on assets during the reporting period. There was also a significant increase in management fee revenues, in both pension and provident funds, relative to the reporting period last year. For additional details, see sections 2.2.1.3 and 2.2.1.4 below.

Assets managed by the Company as of December 31, 2022 amounted to a total of approximately NIS 295 billion, as compared with a total of approximately NIS 286 billion as of December 31, 2021, an increase of approximately 3%, due to the improvement in net incoming transfers in pension and provident products, which amounted to a total of approximately NIS 12 billion, and which was partly offset by the negative effect of the returns on assets during the reporting period, as stated above.

Proximate to the publication date of the report, the Company manages assets in the amount of approximately NIS 300 billion, of which over NIS 100 billion are assets managed by the new pension fund.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

A. The Company's results during the reporting period (Cont.)

The results during the reporting period and during the quarter, and in the corresponding periods last year, respectively, as specified below, include (*inter alia*) the following effects (for details regarding additional effects on the operating segments' results, see section C below).

	Year		Q4	
NIS in millions	2022	2021	2022	2021
Life insurance -				
Change in the discount interest rate used to calculate pension reserves	**505**	83	**98**	(4)
Profit (loss) with respect to change in pension reserves following the decreased forecast of future income (K factor) 1)	**637**	28	**193**	74
Total financial impact on pension reserves 4)	**1,142**	111	**291**	71
loss due to change in mortality assumptions in the calculation of liabilities to supplement pension reserves	(627)	-	-	-
Change in other assumptions used in the calculation of liabilities to supplement annuity reserves 2)	**(155)**	(28)	**(155)**	(28)
Change in estimated duration of loss of working capacity claims	-	(59)	-	(59)
Total special effects - life insurance 4)	**360**	24	136	(16)
Effect of the interest rate decrease on reserves in non-life insurance 4)	**219**	(59)	**43**	17
Total special effects - non-life insurance	**219**	(59)	**43**	17
Change in actuarial assumptions in the liability adequacy test (LAT)	**-**	(76)	**-**	(76)
Financial impact in the liability adequacy test (LAT) 3)	**279**	42	**5**	38
Total long-term care in the health segment	**279**	(34)	**5**	(38)
Total special effects before tax	858	(69)	184	(37)

Notes:

1. In 2021, including the impact in the amount of approximately NIS 58 million, in light of the update to the method used to adjust the interest rate according to the illiquid nature of the liability (see Note 38(e)(e1)(d)1(a) to the annual financial statements).
2. For additional details, see Note 38(e) to the financial statements.
3. The decrease of the provision in the health segment during the reporting period constituted most of the LAT provision in that segment.
4. Changes in main estimates and assumptions which were used to calculate liabilities due to financial effects, for additional details, see Note 38(e)e1(d) and Note 38(e)e2(4)a to the annual financial statements.

B. The Company's results during the quarter

Comprehensive income after tax attributable to Company shareholders in the current quarter amounted to a total of approximately NIS 12 million, as compared with comprehensive income of approximately NIS 395 million in the corresponding period last year.

Presented below are the main reasons for the differences in results relative to the corresponding period last year:

Underwriting results:

During the quarter, underwriting improvement was recorded in the Company's results, and underwriting improvement was recorded in elementary insurance in the property and liabilities branches, and in the illness and hospitalization branch of health insurance, which was partly offset by the change for the worse in underwriting in the motor property and individual long-term care branches, as specified below in sections 2.2.3-2.2.2.

Gross premiums earned, contributions and receipts with respect to investment contracts during the reporting period amounted to a total of approximately NIS 6,868 million, as compared with a total of approximately NIS 8,225 million in the corresponding period last year. In the current quarter, the Company achieved an increase in pension contributions and an increase in premiums in non-life insurance and in the health segment. The decrease in the total amount, despite these increases, was mostly due to the sharp decline in receipts in respect of investment contracts and in provident fund contributions, in the amount of approximately NIS 2 billion, in light of the aforementioned market declines.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

The ratio between general and administrative expenses and fees, marketing expenses and other acquisition expenses to total gross premiums earned, contributions and receipts in respect of investment contracts, amounted to a ratio of approximately 12% during the quarter, as compared with a ratio of approximately 10% in the corresponding period last year. The increase occurred due to the decrease in receipts in respect of investment contracts, in light of the market situation, as stated above.

Financial effects, investment income and capital markets:

The decrease in results during the quarter, relative to last year, was mostly due to capital markets declines which affected the Company's returns, such that a positive financial margin was recorded in life insurance in the amount of approximately NIS 201 million only, and loss was recorded from investments not allocated to segments in the amount of approximately NIS 67 million, as compared with the positive financial margin in life insurance in the amount of approximately NIS 592 million, and income from investments not allocated to segments in the amount of approximately NIS 213 million in the corresponding period last year.

On the other hand, during the quarter a decrease was recorded in insurance reserves due to the increase in the risk-free interest rate curve, in the amount of approximately NIS 339 million, as compared with an increase of the reserves in the amount of approximately NIS 50 million in the corresponding period last year, as specified in the above table.

Updates to assumptions in actuarial models and class actions:

The results during the quarter were also adversely affected by the change in assumptions used in the calculation of liabilities to supplement the annuity reserve, which resulted in an increase of the reserve in the amount of approximately NIS 155 million, as compared with the increase of the reserve due to changes in assumptions in the amount of approximately NIS 87 million in the corresponding period last year.
For additional details, see Note 42(a) to the financial statements.

Additionally, during the quarter an update to the provision for class actions was recorded in the amount of approximately NIS 45 million, mostly in the life insurance segment. with no significant impact in the corresponding period last year.

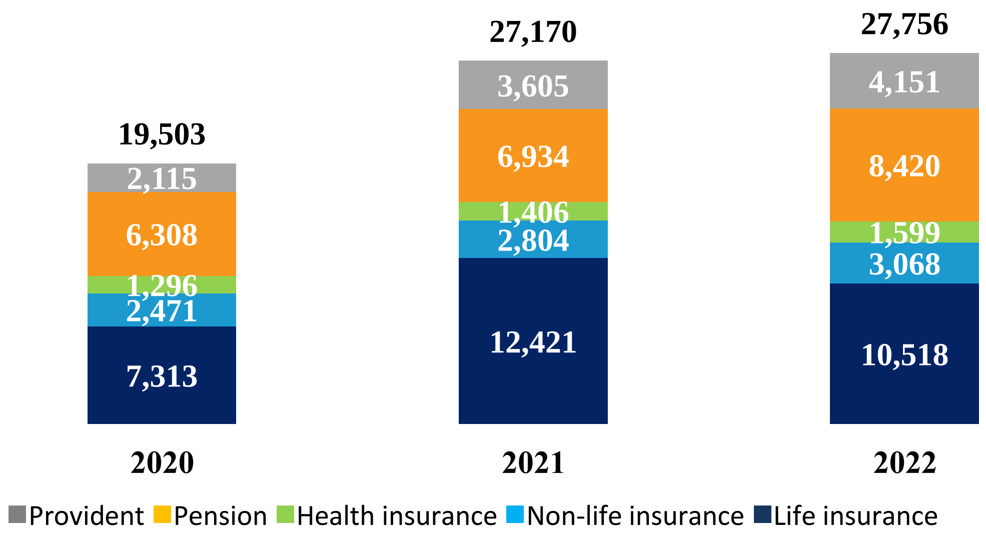
Return on equity in annual terms during the current quarter amounted to a positive rate of 0.6%, as compared with a positive rate of 21.6% in the corresponding period last year.

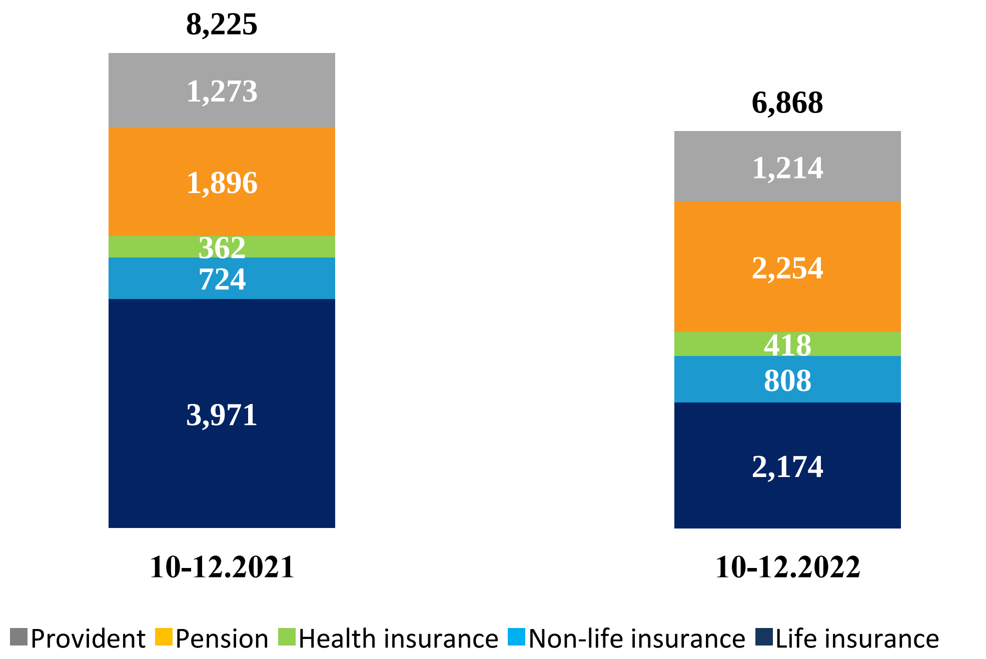
2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

C. Additional main details and additional main effects, by segments

Gross premiums earned, contributions and receipts in respect of investment contracts:





2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.1. Long-term savings

2.2.1.1 Life insurance operations

Life insurance	Year		Q4	
	2022	2021	2022	2021
Gross premiums earned	6,844	**6,391**	1,667	**1,818**
Comprehensive income (loss)	(96)	**1,107**	87	**413**

Reporting period - The results during the reporting period were mostly affected by the following factors:

<u>Financial effects, investment income and capital markets:</u>

During the reporting period a decrease was recorded in gross real returns in profit sharing policies, to a negative rate of 10.96%, as compared with a positive rate of 13.37% last year, such that a positive financial margin was recorded in the amount of approximately NIS 461 million only, as compared with the positive financial margin of approximately NIS 1,699 million last year. Out of the foregoing amounts, no variable management fees were collected during the reporting period, as compared with the collection of variable management fees in the amount of approximately NIS 689 million last year, and a liability to policyholders was created with respect to the collection of variable management fees in the portfolio of profit-sharing policies in life insurance in the amount of approximately NIS 753 million as of the reporting date, where until it has been covered, the Company will not collect variable management fees.

This effect was mostly offset by the decrease in reserves due to the increase of the risk-free interest rate and additional financial effects in the amount of approximately NIS 1,142 million during the reporting period, as compared with the decrease in reserves in the amount of approximately NIS 111 million last year.

<u>Updates to assumptions in actuarial models and class actions:</u>

In the second quarter of 2022, an increase was recorded in the reserve due to the update to actuarial assumptions, in light of the update to mortality tables for retirees, which allow the receipt of an annuity in accordance with guaranteed conversion ratios in the amount of approximately NIS 627 million, with no effect in the corresponding period last year, and the change in other assumptions in the calculation of liabilities to supplement the annuity reserve, which resulted in an increase of the reserve in the amount of approximately NIS 155 million, as compared with an increase due to change in assumptions in life insurance in the amount of approximately NIS 87 million in the corresponding period last year. For additional details, see Note 42(a) to the financial statements.

Additionally, during the reporting period an update was recorded with respect to class actions in the amount of approximately NIS 90 million, with no significant impact in the corresponding period last year.

Quarter - The results during the quarter were mostly affected by the following factors:

<u>Financial effects, investment income and capital markets:</u>

The decrease in income during the quarter was due to the decrease in gross real returns in profit sharing policies to a positive rate of 0.2%, as compared with a positive rate of 4.65% in the corresponding quarter last year, such that a positive financial margin was recorded in the amount of approximately NIS 201 million only, as compared with the positive financial margin in the amount of approximately NIS 592 million in the corresponding quarter last year. Out of these amounts, no variable management fees were collected during the reporting period, as compared with the collection of variable management fees in the amount of approximately NIS 261 million in the corresponding quarter last year.

These effects were mostly offset by the decrease in reserves due to the increase of the risk-free interest rate and other financial effects in the amount of approximately NIS 291 million during the quarter, as compared with the decrease in reserves in the amount of approximately NIS 71 million in the corresponding quarter last year.

<u>Updates to assumptions in actuarial models and class actions:</u>

During the quarter, there was a change in the assumptions regarding the calculation of the liabilities to supplement the annuity reserve, which resulted in an increase of the reserve in the amount of approximately NIS 155 million, as compared with the increase due to changes in assumptions in the amount of approximately NIS 87 million in the corresponding period last year. For additional details, see Note 42(a) to the financial statements.

Additionally, during the quarter an update was recorded with respect to class actions in the amount of approximately NIS 35 million, with no significant impact in the corresponding period last year.

Redemption rates of life insurance policies from the average reserve, in annual terms

Year		Q4	
2022	2021	2022	2021
1.7%	**1.5%**	1.6%	**1.6%**

Investment income (loss) applied to policyholders in profit sharing policies - Presented below are details regarding the estimated total of investment income (loss) which was applied to policyholders in life insurance and profit sharing investment contracts, calculated based on the returns and balances of the insurance reserves in the Company's business reports (NIS in millions):

Year		Q4	
2022	2021	2022	2021
(6,599)	**8,868**	749	**3,058**

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.1 Long-term savings (Cont.)

2.2.1.1 Life insurance operations (Cont.)

Presented below is a description of the main results in life insurance, by product types, according to the specification provided in Note 20 to the financial statements:

Life insurance	2022	2021	Note
Policies including a savings component which were sold until December 31, 1990			
Gross premiums earned	**153**	167	
Comprehensive income	**93**	448	The decrease in income during the reporting period, relative to the corresponding period last year, was due to the decrease in the financial margin during the reporting period, which amounted to a total of approximately NIS 143 million, as compared with a total of approximately NIS 441 million in the corresponding period last year (see Note 20). An increase was also recorded in the reserve for updates to actuarial assumptions, in light of the updates to retiree mortality tables in the amount of approximately NIS 180 million, with no effect last year. These effects were mostly offset by the decrease in reserves due to the increase of the risk-free interest rate, additional financial effects, and change in assumptions, mostly with respect to studies regarding retirement age and the annuity realization rate in the calculation of pension reserves in the amount of approximately NIS 525 million during the reporting period, as compared with the decrease in reserves in the amount of approximately NIS 89 million last year.
Policies including a savings component which were sold from January 1, 1991 to December 31, 2003			
Gross premiums earned	**1,607**	1,607	
Comprehensive income (loss)	**(172)**	810	The decrease in income during the reporting period, and the transition to loss relative to last year, was due to the market declines, which resulted in a situation where, during the reporting period, variable management fees were not collected, as compared with the collection of variable management fees in the amount of approximately NIS 689 million last year. Additionally, a liability to policyholders was created with respect to the collection of variable management fees in the portfolio of profit-sharing policies of life insurance, in the amount of approximately NIS 753 million as of the reporting date, where until it has been covered, Clal Insurance will not collect variable management fees. An increase was also recorded in the reserve due to the Commissioner's update of the default assumptions regarding mortality, which will serve as the basis for the insurance companies' calculation of liabilities with respect to insurance policies, which allow receiving an annuity according to guaranteed conversion factors, in the amount of approximately NIS 433 million, with no effect last year. These effects were mostly offset by the decrease in reserves due to the increase of the risk-free interest rate, additional financial effects, and changes in assumptions, mostly with respect to studies regarding retirement age and the annuity realization rate used in the calculation of pension reserves, in the amount of approximately NIS 449 million during the reporting period, as compared with the increase in reserves in the amount of approximately NIS 21 million last year.
Sold since January 1, 2004			
Gross premiums earned	**4,220**	3,852	The increase in premiums during the reporting period was due, *inter alia*, to the return to the workforce, which increased the premiums from managers' insurance products in life insurance relative to last year, due to the coronavirus crisis.
Comprehensive income (loss)	**2**	(165)	The improvement in results during the reporting period, relative to last year, was mostly due to the improvement in the risk margin in the loss of working capacity product. An increase was also recorded in the financial margin in the amount of approximately NIS 347 million during the reporting period, as compared with the financial margin in the amount of approximately NIS 316 million last year.
Policies with no savings component			
Coverage for risk sold as a single (individual) policy			
Gross premiums earned	**790**	700	
Comprehensive income (loss)	**-**	-	The results during the reporting period, relative to last year, were mostly affected by the decrease in investment income, as stated above, relative to last year, which were offset by the improvement in the risk margin in the risk of death product.
Coverage for risk sold as a collective policy			
Gross premiums earned	**74**	61	
Comprehensive income (loss)	**(19)**	14	The decrease in income and the transition to loss during the reporting period, relative to last year, was mostly due to the decrease in investment income, as stated above.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.1 Long-term savings (Cont.)

2.2.1.2 Data regarding premiums earned, management fees and financial margin in life insurance[1)]

	Year			Q4	
NIS in millions	2022	2021	2020	2022	2021
Variable management fees	(* -	689	305	(* -	261
Fixed management fees	**605**	573	485	**148**	148
Total management fees	**605**	1,261	790	**148**	409
Total financial margin and management fees	**461**	1,699	981	**201**	592
Current premiums	**5,352**	5,175	5,094	**1,339**	1,387
Non-recurring premiums	**1,492**	1,216	634	**328**	431
Total gross premiums earned	**6,844**	6,391	5,729	**1,667**	1,818
Current premiums	**52**	37	44	**18**	8
Non-recurring premiums	**3,621**	5,993	1,540	**489**	2,145
Total premiums with respect to pure savings	**3,674**	6,030	1,584	**507**	2,153

*) During the reporting period, market declines were recorded, which resulted in a decrease in investment income, and a liability to policyholders was created due to negative returns and the non-collection of variable management fees in the portfolio of profit-sharing policies in life insurance, in the amount of approximately NIS 753 million as of the reporting date, where until it has been covered, Clal Insurance will not collect variable management fees. After the reporting date and until the approval date of the financial statements, this amount increased to a total of approximately NIS 840 million. For additional details, see section 2.2(a) above.

Details regarding the rates of return in profit-sharing policies

	Policies issued during the years 1992 to 2003 (Fund J)					
	Year			Q4		
	2022	2021	2020	2022	2021	2020
Real return before payment of management fees	**(10.96)**	13.37	6.38	**0.20**	4.65	8.81
Real return after payment of management fees	**(11.47)**	10.84	4.92	**0.06**	3.87	7.78
Nominal return before payment of management fees	**(6.26)**	16.09	5.74	**1.04**	4.85	8.81
Nominal return after payment of management fees	**(6.80)**	13.50	4.29	**0.90**	4.08	7.78

	Policies issued beginning in 2004 (New Fund J)					
	Year			Q4		
	2022	2021	2020	2022	2021	2020
Real return before payment of management fees	**(11.74)**	11.64	6.37	**0.22**	4.22	8.74
Real return after payment of management fees	**(12.55)**	10.62	5.29	**0.00**	3.99	8.47
Nominal return before payment of management fees	**(7.09)**	14.32	5.74	**1.07**	4.42	8.74
Nominal return after payment of management fees	**(7.93)**	13.27	4.66	**0.84**	4.19	8.47

[1] The financial margin includes profit (loss) from investments carried to comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before the deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.1. Long-term savings (Cont.)

2.2.1.3 Provident operations

	Year		Q4		
	2022	2021	2022	2021	Note
Comprehensive income (loss)	**(2)**	8	**-**	-	The decrease in income and the transition to loss during the reporting period was mostly due to market declines, which resulted in investment losses in the nostro portfolio, and affected the liability to supplement returns for members of guaranteed-return provident funds.
Contributions	**4,127**	3,614	**1,099**	1,282	The increase in the reporting period was mostly due to the increase in new businesses and in the number of active members in the study fund.

2.2.1.4 Pension operations

	Year		Q4		
	2022	2021	2022	2021	Note
Comprehensive income	**18**	28	**1**	6	The results during the reporting period and during the quarter were affected by the increase in management fee revenue, after deducting agent commissions, due to the increase of the managed portfolio relative to last year, and the amount of contributions. This effect was offset by investment losses in the nostro portfolio during the reporting period and during the quarter, which resulted in a decrease in income relative to last year.
Contributions	**8,420**	6,934	**2,254**	1,896	The increase in the reporting period and in the quarter was mostly due to the increase in new business and active members in pension funds.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.2 Non-life insurance - Presented below is the distribution of premiums and comprehensive income:

Non-life insurance	2022	2021	Q4 2022	Q4 2021	Note
Gross premiums	**3,275**	2,942	**714**	612	**Reporting period and quarter** - The increase in premiums was due to the growth of the portfolio, mostly in individual business operations and commercial motor in compulsory motor and motor property, and the increase in large businesses.
Comprehensive income (loss)	**(91)**	112	**39**	22	**Reporting period** - The results during the reporting period were affected by the following factors: Underwriting results: During the reporting period, underwriting improvement was recorded in the liabilities, compulsory motor and property branches, relative to the corresponding period last year. On the other hand, a change for the worse was recorded in motor property. **Financial effects, investment income and capital markets:** The transition from income to loss was mostly due to the decrease in investment income, against the reduction of reserves due to the impact of the interest rate environment in the amount of approximately NIS 219 million, as compared with the increase of reserves in the amount of approximately NIS 59 million in the corresponding period last year. **Quarter** - The increase in income was due to the improvement in underwriting profit in the compulsory motor branch, and the decrease in reserves due to the impact of the interest rate environment in the amount of approximately NIS 43 million, as compared with the reduction of reserves in the amount of approximately NIS 17 million in the corresponding quarter last year. On the other hand, there was a decrease in investment income.
Motor property					
Gross premiums	**942**	790	**213**	174	**Reporting period and quarter** - The increase in premiums during the reporting period was mostly due to individual business operations and commercial motor.
Comprehensive loss	**(190)**	(35)	**(41)**	(45)	**Reporting period** - The increase in loss during the reporting period was mostly due to the increase in average claims, *inter alia*, in light of the increase of the index and the prevalence rate of thefts and accidents, relative to last year, and the decrease in investment income. **Quarter** - The results in the current quarter and in the corresponding quarter last year were affected by the increase in the prevalence rate of thefts and accidents, as stated above.
Gross LR	**100%**	82%	**96%**	100%	
LR on retention	**95%**	77%	**91%**	96%	
Gross CR	**127%**	110%	**123%**	130%	
CR on retention	**125%**	109%	**121%**	128%	

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.2 Non-life insurance - Presented below is the distribution of premiums and comprehensive income:

	2022	2021	Q4 2022	Q4 2021	Note
Compulsory motor					
Gross premiums	**695**	599	**151**	120	**Reporting period and quarter** - The increase in premiums during the reporting period was mostly due to individual business operations and commercial motor.
Comprehensive income (loss)	**(30)**	(24)	**22**	(21)	**Reporting period** - The increase in loss was mostly due to the decrease in investment income, against the reduction of reserves due to the impact of the interest rate environment in the amount of approximately NIS 96 million, as compared with the increase of reserves in the amount of approximately NIS 19 million in the corresponding period last year, and the improvement in underwriting profit due to the reduced estimate of claims in respect of prior years. **Quarter** - The transition from loss to income was due to the improvement in underwriting profit and the reduced estimate of claims with respect to prior years, and the reduction of reserves due to the impact of the interest rate environment in the amount of approximately NIS 23 million, as compared with the reduction of reserves in the amount of approximately NIS 13 million in the corresponding quarter last year. On the other hand, there was a decrease in investment income.
Property and others branches					
Gross premiums	**1,019**	932	**226**	194	The increase in premiums during the reporting period was mostly due to the growth of large businesses and the activity in the Sale Law Guarantee sub-branch.
Comprehensive income	**68**	78	**9**	12	**Reporting period** - The decrease in income was mostly due to the decrease in investment income, against the reduction of reserves due to the impact of the interest rate environment in the amount of approximately NIS 7 million, as compared with the increase of reserves in the amount of approximately NIS 8 million in the corresponding period last year, and the improvement in underwriting profit.
Gross LR	**55%**	39%	**48%**	62%	
LR on retention	**33%**	35%	**59%**	57%	
Gross CR	**77%**	63%	**72%**	89%	
CR on retention	**64%**	74%	**88%**	91%	
Credit insurance					
Gross premiums	**132**	123	**33**	31	
Comprehensive income	**26**	41	**10**	12	**Reporting period** - The decrease in income was mostly due to the decrease in investment income.
LR on retention	**19%**	23%	**6%**	13%	
CR on retention	**37%**	48%	**28%**	38%	
Liability branches					
Gross premiums	**486**	498	**91**	94	The decrease in premiums during the reporting period was mostly due to the large businesses.
Comprehensive income	**36**	52	**39**	64	**Reporting period** - The decrease in income was mostly due to the decrease in investment income, against the reduction of reserves due to the impact of the interest rate environment in the amount of approximately NIS 115 million, as compared with the increase of reserves in the amount of approximately NIS 32 million in the corresponding period last year, and the improvement in underwriting profit, due to the reduced estimate of claims with respect to prior years. **Quarter** - The decrease in income was mostly due to the decrease in investment income. This effect was offset by the decrease in reserves due to the impact of the interest rate environment in the amount of approximately NIS 19 million, as compared with the decrease in reserves in the amount of approximately NIS 4 million in the corresponding quarter last year.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.3. Health insurance

	Year		Q4		
	2022	2021	2022	2021	Note
Gross premiums earned	**1,599**	1,406	**418**	362	**Reporting period and quarter** - During the reporting period and during the current quarter, an increase was recorded in premiums from the individual activity and in the international travel branch.
Comprehensive income (loss)	**353**	193	**39**	(13)	**Reporting period** - During the reporting period, underwriting profit increased in the individual health branches, in the collective branches, including health funds, and in the international travel branch, which transitioned from loss last year to income this year, in light of the growth of the activity. Additionally, during the reporting period a decrease was recorded in the provision with respect to the liability adequacy test (LAT), in light of the increase of the interest rate in the amount of approximately NIS 274 million, as compared with the increase of the provision in the amount of NIS 34 million in the corresponding period last year, in light of the increase of the provision due to the update to various actuarial assumptions in the amount of NIS 76 million, after offsetting NIS 42 million due to financial effects. The decrease of the provision during the reporting period constituted the balance of the LAT provision, such that, as of the reporting date, there is no remaining provision for the liability adequacy test (LAT) in the Company's books. These effects were partly offset by the underwriting loss in the individual long-term care branch, and by the investment loss during the reporting period. Additionally, during the reporting period various actuarial studies were conducted, whose cumulative impact was immaterial. **Quarter** - The increase in income during the quarter was due to the increase in underwriting profit in the collective branches, including the health funds, and in the international travel branch, which transitioned to income this year, as compared with loss in the corresponding quarter last year. Additionally, there was no change in the provision for the liability adequacy test (LAT) during the quarter, as compared with the increase of the provision in the amount of NIS 38 million in the corresponding quarter last year. These effects were partly offset by the decrease in investment income, as stated above. Additionally, various actuarial studies were conducted, whose cumulative impact was immaterial.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.3. Health insurance

	Ye ar		Q4		Note
	2022	2021	2022	2021	
Long-term care branch - comprehensive income (loss)					
Individual	**290**	73	**11**	(17)	**Reporting period** - The increase in income during the reporting period was mostly due to the decrease of the provision with respect to the liability adequacy test (LAT) in the amount of approximately NIS 273 million, as compared with the increase of the provision in the amount of approximately NIS 43 in the corresponding period last year, in light of the increase of the provision due to the update to various actuarial assumptions in the amount of NIS 76 million, after offsetting NIS 33 million due to financial effects. This effect was partly offset by the decrease in investment income during the reporting period, relative to the corresponding period last year, and the change for the worse in underwriting which occurred during the reporting period, relative to the corresponding period last year. **Quarter** - The transition to income was mostly because there was no change in the provision with respect to the liability adequacy test (LAT) this quarter, as compared with the increase of the provision in the amount of approximately NIS 46 in the corresponding quarter last year, in light of the increase of the provision due to the update to various actuarial assumptions in the amount of NIS 76 million, after offsetting NIS 33 million due to financial effects. This effect was partly offset by the decrease in investment income relative to the corresponding period last year.
Collectives, including health funds	**17**	42	**(29)**	(10)	**Reporting period** - The decrease in income was mostly due to actuarial studies which were conducted during the reporting period, and the decrease in investment income during the reporting period, relative to the corresponding period last year. This effect was partly offset by the improvement in underwriting profit during the reporting period, relative to the corresponding period last year. **Quarter** - The increase in loss was mostly due to actuarial studies which were conducted during the quarter. This effect was partly offset by the improvement in underwriting profit during the quarter, relative to the corresponding quarter last year.
Illness and hospitalization branch - comprehensive income (loss)					
Long term	**39**	90	**52**	22	**Reporting period** - The decrease in income was mostly due to investment loss, as compared with investment income in the corresponding periods last year. This effect was partly offset by actuarial studies which were conducted during the reporting period, as compared with the corresponding period last year, and the improvement in underwriting profit. **Quarter** - The increase in income was mostly due to actuarial studies which were performed during the quarter. This effect was partly offset by investment loss, as compared with investment income in the corresponding quarter last year.
Short term	**6**	(14)	**5**	(9)	**Reporting period and quarter** - The transition to income during the reporting period and during the quarter was mostly due to the underwriting improvement and the growth of activity in the international travel branch.

Details regarding investment income which was applied to policyholders in health insurance policies of the profit sharing nursing type:

	Profit sharing long-term care policies of the individual and collective types			
	Year		Q4	
NIS in millions	2022	2021	2022	2021
Investment income (loss) applied to policyholders	**(70)**	157	**12**	52

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

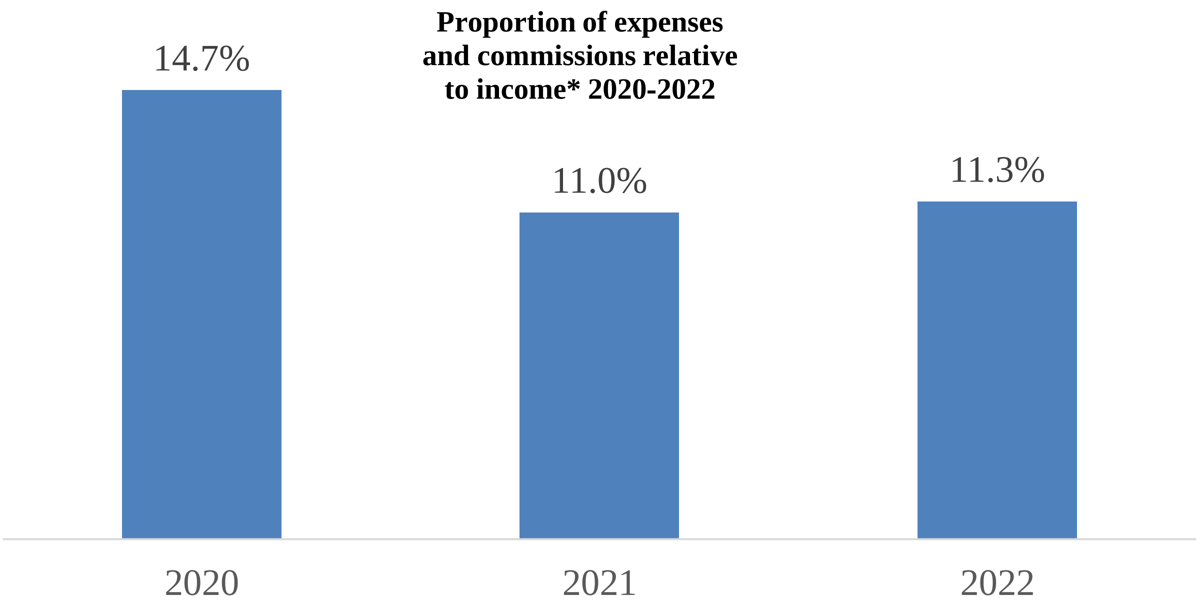
2.2 Financial information by operating segments (Cont.)

2.2.4. Other and items not included in the insurance branches

	Year		Q4		
NIS in millions	2022	2021	2022	2021	Note
Total comprehensive income (loss) before tax	**(341)**	808	**(78)**	187	Reporting period - The transition to loss during the reporting period was mostly due to investment loss in the amount of approximately NIS 310 million during the reporting period, as compared with investment income in the amount of approximately NIS 844 million in the corresponding period last year. Quarter - The transition to loss during the quarter was mostly due to investment loss in the amount of approximately NIS 67 million during the reporting period, as compared with investment income in the amount of approximately NIS 213 million in the corresponding period last year.

2.2.5 General and administrative expenses

During the reporting period, the Group succeeded in relatively maintaining the expense level in accordance with the strategic plan, despite the inflationary effects and the increase in business activities, which amounted, during the reporting period, to a total of approximately NIS 941 million, as compared with a total of approximately NIS 973 million last year, and in the quarter amounted to a total of approximately NIS 250 million, as compared with a total of approximately NIS 290 million in the corresponding period last year.



* The income includes premiums and contributions.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.6 Financing expenses in operations which are not allocated to segments

Financing expenses in the reporting period amounted to a total of approximately NIS 194 million, as compared with approximately NIS 186 million in the corresponding period last year. The in the reporting period was mostly due to the increase of 5.3% in the consumer price index, as compared with the increase of 2.4% last year. This effect was partly offset by a prepayment penalty last year in the amount of approximately NIS 17 million, with no similar effect during the reporting period.

Financing expenses during the quarter amounted to approximately NIS 50 million, as compared with approximately NIS 57 million in the corresponding period last year.
The decrease in financing expenses was mostly due to the cost of exchange of deferred liability notes in the corresponding quarter last year, which was partly offset by the increase of 0.9% in the consumer price index, as compared with the increase of 0.2% in the corresponding period last year.

2.3 Principal data from the consolidated statements of financial position

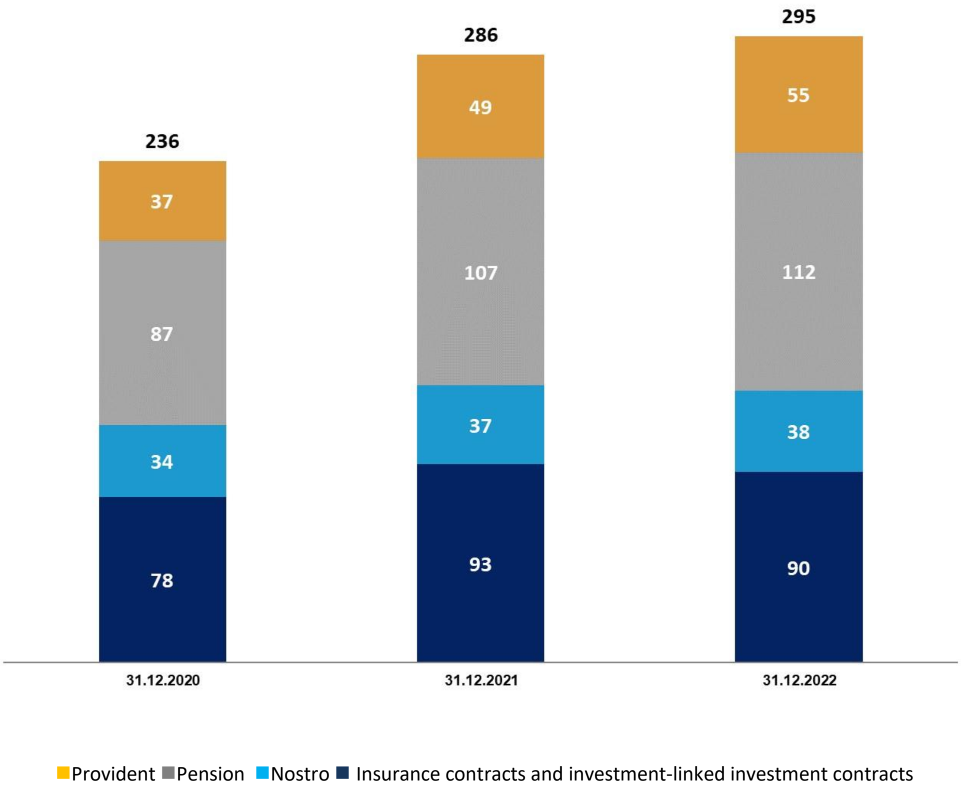
2.3.1. Assets

	As of December 31		Rate of change
NIS in millions	**2022**	**2021**	**%**
Other financial investments	**38,314**	36,902	4
Assets managed for others (non-nostro) in the Group (NIS in millions):			
For investment-linked insurance contracts and investment contracts	**89,692**	93,439	(4)
For provident fund members [1)]	**54,689**	48,706	12
For pension fund members *)	**111,832**	106,808	5
Total assets managed for others	**256,213**	248,953	3
Total managed assets	**294,527**	285,855	3
*) Out of this amount, total assets managed by Atudot Havatika	**12,168**	13,573	(10)

1. The consolidated financial statements do not include the assets managed in provident funds (except for provident funds regarding which Clal Insurance accepted upon itself an undertaking to deliver minimum guaranteed annual returns) and pension funds. For additional details, see Note 3(a)(2) to the annual financial statements.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position (Cont.)



2.3.2. Financial liabilities

As of the balance sheet date, the Group has deferred liability notes which were issued for capital purposes and balances which are used for operating activities. The Company has no balance of debt other than balances for operating activities. For details regarding a bond issuance in the amount of approximately NIS 400 million after the reporting date, see Note 25 to the financial statements.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position (Cont.)

2.3.3. Capital and capital requirements

A. Capital requirements in accordance with the provisions for implementation of an economic solvency regime (see section 1 below)

The insurance companies in the Group are subject to the provisions of the Solvency II-based economic solvency regime in accordance with the provisions of the Commissioner's circular entitled "amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies", which was published on October 14, 2020.

On November 29, 2022, the Company approved and published the economic solvency ratio report as of June 30, 2022, which is available on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease/

Additionally, in accordance with the principles for calculating the deduction during the distribution period under the Solvency II-based economic solvency regime, and in accordance with the instructions for adopting the economic solvency regime, the deduction amount will be recalculated once every two years, or in case of a significant change in major exogenous variables, in the insurance company's risk profile or business structure, and in accordance with the Commissioner's requirements, if he believes that a change in circumstances has occurred since then. In light of the significant change in the risk-free interest rate curve and the update to the set of demographic assumptions in life insurance, the Company recalculated the deduction amount as of June 30, 2022, which was updated to a total of NIS 5,617 million.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the Company in the financial reports, and which are based, *inter alia*, on forecasts and assumptions which rely, for the most part, on past experience. In particular, and as specified in the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model. For additional details regarding the capital requirements which apply to the Group's member companies, see Note 16(e) to the annual financial statements.

For additional information, including a general description of the economic solvency regime, the general underlying principles of the regime, the methodology for calculation of the economic balance sheet and of the solvency capital requirement, provisions with respect to the distribution period, a general overview of directives issued by the Commissioner of Capital Markets in connection with the economic solvency ratio report, definitions of key concepts, remarks and clarifications, see also sections 1, 3.1, 4.1 and 5.1 of the economic solvency ratio report of Clal Insurance as of June 30, 2022.

The solvency ratio as of June 30, 2022 does not include the impact of the Company's business activities during the period from June 30, 2022 until the publication date of this report. For details regarding additional events during and after the reporting period, see section 2.1 above.

The Company's calculation as of June 30, 2022 was not audited or reviewed by the auditors.

Presented below are data regarding the solvency ratio and minimum capital requirement of Clal Insurance in accordance with the Solvency II regime.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position (Cont.)

2.3.3. Capital and capital requirements (Cont.)

A. Capital requirements in accordance with the provisions for implementation of an economic solvency regime (Cont.)

1. Economic solvency ratio

NIS in millions	As of June 30, 2022 Unaudited and unreviewed	As of December 31, 2021 Audited*)
Equity for the purpose of the solvency capital requirement	**14,770**	**15,520**
Solvency capital requirement	**8,303**	**9,261**
Surplus	**6,467**	**6,259**
Economic solvency ratio (in percent)	**178%**	**168%**
Impact of significant equity transactions which took place during the period between the calculation date and the publication date of the Company's economic solvency ratio report		
Raising (repayment) of equity instruments	**495**	
Deviation from quantitative limits	**(444)**	-
Equity for the purpose of the solvency capital requirement	**14,821**	**5,5201**
Surplus	**6,518**	**6,259**
Economic solvency ratio (in percent)	**179%**	**168%**

*) The audit was conducted in accordance with ISAE 3400 - The Examination of Prospective Financial Information.

For details regarding the solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario, and regarding the target solvency ratio and restrictions which apply to the Company regarding dividend distributions, see section 3 below.

For events during the reporting period and after the reporting date, and for their potential effects on the solvency ratio, see sections 2.2 and 2.1 above.

2. Minimum capital requirement (MCR)

NIS in millions	As of June 30, 2022 Unaudited and unreviewed	As of December 31, 2021 Audited
MCR	**2,076**	**2,315**
Equity for the purpose of MCR	**11,084**	**11,575**

3. Solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario

In accordance with the letter which was published by the Authority in October 2017 (hereinafter: the "**Letter**"), an insurance company will be entitled to distribute dividends only if, after the performance of the distribution, the company has a minimum solvency ratio of 100% according to the economic solvency regime, calculated without the transitional provisions, and subject to the solvency ratio target which was determined by the insurance company's Board of Directors. This ratio will be calculated without the expedient which was given with respect to the original difference attributed to the acquisition of the activities of provident funds and managing companies. The letter also included provisions regarding reporting to the Commissioner.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position (Cont.)

2.3.3. Capital and capital requirements (Cont.)

Presented below are data regarding the Company's economic solvency ratio, calculated without the provisions with respect to the distribution period and the stock scenario adjustment.

Solvency ratio without implementation of the transitional provisions in the distribution period, and without adjustment of the stock scenario

	As of June 30, 2022	As of December 31, 2021
NIS in millions	Unaudited and unreviewed	Audited
Equity for the purpose of the solvency capital requirement	11,073	11,058
Solvency capital requirement	10,775	12,034
Surplus (deficit)	297	(976)
Economic solvency ratio in percent	103%	92%
Impact of significant equity transactions which took place during the period between the calculation date and the publication date of the Company's economic solvency ratio report		
Raising of equity instruments	495	-
Deviation from quantitative limit	(285)	-
Equity for the purpose of the solvency capital requirement	11,283	11,058
Surplus (deficit)	507	(976)
Economic solvency ratio in percent	105%	92%
The capital surplus in light of the equity transactions which were executed during the period between the calculation date and the publication date of the economic solvency ratio report, relative to the Board of Directors' target (see section B below):		
Target economic solvency ratio of the Board of Directors (in percent)	-	-
Capital surplus / deficit relative to target	-	-

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position (Cont.)

2.3.3. Capital and capital requirements (Cont.)

B. The Company's capital target

The policy of management is to maintain a stable capital basis in order to guarantee its solvency and its ability to fulfill its undertakings to policyholders and to other interested parties, to maintain the Company's ability to continue its activity in order to generate returns for its shareholders, and to support future business activity. The Company is subject to capital requirements which are determined by the Commissioner.

The Board of Directors of Clal Insurance established a capital management policy, according to which the target range for the economic solvency ratio of Clal Insurance will be in the range of 150%-170%. It also determined a minimum solvency ratio target of 135%. These targets apply to the solvency ratio in consideration of the deduction amount during and after the distribution period. The solvency ratio of Clal Insurance, without taking into account the transitional provisions, will be created according to these targets by the end of 2032. The capital management policy and the capital targets are dynamic, and may be updated will update in accordance with the risk appetite of Clal Insurance, and developments in the business environment.

As of June 30, 2022, the last calculation date, the Company is above the upper limit of the determined target. It is hereby clarified that the foregoing does not guarantee that the Company will meet the determined targets at all times. It is noted that this policy does not apply, at this stage, to dividend distribution targets.

C. Issuance of bonds (Series L)

In September 2022, Clalbit Finance Ltd. issued to the public bonds (Series L) in the amount of NIS 495 million. the bonds are recognized as Tier 2 capital in Clal Insurance. For additional details, see Note 25(b) to the financial statements.

2.4. Financing sources

The Company considers it highly important to maintain and hold sufficient cash balances, in a manner that will allow it to repay its current liabilities, guarantees and letters of indemnity which it provided for the liabilities of wholly owned investee companies (see Note 38(d)(1) to the annual financial statements), and also to support, insofar as required, the capital needs of Clal Insurance and the liquidity needs with respect to the operations of other investee companies in the Group. Additional financing sources include, *inter alia*, dividend distributions from investee companies and the option to dispose investments in investee companies, debt raisings from the banking system and/or from the public, and capital raisings.

2.4.1. Liquid resources and credit facilities *)

The following are data regarding the principal liquid resources of the Company:

NIS in millions	Balance as of December 2022	Proximate to the Publication date of the report **)
Liquid resources of the Company (standalone)	724	310

*) As of the reporting period, the Company has no credit facilities.
**) For details regarding the bond issuance and payments which were made as part of the acquisition of Max, see Note 42(j) and 42(m) to the financial statements.

2.4.2. Financing characteristics

A. The Company, due to its status as a holding company, evaluates, within the context of financing and liquidity, the value of its assets against its liabilities, as well as the existence of liquid resources available to it, and also evaluates the reasonable accessibility of those resources, as required to continue its operations.
B. The Company's operations (investments, general and administrative expenses and dividend distributions) are generally financed by dividends received and capital raised from investee companies, by loans from banking corporations, and by considerations received from the sale of assets.
C. For details regarding the main financial movements in the Company (standalone), see the interim cash flow data attributed to the Company itself (standalone), which are included in the interim report.
D. For details regarding the Company's distributable earnings, which are adjusted to the Company's capital requirements, and regarding capital and capital requirements in the consolidated institutional entities and other companies in the Group, see Note 16 to the annual financial statements.

3. Material developments and changes in the macroeconomic environment during the reporting year

Presented below are the major trends and significant changes in the macro-economic environment during and after the reporting period:

An inflationary outbreak was recorded in the global economy, including in Israel, which was reflected both in the increase of the inflation rate during the reporting period, and in inflation forecasts. As part of the central bank's activities in an attempt to contain the trend of rising inflation, as stated above, sharp interest rate hikes were implemented frequently in all developed markets, and monetary tightening measures were implemented. The interest rate increase was recorded throughout the entire risk-free interest rate curve. For additional details and the effects on the insurance reserves, see section 2.2 above.

Following the interest rate increases, significant declines were recorded in the leading indices on global stock exchanges, including in Israel, in both equity and debt. For details regarding the consequences of the market declines on the Company's results, see section 2.2 above. The declines in capital markets and the monetary tightening implemented by central banks caused a shock in the global banking system and the collapse of banks, including SVB Bank in the US, and Credit Suisse.

In addition to these global phenomena, in Israel there has been uncertainty since the establishment of the new government, which is driving significant changes in the legal system, leading to a wave of social protests, with market effects as well, in addition to the global conditions of uncertainty in markets.

The Company, as a manager of long-term savings funds and other financial products, is exposed to these changes, mostly on all matters associated with its nostro portfolio; the possibility of collecting variable management fees in the future, and a decrease in the scope of managed assets in markets, and an increase in the scope of redemptions.

Parameter	Data for the period
Developments in the Israeli economy and employment rate	National accounting figures indicate that growth data for the fourth quarter of 2022, relative to the third quarter, indicated an increase of 5.6% (annual rate), while in 2022, an increase in growth of 6.4% was recorded relative to 2021 (annual rate). The main growth component in the fourth quarter was private consumption, which increased during the quarter at an accelerated rate of 7.5%, mostly due to the rush to buy cars before January 1, 2023, due to the increase in tax. After neutralizing vehicles, private consumption decreased by approximately 1.5% during the quarter. In January, the Bank of Israel published a growth forecast for 2023 which amounts to 2.8%, and for 2024, amounts to 3.5% growth. The surplus in Israel's current account remained relatively stable in the fourth quarter, at around USD 5.3 billion. In annual terms (2022) - The surplus in the current account amounted to USD 19.8 billion, as compared with USD 21.4 billion in 2021, and 22.7 billion in 2020. In 2022, a budget surplus of 0.6% of GDP was accumulated (NIS 15.7 billion). The surplus was mostly created in the first two quarters, thanks to below-budget government expenses, where the surplus amounted to over 1% of GDP, although the surplus gradually deceased later in the year, and in recent months a surplus was not generated in monthly terms, due to the decrease in tax revenues in the leading sectors of hi-tech and real estate. According to the first estimate of the Accountant General, as of the end of February 2023, the budget surplus during the last 12 months amounted to NIS 3.4 billion (0.2% of GDP). In February alone, the surplus amounted to NIS 2.7 billion, and cumulatively in January and February - NIS 16.7 billion. Data regarding employment and available jobs in the labor market indicate a certain weakness in the hi-tech sector, and a continued increase in unemployment was recorded, to 4.3% (as compared with 3.9% at the end of the third quarter). The rate of participants in the workforce continues rising, and as of the end of the quarter / year, it amounts to approximately 63.6%. Available jobs - In December there was stability relative to November, although the rate of available jobs in the market declined mostly in the real estate, information and telecommunications sectors, and also in the lodging and food sectors. Data of the Central Bureau of Statistics for December 2022 indicate that the average salary increased by 2.8% relative to 2021, and amounts to NIS 12,120. The salary increase in the last year was less than the increase in inflation, such that, in practice, real salaries eroded, and in combination with the significant increase in loan and mortgage payments, the public's disposable income eroded.
Inflation data	Since the beginning of 2022, the global economy has seen high inflation rates. In Israel, inflation increased by 5.4% in 2022, despite forecasts of 2.6% at the beginning of the year. This trend caused central banks to tighten their monetary policies and to continue the process of raising interest rates. On average, inflation is forecasted at a rate of approximately 3.3% in Israel in 2023.

3. Material developments and changes in the macroeconomic environment during the reporting period (Cont.)

Exchange rates	In the fourth quarter of the year, the NIS gained vs. the USD by approximately 0.7%, while in summary of 2022, it weakened by approximately 13%. Relative to the EUR, the NIS weakened in the fourth quarter by around 7.5%, and in 2022, it weakened by around 6.5%. The Bank of Israel's balances in foreign currency as of the end of the fourth quarter amounted to USD 194 billion. The Bank of Israel did not make any significant foreign currency purchases in recent months.
Development of the interest rate and yields	Since the beginning of 2022, the Bank of Israel has raised the market interest rate 6 times, from 0.1% to 3.25% at the end of the year, and in the fourth quarter it increased the interest rate by 1%. It is noted that after the balance sheet date, the interest rate was increased twice again, to 4.25% (as of February 23, 2023). Recently, the Governor of the Bank of Israel stated that, in light of the economy's strength, the Bank of Israel intends to bring the interest rate to a level that will contain inflation. The considerations in support of the continued interest rate hikes include the strong labor market, the low unemployment rate (although with a decline in the participation rate), and strong growth (in annual terms). During the year, the yield curves increased by 2% throughout the curves, and created major losses in the government and corporate bond channels on the one hand, in addition to the sharp declines in the stock channels, and on the other hand, resulted in a reduction of reserves in life, long-term care and elementary insurance. After the balance sheet date, the trend of volatility in yield curves continued.

3. Material developments and changes in the macroeconomic environment during the reporting period (Cont.)

Parameter	Data for the period				
Developments in the capital market in Israel and around the world (in terms of local currency)	**In percent**	**1-12**		**Q4**	
	Stock indices in Israel	**2022**	**2021**	**2022**	**2021**
	Tel Aviv 35	(9.2)	32.0	(2.2)	9.8
	Tel Aviv 90	(18.2)	33.1	(7.9)	13.3
	Tel Aviv 125	(11.8)	31.1	(3.7)	10.6
	Tel Aviv Growth	(32.3)	9.7	(15.6)	3.7
	Bond indices				
	General	(8.3)	4.0	(0.6)	1.3
	Telbond CPI-linked	(8.4)	7.9	(1.2)	1.2
	Telbond NIS-linked	(7.0)	3.0	0.1	0.8
	Government CPI-linked	(9.8)	7.4	(0.8)	3.2
	Government NIS-linked	(8.8)	(0.8)	(0.2)	0.9
	Global stock indices				
	Dow Jones	(9.1)	20.2	14.0	6.6
	NASDAQ	(34.0)	23.4	(2.2)	8.7
	Nikkei Tokyo	(9.4)	4.9	(1.2)	(2.2)
	CAC - Paris	(8.5)	29.3	16.5	9.9
	FTSE - London	1.3	14.8	9.8	4.6
	DAX - Frankfurt	(11.5)	15.8	18.2	3.9
	MSCI WORLD	(20.6)	20.8	5.6	7.1

For additional details regarding financial investments in the Company, see Note 14 to the financial statements.

For details regarding the effects on the financial results, see section 2 above.

Global economic developments

2022 saw the central banks continued struggle against high inflation due to the expansionary monetary policy which was adopted by the central banks in response to the coronavirus crisis. Most central banks sharply raised interest rates, and in parallel, discontinued the quantitative easing measures.

The Russia-Ukraine war is continuing with no end in sight, after Russia, led by President Putin, invaded the territory of Ukraine in February 2022. In response, Western countries imposed severe economic sanctions on Russia. The war's effects on the global economy in general, and on inflation in particular, are showing in the form of shortages and a spike in energy and commodities prices, which caused, as the winter approached suspicion, significant concerns of an energy crisis and recession due to the reliance on energy from the Russian market. Due to a warmer winter than expected, and the creation of alternative reserves, the European economy has avoided that crisis for now. Additionally, during the year there were market pressures and concerns of a global economic downturn, rising inflation and additional interest rate hikes by the central banks. The war could have far-reaching consequences, which cannot be predicted at this early stage, with respect to the structure of the global economy and the geopolitical map.

USA - In the fourth quarter, the trend of deceleration in the economy continued, with a moderate slowing of inflation, and GDP grew by 2.7% in the fourth quarter (lower than the forecasted increased of approximately 2.9%), and by 2.1% in annual terms throughout 2022. During the fourth quarter the Fed continued raising the interest rate by 125 basis points to 4.25%-4.5%, in response to the spiraling inflation, which stands at 6.5% as of the end of the quarter (in annual terms), and the core inflation rate, which stands at 5.7%. The market forecasts indicate continued interest rate increases in the coming months, and most estimates indicate an additional 0.5% by mid-2023. In addition to the interest rate increase, the Fed began implementing balance sheet reductions at a rate of approximately USD 60 billion per month. The labor market remains strong, while the unemployment rate remains low, at 3.5% (as of the end of 2022), and an ongoing increase in the number of new workplaces opened each month.

In March 2023, the American bank SVB, a local bank mostly specialized in banking for the technology and startup sector, collapsed. The bank collapsed after it suffered a bank run, and was unable to meet the monetary demands of deposit holders. This event resulted in intervention by the regulator, with full coverage of the deposits in those banks, and the creation of a liquidity mechanism for banks facing a liquidity crisis.

Europe - The Euro Bloc economy grew in the fourth quarter at a rate of 0.1%, and in all of 2022 at a rate of 1.9%, in annual terms. The ECB continued the trend of rapid interest rate hikes, and raised the interest rate to 2.5%, in response to rising inflation in the European Union (annual rate of 9.2% as of December 2022). The ECB began reducing its bond purchasing plans. The unemployment rate stabilized, and stands at 6.6% as of December.

China - In the fourth quarter of 2022, China began a policy of emerging from the coronavirus crisis, and canceled the prolonged self-isolation requirements for people entering the country, and many other restrictions which had been imposed for 3 years. This change provided significant relief to the economy. However, not all of the changes were felt in 2022. In the fourth quarter the Chinese economy did not grow, while in 2022 as a whole, it grew at a rate of 2.9%. The central bank and government are continuing the use of fiscal and monetary tools to support recovery in the economy.

4. Exposure to and management of market risks

Description of market risks and the effects of market risks on business results

The term "market risks" refers to the effect of changes in interest rates, inflation, foreign currency exchange rates, stock prices, credit margins and other risk factors on the business results, equity, cash flows, and financial assets and liabilities of the corporation and its value.

The Group's business results are materially affected by changes in market risk factors. The sensitivity of operations to market risks is due both to the direct effect of these changes on the nostro investments of the institutional entities in the Group, and to the indirect effect of returns of funds of members and policyholders in investment-linked policies, provident funds and pension funds, which are managed by those entities, on the management fees which are charged by them. For details regarding the exposure to market risks and methods for the management thereof in all of the Group's operations, see Note 38 to the financial statements.

It is hereby clarified that in accordance with the Securities Regulations, sensitivity to changes in specific risk factors which refer to exposures to market risks in operations which are not performed by the insurance companies in the Group, i.e., financial exposures (assets and liabilities) with respect to the operations of the Company itself, Clal Agencies, and Clal Finance.

4.1 Individual responsible for the management of market risks in the corporation

The individual in the Company who is responsible for managing market risks is Mr. Avi Ben Nun. Mr. Ben Nun holds a BA in Economics and Business Administration, as well as an MBA, and has served as the Chief Risk Officer of the Group's institutional entities since 2020.

4.2 The corporation's policy regarding the management and oversight of market risks

The main risks to which the Group is exposed are risks associated with the insurance operation, which is the Group's main operation. For a description of these risks, and methods for the management and oversight thereof, on the level of the Group and on the level of the Company itself, see Note 38 to the financial statements.

Oversight of the fulfillment of the Group's policy regarding the exposure to market risks is performed by the management and Board of Directors of each of the Group's member companies, with the assistance and challenging of the risk management unit, as applicable, and through data from their investment and accounting systems.
The Board of Directors believes that the quality of risk management in the Company is appropriate, in light of the circumstances.

4.3 Sensitivity tests to market risks

Presented below is a summary of exposure and sensitivity to changes in risk factors for the years 2022 and 2021 (NIS in thousands):

Risk factor - linked interest

As of December 31, 2022

	Profit / loss from the changes				Profit / loss from the changes		
Risk factor	**Maximum increase in the relevant market factor**	**Increase of 10% in market factor**	**Increase of 5% in market factor**	**Fair value of financial instruments exposed to the risk factor**	**Decrease of 5% in market factor**	**Decrease of 10% in market factor**	**Maximum decrease in the relevant market factor**
Capital note towards the insurance company	**(61,864)**	**(2,771)**	**(1,388)**	**489,285**	**1,393**	**2,791**	**73,705**
Total	**(61,864)**	**(2,771)**	**(1,388)**	**489,285**	**1,393**	**2,791**	**73,705**

As of December 31, 2021:

Risk factor	Profit / loss from the changes: Maximum increase in the relevant market factor	Increase of 10% in market factor	Increase of 5% in market factor	Fair value of financial instruments exposed to the risk factor	Profit / loss from the changes: Decrease of 5% in market factor	Decrease of 10% in market factor	Maximum decrease in the relevant market factor
Capital note towards the insurance company	**(73,305)**	**(6,020)**	**(3,078)**	**518,422**	**2,868**	**5,872**	**89,235**
Total	**(73,305)**	**(6,020)**	**(3,078)**	**518,422**	**2,868**	**5,872**	**89,235**

The Company performed sensitivity tests to the various risk factors in the relevant activity. The evaluation of the risk factors and the financial assets and liabilities was done pursuant to the Securities Regulations, and based on the significance of the exposure. For details regarding additional sensitivity tests pertaining to the Group's entire activity, see Note 38 to the financial statements.

Main working assumptions:

A. Cash and cash equivalents, short term assets and liabilities (up to one year), and assets and liabilities at variable interest, were not included in the evaluation of the exposure to changes in the interest rate curves.
B. Extreme values in the volatility of market factors were evaluated as the maximum daily changes in the last 10 years. The extreme scenario for interest rates as of December 31, 2021 and interest rates as of December 31, 2022, is an absolute change of 2% in the interest rate, which is in accordance with the Regulations of the Israel Securities Authority regarding the minimum extreme scenario, which was chosen because the evaluation did not find a higher daily change in the relevant interest rate curves in the last 10 years.

Calculation of fair value

For marketable assets, the market price was used as the fair value. For non-marketable assets, a calculation of fair value was performed according to standard models for the calculation of fair value, based on cash flow discounting.

4.4 Events after the reporting period

After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report dated February 9, 2023, which was published by virtue of the Company's shelf prospectus. The issuance costs amounted to a total of approximately NIS 3 million. The net issuance proceeds amounted to approximately NIS 397 million. For additional details, see Note 25(c) to the financial statements. In light of the mix of the portfolio, which favors bank deposits, the significant volatility in the first quarter of 2023 did not have a significant impact on market risks.

The Board of Directors would like to express its appreciation to the employees, managers and agents of the Group's member companies for their contribution to the Group's achievements.

Haim Samet **Chairman of the Board**	**Yoram Naveh** **Chief Executive Officer**

Tel Aviv, March 30, 2023

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Auditors' Report

To the Shareholders of Clal Insurance Enterprise Holdings Ltd.

We audited the attached consolidated statements of financial position of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "Company") as of December 31, 2022 and 2021, as well as the consolidated statements of income, comprehensive income, changes in equity and cash flows for each of the three years in the period ended December 31, 2022. These financial statements are the responsibility of the Company's Board of Directors and management. Our responsibility is to express an opinion on these financial statements, based on our audit.

We have not audited the financial statements of a company which is presented according to the equity method, the investment in which amounted to a total of NIS 75,274 thousand and NIS 69,190 thousand as of December 31, 2022 and 2021, respectively, and where the Company's share in that company's profits amounted to a total of NIS 6,084 thousand, NIS 18,573 thousand and NIS 167 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of that company were audited by other auditors, whose reports were presented to us, and our opinion, insofar as it refers to the amounts which were included with respect to that company, is based on the reports of the other auditors.

We conducted our audit in accordance with generally accepted auditing standards in Israel, including standards set forth in the Auditors' Regulations (Auditor's Mode of Performance), 1973. Pursuant to these standards, we are required to plan the audit and to perform it in order to obtain a reasonable measure of assurance that the financial statements are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and information presented in the financial statements. An audit also includes performing an evaluation of the accounting principles used, and of the significant estimates made by the Company's management, as well as an evaluation of the overall adequacy of presentation in the financial statements. We believe that our audit, along with the reports provided by the other auditors, provides a reasonable basis for our opinion.

In our opinion, based on our audit and on the reports of other auditors, the aforementioned consolidated financial statements adequately reflect, in all material respects, the financial position of the Company and its consolidated companies as of December 31, 2022 and 2021, as well as their operating results, changes in equity and cash flows for each of the three years in the period ended December 31, 2022, in accordance with International Financial Reporting Standards (IFRS), and in accordance with the disclosure requirements which were established by the Commissioner of Capital Markets, Insurance and Savings, in accordance with the Control of Financial Services (Insurance) Law, 1981.

Furthermore, we believe that the aforementioned financial statements have been prepared in accordance with the provisions of the Securities Regulations (Annual Financial Statements), 2010, to the extent to which these regulations apply to a corporation which consolidates insurance companies.

Without qualifying our opinion, we hereby call the reader's attention to that stated in Note 41 to the consolidated financial statements, regarding the exposure to contingent liabilities.

Key audit matters

The following key audit matters are matters which were communicated, or which were required for communication, to the Bank's Board of Directors, and which, in our professional judgment, were most significant in auditing the consolidated financial statements for the current period. These matters include, *inter alia*, any matter which: (1) pertains, or may pertain, to significant items or disclosures in the consolidated financial statements, and (2) where our judgment on the matter was particularly challenging, subjective or complex. These matters were addressed in our audit and in the formulation of our opinion regarding the consolidated financial statements in their entirety. The communication of the following matters does not change our opinion regarding the consolidated financial statements, and we do not provide through it a separate opinion regarding these matters or regarding the sections or disclosures to which they refer.

1) Measurement of liabilities with respect to insurance contracts in non-life insurance:

The consolidated financial statements as of December 31, 2022 include material liabilities with respect to non-life insurance contracts in the amount of NIS 7,962,581 thousand, as described in Note 19 to the consolidated financial statements.

As described in Notes 3(d)(1) and 38(e)(e2) to the consolidated financial statements, these liabilities are measured according to the estimated cost of settling the insurance claims, and include the expected cost of incurred and reported claims, incurred but not reported or incurred but not enough reported claims (IBNR and IBNER), the unearned premium reserve, the premium deficiency reserve, and direct and indirect claim settlement expenses.

The measurement of liabilities with respect to insurance contracts in non-life insurance is mostly based on actuarial estimates. The actuarial estimate is based on statistical estimates which include an element of uncertainty. The statistical estimates are based on various assumptions, which will not necessarily materialize. The assumptions which are used in the actuarial forecast affect the measurement of the provision. The actual cost of claims may be higher or lower than the statistical estimates.

Some insurance branches involve greater inherent uncertainty, particularly in compulsory motor and liabilities claims, which are considered "long tail", in which a long time sometimes passes from the occurrence of the event until the final settlement date of the claim. Note 19 presents the development of the estimate regarding liabilities in the compulsory motor and liabilities branches.

Due to the inherent uncertainty in estimates which are used to measure liabilities with respect to insurance contracts in non-life insurance, we determined that the measurement of liabilities with respect to insurance contracts in non-life insurance constitutes a key audit matter.

Audit procedures conducted in response to the key audit matter

The audit procedures we conducted in evaluating the measurement of liabilities with respect to insurance contracts in non-life insurance included the following procedures:

- We evaluated the planning and implementation of internal controls which are associated with the process of measuring liabilities with respect to insurance contracts in non-life insurance, and conducted procedures to evaluate the effectiveness of those internal controls, including the controls in the environment of the information systems which are used in data processing, and the flow of information for financial reporting.
- We evaluated whether the methodology for measuring the liabilities with respect to insurance contracts in non-life insurance is applied in accordance with the requirements of IFRS 4, Insurance Contracts, and in accordance with the requirements which have been established by the Commissioner of Capital Markets, Insurance and Savings.
- We evaluated, with the assistance of actuarial experts on our behalf, on a sample basis, and based on our risk assessment, the reasonableness of the main assumptions and figures which served as the basis for the models which were applied in the measurement of liabilities with respect to insurance contracts in non-life insurance.
- We applied analytical procedures in order to identify and analyze significant changes.

We also evaluated the adequacy of the main disclosures in the consolidated financial statements regarding liabilities with respect to insurance contracts in non-life insurance.

2) Measurement of liabilities with respect to life and health insurance contracts:

The consolidated financial statements as of December 31, 2022 include material liabilities with respect to non-investment-linked life and health insurance contracts in the amount of NIS 23,412,150 thousand, and material liabilities with respect to investment-linked life and health insurance contracts in the amount of NIS 78,606,096 thousand, as described in Notes 17 and 18 to the consolidated financial statements.

As described in Notes 3(d)(1) and 38(e1) to the consolidated financial statements, investment-linked and non-investment-linked liabilities with respect to life and health insurance contracts are measured in accordance with the directives of the Commissioner of Capital Markets, Insurance and Savings (regulations and circulars), International Financial Reporting Standards, and generally accepted actuarial methods. Liabilities with respect to life and health insurance contracts are measured, *inter alia*, based on an actuarial valuation which is prepared by the supervising actuary of the consolidated insurance company according to the relevant coverage data, such as the policyholder’s gender and age, length of coverage, insurance type, insurance amount, etc.

A significant part of the reserves with respect to life and health insurance contracts are based on actuarial estimates and various assumptions. The measurement of reserves therefore involves inherent uncertainty. These reserves mostly include:

- Supplementary pension reserve.
- LAT (liability adequacy test) reserve.
- Reserve with respect to paid annuities and ongoing paid claims in long-term care and loss of working capacity insurance.

The main assumptions which are used in the process of measuring liabilities include assumptions in connection with cancellations, operating expenses, returns, interest rates, illiquidity premiums, mortality, disability, annuity realization rates, and morbidity rates. The assumptions are evaluated by the chief actuaries of the consolidated insurance company each year using tests, past experience, and other relevant studies.

Due to the inherent uncertainty of the estimates which are used to measure liabilities with respect to life and health insurance contracts, we determined that the measurement of liabilities with respect to life and health insurance contracts constitutes a key audit matter.

Audit procedures conducted in response to the key audit matter

The audit procedures we conducted in evaluating the measurement of liabilities with respect to life and health insurance contracts included the following procedures:

- We evaluated the planning and implementation of internal controls associated with the process of measuring liabilities with respect to life and health insurance contracts, and conducted procedures to evaluate the effectiveness of those internal controls, including the main controls in the environment of information systems which are used to process the data, and the flow of information for financial reporting purposes.
- We evaluated whether the methodology for measurement of liabilities with respect to life and health insurance contracts is applied in accordance with the requirements of IFRS 4, Insurance Contracts, and in accordance with the requirements of the Commissioner of Capital Markets, Insurance and Savings.
- We evaluated, with the assistance of actuarial experts on our behalf, on a sample basis, and based on our risk assessment, the reasonableness of the main assumptions and figures which served as the basis for the models which were applied in the measurement of liabilities with respect to life and health insurance contracts.
- We applied analytical procedures in order to identify and analyze significant changes.
- We evaluated, with the assistance of actuarial experts on our behalf, on a sample basis, and based on our risk assessment, significant studies which were conducted by the Company during the reporting period, and their application in the calculation of the reserves.

We also evaluated the adequacy of the main disclosures regarding liabilities with respect to life and health insurance contracts in the consolidated financial statements.

3) Fair value measurement of non-marketable investments:

As described in Notes 10, 13 and 14 to the consolidated financial statements, the balance of non-marketable investments and the balance of investment property as of December 31, 2022 amounts to a total of approximately NIS 51,088,593 thousand and approximately NIS 5,253,123 thousand, respectively.

The fair value of non-marketable debt assets measured at fair value, and of non-marketable debt instruments where information regarding fair value was given for disclosure purposes only, is determined by discounting the expected cash flows with respect thereto. The interest rates used for capitalization are determined by Mirvach Hogen Ltd.

The fair value of investments in non-marketable stocks is mostly based on external valuations, and in investment and hedge funds, is mostly based on the fair value of the underlying assets or valuations, and is determined in accordance with the funds' reports. Valuation techniques are subjective by nature, and include various assumptions and the use of estimates which significantly affect fair value.

The fair value of investment property is based on valuations which were prepared by external valuers, including estimates and assumptions, such as estimated rental prices and capitalization rates.

Regarding some of the non-marketable investments, particularly those which are classified at level 3 of the fair value hierarchy in accordance with IFRS 13, such as non-marketable stocks, investment funds and investment property, the inherent uncertainty in the measurement of fair value is significant, since such measurement is based on data which is not based on observable market inputs.

Changes in the estimates, assumptions or approximations which were used in the valuation could significantly affect the determination of the fair value of non-marketable assets.

Fair value measurement also affects the allocation of the difference between the book value and fair value of the assets which are not measured in the statement of financial position at fair value ("UGL"), for the purpose of calculating the liability adequacy test ("LAT").
Due to the inherent uncertainty of the foregoing estimates, assumptions and approximations, we determined that the fair value measurement of non-marketable investments constitutes a key audit matter.

Audit procedures conducted in response to the key audit matter
The audit procedures we conducted when evaluating the fair value measurement of non-marketable investments included the following procedures:

- We evaluated the planning and implementation of internal controls associated with the process of determining the fair value of non-marketable investments, and conducted procedures to evaluate the effectiveness of those internal controls, including controls over the adequacy of the data and assumptions which were used in the valuations, and the reasonableness of the valuations.
- We evaluated the methodology used by the Group when measuring the fair value of non-marketable investments.
- We made inquiries with individuals in the Group's finance and investment divisions, in order to gain an understanding of material transactions, developments and revaluations during the period, and regarding significant changes, if any, in the data, assumptions and models, relative to those which were used last year.
- Regarding certain valuations, we evaluated, with the assistance of experts on our behalf, the reasonableness of the main estimates and assumptions which served as the basis for the valuation.
- We conducted a sample assessment of the fair value of non-marketable investments in the consolidated financial statements, relative to the valuations which the Group received from external experts, against the rating company quotes and against the consolidated financial statements and the reports of the investment funds, as applicable.
- We conducted a sample assessment of the database which was used for the purpose of receiving the rating company's quotes, against loan agreements.

We also audited, in accordance with Auditing Standard (Israel) 911 of the Institute of Certified Public Accountants in Israel, "Audit of Internal Controls over Financial Reporting", the Company's internal controls over financial reporting as of December 31, 2022, and our report dated March 30, 2023 includes an unqualified opinion regarding the effective application of those controls.

Tel Aviv,	Kost Forer Gabbay and Kasierer	Somekh Chaikin
March 30, 2023	Certified Public Accountants	Certified Public Accountants

Joint Auditors

Consolidated Statements of Financial Position

NIS in thousands	Note	As of December 31 2022	2021
Assets			
Intangible assets	6	**1,240,737**	1,289,881
Deferred tax assets	23	**17,106**	14,738
Deferred acquisition costs	7	**2,455,547**	2,194,136
Property, plant and equipment	8	**191,781**	204,594
Right-of-use asset	27	**483,190**	487,688
Investments in investee companies accounted by the equity method	9	**167,641**	171,563
Investment property for investment-linked contracts	10,13	**3,778,012**	3,140,825
Other investment property	10	**1,475,111**	1,250,884
Reinsurance assets	17,18	**4,524,108**	4,418,206
Current tax assets	23	**293,431**	1,359
Other accounts receivable	11	**3,293,751**	529,356
Outstanding premiums	12	**852,878**	748,255
Financial investments for investment-linked contracts	13	**77,131,278**	81,745,557
Other financial investments:			
Marketable debt assets	14(a)	**6,998,742**	6,469,715
Non-marketable debt assets	14(b)	**23,024,451**	22,080,962
Stocks	14(d)	**1,852,197**	2,073,677
Others	14(e)	**4,785,942**	4,576,518
Total other financial investments		**36,661,332**	35,200,872
Cash and cash equivalents for investment-linked contracts	13,15(a)	**8,458,337**	9,992,795
Other cash and cash equivalents	15(b)	**3,591,274**	4,123,919
Total assets		**144,615,514**	145,514,628
Total assets for investment-linked contracts	13	**92,463,316**	95,456,521

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Financial Position as of December 31

NIS in thousands	Note	As of December 31 2022	2021
Capital			
Share capital	16	**161,864**	155,452
Premium on shares		**2,127,387**	1,641,507
Capital reserves		**921,234**	1,286,142
Retained earnings		**4,784,752**	4,641,888
Total capital attributable to Company shareholders		**7,995,237**	7,724,989
Non-controlling interests		**65,396**	62,184
Total capital		**8,060,633**	7,787,173
Liabilities			
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	17,19,20,21,22	**33,814,469**	32,775,786
Liabilities with respect to investment-linked insurance contracts and investment contracts	18,20,21,22	**89,852,889**	93,453,683
Deferred tax liabilities	23	**572,506**	766,572
Liabilities with respect to employee benefits, net	24	**65,229**	80,007
Lease liability	27	**581,516**	585,193
Other accounts payable	26	**3,519,735**	4,238,811
Current tax liabilities	23	**17,441**	61,252
Financial liabilities	25	**8,131,096**	5,766,151
Total liabilities		**136,554,881**	137,727,455
Total capital and liabilities		**144,615,514**	145,514,628

The notes attached to the consolidated financial statements constitute an integral part thereof.

March 30, 2023			
Approval date of the financial statements	**Haim Samet** **Chairman of the Board**	**Yoram Naveh** **Chief Executive Officer**	**Eran Cherninsky** **Executive VP** **Finance Division Manager**

Consolidated Statements of Income

		For the year ended December 31		
NIS in thousands	**Note**	**2022**	**2021**	**2020**
Gross premiums earned		**11,509,243**	10,600,210	9,494,300
Premiums earned by reinsurers		**1,665,074**	1,587,711	1,466,514
Premiums earned on retention	28	**9,844,169**	9,012,499	8,027,786
Income (loss) from investments, net, and financing	29	**(4,096,600)**	13,931,324	5,050,742
Income from management fees	30	**1,197,761**	1,775,486	1,246,681
Income from commissions	31	**383,006**	336,823	311,268
Other income		**470**	1,038	645
Total income		**7,328,806**	25,057,170	14,637,122
Payments and changes in liabilities with respect to		**4,749,258**	22,139,990	11,989,849
Share of reinsurers in payments and change in liabilities with respect to insurance contracts		**(1,008,236)**	(1,867,052)	(974,301)
Payments and changes in liabilities with respect to	32	**3,741,022**	20,272,938	11,015,548
Commissions, marketing expenses and other acquisition	33	**2,195,977**	2,008,347	1,931,289
General and administrative expenses	34	**941,258**	973,100	933,903
Impairment of intangible assets	6	**8,157**	8,762	2,492
Other expenses	35	**17,635**	10,562	9,062
Financing expenses	36	**234,583**	231,842	154,699
Total expenses		**7,138,632**	23,505,551	14,046,993
Share in the results of investee companies accounted by the equity method, net	9	**3,424**	29,231	(4,192)
Income before taxes on income		**193,598**	1,580,850	585,937
Taxes on income	23	**67,561**	494,385	143,274
Income for the period		**126,037**	1,086,465	442,663
Attributable to:				
Company shareholders		**120,528**	1,081,773	438,676
Non-controlling interests		**5,509**	4,692	3,987
Income for the period		**126,037**	1,086,465	442,663
Earnings (loss) per share attributable to Company	37			
Basic earnings per share (in NIS)		**1.63**	15.99	6.48
Diluted earnings per share (in NIS)		**1.62**	15.97	6.48
Number of shares used to calculate earnings per share	37			
Basic		**73,796**	67,645	67,645
Diluted		**74,327**	67,743	67,645

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Comprehensive Income

		For the year ended December 31		
NIS in thousands	Note	2022	2021	2020
Income for the period		**126,037**	1,086,465	442,663
Other comprehensive income:				
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:				
Foreign currency translation differences for foreign operations carried to capital reserves		**18,790**	(7,360)	(20,761)
Foreign currency translation differences for foreign operations applied to profit and loss		**(438)**	9,932	9,568
Change, net, in the fair value of available for sale financial assets carried to capital reserves		**(298,635)**	1,383,539	474,417
Change, net, in the fair value of available for sale financial assets transferred to the statement of income		**(392,885)**	(938,758)	(344,942)
Impairment loss with respect to available for sale financial assets transferred to the statement of income		**114,408**	34,250	112,395
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax		**(558,760)**	481,603	230,677
Tax (tax benefit) with respect to available-for-sale financial assets		**(195,756)**	164,035	80,817
Tax (tax benefit) with respect to other components		**4,221**	592	(2,425)
Tax (tax benefit) with respect to components of other comprehensive income for the period which have been or will be transferred to the statement of income	23(d)	**(191,535)**	164,627	78,392
Other comprehensive income (loss) which, following initial recognition under comprehensive income, have been or will be transferred to the statement of income, net of tax		**(367,225)**	316,976	152,285
Components of other comprehensive income which will not be transferred to the statement of income:				
Actuarial gains from defined benefit plan		**11,354**	5,448	15,723
Other comprehensive income for the period, before tax		**11,354**	5,448	15,723
Tax with respect to components of other comprehensive income which will not be transferred to the statement of income	23(d)	**3,615**	1,756	5,112
Other comprehensive income which will not be transferred to the statement of income, net of tax		**7,739**	3,692	10,611
Other comprehensive income (loss) for the period		**(359,486)**	320,668	162,896
Total comprehensive income (loss) for the period		**(233,449)**	1,407,133	605,559
Attributable to:				
Company shareholders		**(236,661)**	1,401,634	601,743
Non-controlling interests		**3,212**	5,499	3,816
Total comprehensive income (loss) for the period		**(233,449)**	1,407,133	605,559

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Changes in Equity

	Attributable to Company shareholders									
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
For the year ended December 31, 2022										
As of January 1, 2022	155,452	1,641,507	(21,480)	1,166,602	180,329	(39,309)	4,641,888	7,724,989	62,184	7,787,173
Income for the period	-	-	-	-	-	-	120,528	120,528	5,509	126,037
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations carried to capital reserves	-	-	18,790	-	-	-	-	18,790	-	18,790
Foreign currency translation differences applied to the statement of income	-	-	(438)	-	-	-	-	(438)	-	(438)
Change, net, in the fair value of available for sale financial assets carried to capital reserves	-	-	-	(294,385)	-	-	-	(294,385)	(4,250)	(298,635)
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(393,429)	-	-	-	(393,429)	544	(392,885)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	114,221	-	-	-	114,221	187	114,408
Actuarial losses from defined benefit plan	-	-	-	-	-	-	11,324	11,324	30	11,354
Tax benefit (tax) with respect to components of comprehensive income (loss)	-	-	(4,221)	194,554	-	-	(3,605)	186,728	1,192	187,920
Other comprehensive income (loss) for the period, net of tax	-	-	14,131	(379,039)	-	-	7,719	(357,189)	(2,297)	(359,486)
Total comprehensive income (loss) for the period	-	-	14,131	(379,039)	-	-	128,247	(236,661)	3,212	(233,449)
Transactions with shareholders which were carried directly to equity:										
Exercise and expiration of warrants for senior employees	1	182	-	-	-	-	(183)	-	-	-
Issuance of share capital	6,411	485,698	-	-	-	-	-	492,109	-	492,109
Share-based payments	-	-	-	-	-	-	14,800	14,800	-	14,800
As of December 31, 2022	161,864	2,127,387	(7,349)	787,563	180,329	(39,309)	4,784,752	7,995,237	65,396	8,060,633

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders									
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
For the year ended December 31, 2021										
As of January 1, 2021	155,448	1,638,770	(23,460)	852,376	180,329	(39,309)	3,535,095	6,299,249	56,685	6,355,934
Income for the period	-	-	-	-	-	-	1,081,773	1,081,773	4,692	1,086,465
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations carried to capital reserves	-	-	(7,360)	-	-	-	-	(7,360)	-	(7,360)
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	9,932	-	-	-	-	9,932	-	9,932
Change, net, in the fair value of available for sale financial assets carried to capital reserves	-	-	-	1,381,773	-	-	-	1,381,773	1,766	1,383,539
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(938,154)	-	-	-	(938,154)	(604)	(938,758)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	34,242	-	-	-	34,242	8	34,250
Actuarial losses from defined benefit plan	-	-	-	-	-	-	5,393	5,393	55	5,448
Tax with respect to components of comprehensive income (loss)	-	-	(592)	(163,635)	-	-	(1,738)	(165,965)	(418)	(166,383)
Other comprehensive income for the period, net of tax	-	-	1,980	314,226	-	-	3,655	319,861	807	320,668
Total comprehensive income for the period	-	-	1,980	314,226	-	-	1,085,428	1,401,634	5,499	1,407,133
Transactions with shareholders which were carried directly to equity:										
Exercise and expiration of warrants for senior employees	4	2,737	-	-	-	-	(2,741)	-	-	-
Share-based payments	-	-	-	-	-	-	24,106	24,106	-	24,106
As of December 31, 2021	155,452	1,641,507	(21,480)	1,166,602	180,329	(39,309)	4,641,888	7,724,989	62,184	7,787,173

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Changes in Equity (Cont.)

	Attributable to Company shareholders									
NIS in thousands	Share capital	Premium on shares	Translation reserve	Capital reserve with respect to available for sale assets	Other capital reserves	Capital reserve from transactions with non-controlling interests	Retained earnings	Total	Non-controlling interests	Total capital
For the year ended December 31, 2020										
As of January 1, 2020	155,448	1,636,478	(14,692)	691,091	180,329	(39,309)	3,088,161	5,697,506	52,869	5,750,375
Income for the period	-	-	-	-	-	-	438,676	438,676	3,987	442,663
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations carried to capital reserves	-	-	(20,761)	-	-	-	-	(20,761)	-	(20,761)
Foreign currency translation differences for foreign operations applied to profit and loss	-	-	9,568	-	-	-	-	9,568	-	9,568
Change, net, in the fair value of available for sale financial assets carried to capital reserves	-	-	-	474,679	-	-	-	474,679	(262)	474,417
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(344,823)	-	-	-	(344,823)	(119)	(344,942)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	112,366	-	-	-	112,366	29	112,395
Actuarial gains from defined benefit plan	-	-	-	-	-	-	15,631	15,631	92	15,723
Tax with respect to components of comprehensive income (loss)	-	-	2,425	(80,937)	-	-	(5,081)	(83,593)	89	(83,504)
Other comprehensive income (loss) for the period, net of tax	-	-	(8,768)	161,285	-	-	10,550	163,067	(171)	162,896
Total comprehensive income (loss) for the period	-	-	(8,768)	161,285	-	-	449,226	601,743	3,816	605,559
Transactions with shareholders which were carried directly to equity:										
Exercise and expiration of warrants for senior employees	-	2,292	-	-	-	-	(2,292)	-	-	-
As of December 31, 2020	155,448	1,638,770	(23,460)	852,376	180,329	(39,309)	3,535,095	6,299,249	56,685	6,355,934

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Cash Flows

NIS in thousands	Annex	For the year ended December 31 2022	2021	2020
Cash flows from operating activities				
Before taxes on income	(A)	**(2,174,553)**	7,531,448	(1,295,034)
Income tax received (paid)		**(411,958)**	(439,747)	41,905
Net cash from (used in) operating activities		**(2,586,511)**	7,091,701	(1,253,129)
Cash flows from investing activities				
Consideration from disposal of property, plant and equipment		**31**	197	15
Consideration from disposal of investments in other investee		**29,130**	23,568	15,154
Consideration from disposal of investment in available for sale financial assets by companies which are not insurance and		**7,390**	182,545	19,298
Investment in available for sale financial assets by companies that are not insurance and finance companies		**(180,522)**	(64,498)	(152,163)
Investment in shares and loans in investee companies		**(9,459)**	(14,923)	(47,415)
Acquisition of newly consolidated company, less received cash	(F)	**-**	(66,063)	-
Investment in property, plant and equipment		**(22,078)**	(30,967)	(22,970)
Investment in intangible assets		**(190,455)**	(191,889)	(191,541)
Net cash used in investing activities		**(365,963)**	(162,030)	(379,622)
Cash flows from financing activities				
Issuance of share capital (after deducting issuance costs)		**492,109**	-	-
Consideration from issue of deferred liability notes		**495,183**	731,383	-
Costs of issue and exchange of deferred liability notes		**(6,630)**	(6,625)	-
Repayment of deferred liability notes		**-**	(529,838)	(22,168)
Repayment of lease liability		**(74,762)**	(56,854)	(44,049)
Paid interest on deferred liability notes		**(120,574)**	(122,047)	(128,091)
Net cash used in financing activities		**785,326**	16,019	(194,308)
Impact of exchange rate fluctuations on cash and cash equivalent		**100,045**	(51,048)	(64,231)
Net increase (decrease) in cash and cash equivalents		**(2,067,103)**	6,894,642	(1,891,290)
Cash and cash equivalents at beginning of year	(B)	**14,116,714**	7,222,072	9,113,362
Cash and cash equivalents at end of year	(C)	**12,049,611**	14,116,714	7,222,072

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Cash Flows (Cont.)

NIS in thousands	For the year ended December 31 2022	2021	2020
(A) Cash flows from operating activities before taxes on income [1) 2)]			
Income for the period	**126,037**	1,086,465	442,663
Items not involving cash flows:			
The Company's share in the profits of investee companies accounted by the equity method	**(3,424)**	(29,231)	4,192
Dividends received from investee companies accounted by the equity method	**212**	172	766
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**1,038,683**	1,696,891	(366,015)
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**(3,600,794)**	16,162,319	5,458,360
Change in deferred acquisition costs	**(261,411)**	(197,492)	24,560
Change in reinsurance assets	**(105,902)**	(788,877)	(77,519)
Depreciation of property, plant and equipment and right-of-use asset	**91,011**	90,659	88,447
Amortization of intangible assets	**231,442**	233,527	231,412
Impairment of intangible assets	**8,157**	8,762	2,492
Loss (profit) from disposal of property, plant and equipment	**24**	(178)	1
Loss (profit) from right-of-use asset	**78**	(316)	(19)
Interest and linkage differences accrued with respect to deferred liability notes and lease liabilities	**194,202**	169,146	143,345
Interest accrued and revaluation of liabilities to banking corporations and others	**1,996,139**	1,076,639	379,270
Change in fair value of investment property for investment-linked contracts	**(174,252)**	(194,459)	90,453
Change in fair value of other investment property	**(47,152)**	(79,500)	25,229
Share-based payment transactions	**14,800**	24,106	-
Net loss (profit) from financial investments for insurance contracts and investment-linked investment contracts	**5,980,011**	(9,390,508)	(2,274,816)
Taxes on income	**67,561**	494,385	143,274
Net loss (profit) from other financial investments:			
Marketable debt assets	**(115,886)**	(174,727)	(22,223)
Non-marketable debt assets	**(1,441,053)**	(862,291)	102,122
Stocks	**(54,820)**	(298,654)	17,373
Others	**7,213**	(552,670)	(57,954)
Financial investments and investment property for investment-linked contracts:			
Acquisition of investment property	**(462,935)**	(137,136)	(120,998)
Consideration from the sale of investment property	**-**	234,212	84,473
Acquisitions net of financial investments	**(1,365,732)**	(1,556,288)	(6,126,484)
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:			
Marketable debt assets	**(1,114,647)**	(551,426)	213,935
Non-marketable debt assets	**497,589**	873,974	275,355
Stocks	**61,292**	167,345	(256,063)
Others	**293,630**	(250,291)	(717,840)
Acquisition of other investment property	**(162,569)**	(55,341)	(44,228)
Consideration from the sale of other investment property	**-**	96,481	50,684

1) Cash flows from operating activities include cash flows with respect to acquisitions and net sales of financial investments and investment property derived from activities with respect to insurance contracts and investment contracts.
2) Cash flows from operating activities include cash flows with respect to received dividends and interest, as specified in Annex D.

The notes attached to the consolidated financial statements constitute an integral part thereof.

Consolidated Statements of Cash Flows (Cont.)

	For the year ended December 31		
NIS in thousands	2022	2021	2020
(A) Cash flows from operating activities before taxes on income (Cont.)			
Changes in other items in the statement of financial position, net			
Securities held for trading by consolidated companies which are not insurance companies	**3,556**	(25,664)	(1,580)
Other accounts receivable	**(2,764,395)**	101,596	171,109
Outstanding premiums	**(104,623)**	(97,303)	49,196
Other accounts payable	**(1,003,171)**	255,158	769,054
Liabilities with respect to employee benefits, net	**(3,424)**	1,963	2,940
Total cash flows from operating activities before taxes on income	**(2,174,553)**	7,531,448	(1,295,034)
(B) Cash and cash equivalents at beginning of year:			
Cash and cash equivalents for investment-linked contracts	**9,992,795**	5,273,150	6,554,645
Other cash and cash equivalents	**4,123,919**	1,948,922	2,558,717
Balance of cash and cash equivalents at beginning of year	**14,116,714**	7,222,072	9,113,362
(C) Cash and cash equivalents at end of year:			
Cash and cash equivalents for investment-linked contracts	**8,458,337**	9,992,795	5,273,150
Other cash and cash equivalents	**3,591,274**	4,123,919	1,948,922
Balance of cash and cash equivalents at end of year	**12,049,611**	14,116,714	7,222,072
(D) Cash flows with respect to interest and dividends received, included under operating activities:			
Interest received	**1,423,373**	1,529,735	2,015,450
Dividend received	**667,885**	802,984	322,670
(E) Operations which are not associated with cash flows			
Investment in assets against other accounts payable	**-**	6,379	-
Payables - acquisition of associate company	**9,512**	-	-
Repayment of deferred deposits against other accounts payable (see Note 25)	**263,672**	-	-
(F) Initial consolidation of acquired company:			
Intangible assets	**-**	(78,638)	-
Property, plant and equipment	**-**	(408)	-
Right-of-use asset	**-**	(1,547)	-
Other accounts receivable	**-**	(2,687)	-
Liabilities with respect to employee benefits, net	**-**	6	-
Lease liability	**-**	1,950	-
Deferred tax liabilities	**-**	7,159	-
Other accounts payable	**-**	8,102	-
Total investment in acquisitions of newly consolidated companies	**-**	(66,063)	-

The notes attached to the consolidated financial statements constitute an integral part thereof.

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Note 1: General

A. Reporting entity

Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") is a company registered in Israel, and incorporated in Israel, whose official address is 36 Raul Wallenberg Rd., Tel Aviv. The Company's securities are listed for trading on the Tel Aviv Stock Exchange Ltd.

The consolidated financial statements as of December 31, 2022 (hereinafter: the "**Financial Statements**") include the statements of the Company and its subsidiaries (hereinafter, jointly: the "**Group**"), as well as the Group's interests in joint ventures and associates.

As of the publication date of the report, the Company is a company without a control core.

On December 8, 2019, the Company received a letter from the Commissioner (the "**Commissioner's Letter**"), in which the Commissioner announced, *inter alia*, that in light of the changes which occurred in the stake held by IDB Development Corporation Ltd. ("**IDB Development**")[1] in the Company, the Commissioner evaluated the issue of the control of the Company. In accordance with the Commissioner's letter, as part of the aforementioned evaluation, the positions of the Ministry of Justice, the Israel Securities Authority and the Competition Authority were received as well. The findings of the aforementioned evaluation, which, according to the Commissioner's position, are based on the Company's representations, indicated that, as of the date of the letter, there is no entity which holds, directly or indirectly, the Company's means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Control of Financial Services (Insurance) Law, 1981 (the "**Insurance Law**"), and therefore, the Company is required to receive a permit from the Commissioner for the control of Clal Insurance Company ("**Clal Insurance**"). Further to the foregoing, on October 19, 2020 the Company received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance" (which replaced the Commissioner's letter on the subject dated July 21, 2020), specifying, *inter alia*, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in Clal Insurance, the appointment of directors in Clal Insurance and in the Company, and participation in the general meeting of Clal Insurance (the "**Outline for Exercising the Means of Control**"). On November 30, 2020 and December 25, 2022, clarification letters were received from the Commissioner, in connection with the outline for exercising the means of control. For additional details regarding the control outline, including regarding the appointment of directors in the Company and in Clal Insurance, see section c(2) below. The outline for exercising control, including the received letters, replaces the need for a control permit.

On March 27, 2023, the Company received a letter from the Commissioner (hereinafter: the "**Commissioner's Letter**"), which included, *inter alia*, an update to the insurer license of the institutional entities which are controlled by the Company, and conditions which will apply to the Company in connection with the holding of the means of control of Clal Insurance; It was determined that the outline which was created for exercising the means of control of Clal Insurance (see section 1C below) will remain in effect, and reference was given to aspects of the Company's financial stability, and its obligation towards Clal Insurance, due to the transaction to acquire Max IT Finance Ltd. For additional details regarding financial liabilities, see Note 16 to the Company's financial statements.

B. Developments during the reporting period with respect to the control and holding of the Company and of Clal Insurance

In accordance with the provisions of the Control Law, the holding of more than five of a certain type of means of control of an institutional entity is conditional upon the receipt of a permit for the holding of means of control from the Commissioner, and the control of an institutional entity or insurance agency also requires a permit from the Commissioner.
As of the publication date of the report, to the best of the Company's knowledge, several entities have received a permit for holding means of control, including institutional entities.
For details regarding the holding permit which was given to Mr. Alfred Akirov, see section B1 below.

[1] In accordance with the Commissioner's directives, during the period from 2017 to January 2021, all of the Company's shares which were held by IDB Development were sold, directly and through the trustee for the Company's control shares, including some through swap transactions, which, as of the reporting date, have all concluded.

Note 1: General (Cont.)

B. Developments during the reporting period with respect to the control and holding of the Company and of Clal Insurance (Cont.)

It is noted, in accordance with information which the Commissioner gave the Company, that on March 29, 2022 the Commissioner granted to Mr. Shalom Shai and Ms. Natala Shai a permit to hold up to 10% of the means of control of the Company and of the institutional entities which are under its control. As of the present date, the above hold, together with Dona Engineering & Construction Co. Ltd., around 5.41% of the shares of Clal Holdings.

Among the other conditions of the permit, it was determined that the permit holders may not enter into any arrangement or agreement with any third party which pertains to the holding of the permit holders' means of control of the Company and of the institutional entities which are under its control, without the Commissioner's advance written approval.

The permit holders also undertook towards the Commissioner not to act, independently or together with others, in a manner which would create for them control of the Company, and they also undertook not to collaborate with any other holder of the Company's means of control regarding voting to appoint directors, or regarding the discontinuation of a director's tenure, or on any other matter which may be presented to the general meeting for a vote.

It is hereby clarified that, as of the publication date of the report, the obligation to report to the Company regarding the stakes of shareholders in the Company applies only to interested parties, as defined in the Securities Law, 1968, and that the Company has no information regarding the status of the holding permits, or any changes which have made thereto, beyond the above.

B.1. Holding permit for Mr. Alfred Akirov and request for a control permit -

On May 11 and 12, 2020, Clal Insurance received copies of the Commissioner's letters to Mr. Moshe (Mori) Arkin and to Mr. Alfred Akirov (to each of them separately), in which he clarified, further to the reports dated May 6 and 10, 2020, that the holding permit which was given to Mr. Arkin, with respect to the holding of up to 8% of the Company's shares, and the holding permit which was given to Mr. Akirov, for the holding of up to 10% of the Company's shares, dated April 5, 2020, does not allow them, or any other party on their behalf, to take action, either independently or together with others, in a manner which would result in their ability to direct the activity of Clal Insurance, *inter alia*, through involvement in decision making processes regarding the appointment of its directors and officers. It is noted that, to the best of the Company's knowledge, as of the present date Mr. Arkin does not hold any of the Company's shares, and Mr. Akirov holds 15% of the Company's shares.

It is noted that, in accordance with information which the Commissioner gave the Company, on July 1, 2021 the Commissioner granted to Mr. Alfred Akirov, Mr. Georgi Akirov and Ms. Sharon Akirov (hereinafter: the "**Permit Holders**") a permit to hold up to 15% of the means of control of the Company and of the institutional entities which are under its control. Among the other conditions of the permit, it was determined that the permit holders may not enter into any arrangement or agreement with any third party which pertains to the holding of the permit holders' means of control of the Company and of the institutional entities which are under its control, without the Commissioner's advance written approval. The permit holders also undertook towards the Commissioner not to act, independently or together with others, in a manner which would create for them control of the Company, and they also undertook not to collaborate with any other holder of the Company's means of control regarding voting to appoint directors, or regarding the discontinuation of a director's tenure, or on any other matter which may be presented to the general meeting for a vote.

To the best of the Company's knowledge, according to information which was made public but was not submitted to it, the permit holders contacted the Commissioner with a request for a permit for the control of the Company and of the institutional entities under its control.

In accordance with the immediate report of Alrov Properties and Lodgings Ltd. ("**Alrov**") dated March 15, 2022, discussions are being held between Alrov and the Commissioner, in which Alrov proposed several possible outlines for the issuance of a control permit to acquire an additional 15% of the Company's shares, in connection with its compliance with the Concentration Law. In accordance with Alrov's report, a response was received from the Commissioner in which he stated that he did not accept Alrov's interpretation, and Alrov reported that it was continuing negotiations with the Commissioner, including a discussion regarding other alternatives which it would like to consider.

Note 1: General (Cont.)

B.1. Holding permit for Mr. Alfred Akirov and request for a control permit (Cont.)

In September 2022, a publication appeared in the economic media according to which, further to the request of Alrov Properties and Lodgings Ltd. to receive a permit for the control of Clal Insurance, the Committee on Reducing Concentration expressed its position that Clalbit Finance Ltd., a subsidiary of Clal Insurance ("Clalbit Finance") should be considered as a real corporation for the purpose of Chapter D of the Concentration Law, in a manner which rejected the Capital Market Authority's interpretation, and therefore, the obligations of Clalbit Finance are considered the obligations of a real corporation.

In September 2022, the report of the Taskforce on Evaluating Chapter D of the Concentration Law was published, in which it was proposed to define an insurer's issuance corporation as a financial entity; i.e., according to the recommendation, Clalbit Finance should be considered as a financial corporation for the purpose of Chapter D of the Concentration Law.

On December 25, 2022, Alrov reported that it had received a letter from the Commissioner, in which it was noted that, at this stage, the Authority does not intend to give a different interpretation than the foregoing position of the concentration committee (in accordance with the report, the concentration committee's position was received by the Commissioner on September 5, 2022, and attached to the Authority's Letter), and that as of the reporting date, insofar as it is decided to give Alrov a permit for the control of the Company, in light of the required effective credit, there is an exception in the amount of approximately NIS 163 million (as of June 30, 2022), and in these circumstances, the permit requestors' control of the Company deviates from the provisions of section 32a(b) of the Control Law.

Additionally, with reference to several alternatives and outlines which were proposed in the discussions with Alrov, it was noted in the Authority's Letter that the outline for the holding of the Company's entire means of control by the individuals requesting the permit - members of the Akirov family, through companies under their control, is possible. The Authority also stated in its letter than it does not intend to grant a conditional control permit. In the Authority's letter it was noted, with respect to the merger of Clalbit into the Company, that according to the Authority's position, "since Clalbit is a major element in Clal's capital management, the merger in question is inconsistent with proper business management, and could also harm it, in certain scenarios". Alrov reported that it expects to continue negotiating with the Authority in order to try to convince it regarding the relevant issues specified above, and to propose additional alternatives and outlines.

B.2. Alrov's objection to the Max transaction and its actions on the matter

Alrov sent several letters to the Company, dated October 9, 17 and 19, 2022, in which Alrov clarified that it objects to the Max transaction (for additional details, see Note 42), for reasons which it specified, and that it would consider the Company and its Board members as directly responsible for any damage which Alrov may incur, and will take all possible measures in order to exercise its rights. It was further stated in Alrov's letters that Alrov, as a shareholder of the Company, and its controlling shareholders, cannot be forced to obtain the permit from the Banking Supervision Department, and cause it to incur property damage.

In Alrov's letter dated October 19, 2022, Alrov also demanded the immediate suspension of Clal Insurance's Chairman of the Board from all of his responsibilities in the Group, including the convention of meetings on the matter, as required, according to its position, in accordance with the provisions of the Companies Law, and demanded to suspend any current or future resolution regarding his future tenure. On November 30, 2022, Alrov reported that Alrov would vote against the continued tenure of the Company's current Chairman of the Board, in the annual meeting scheduled for January 2023. For additional details regarding actions taken by relative to Alrov the appointment of directors in the Company, see section 1.2 below.

Note 1: General (Cont.)

B.2. Alrov's objection to the Max transaction and its actions on the matter (Cont.)

On October 23, 2022, the Company responded to Alrov's letters dated October 9, 17 and 19, 2022 ("Alrov's Letters"), in which is restated its position, that it rejects outright the statements made in Alrov's letters. The Company further asserted that Alrov is presuming to intervene, unlawfully, in the board of directors' work, and to dictate to the Company's Board of Directors its decisions and activities, and is aggressively trying to influence the board of directors' resolutions, by unacceptable and inappropriate methods, including through a media campaign based on groundless claims, attempts to intervene in the board of directors' work, and to demand that it immediately suspend the current Chairman, despite the severe criticism which was previously referred to Alrov's conduct in the Danzinger Report. This conduct by Alrov and its board members, including through its "shower" of letters, is causing the Company and its shareholders to incur damages, constitutes a breach of duties of integrity and other duties, and is causing the Company to incur significant and unnecessary expenses. With respect to Alrov's position regarding the regulatory requirement to receive a permit from the Banking Supervision Department, the Company responded that the necessity and responsibility for obtaining all of the permits which are required of it (and of the Company's other stakeholders), by law, for the purpose of Alrov's holdings in the Company, apply directly to Alrov and to its shareholders, and Alrov's attempts to shirk them, and try to indirectly thwart the Max transaction – create legal liability for it, towards the Company, towards its shareholders, and towards the shareholders of Alrov itself.

On November 19, 2022, Alrov filed a motion for the disclosure and review of documents with the District Court of Tel Aviv-Yafo, before the filing of a derivative claim against the Company, its CEO, and five of its serving directors (out of seven serving directors), including the Chairman of the Board (the "**Motion**"). For details regarding the engagement in the Max transaction, see Note 42.

On November 30, 2022, Alrov reported that it objects to the Max transaction, and specified the reasons for its objection to the Max transaction, as presented in the request.

On December 4, 2022, the Company received another letter from Alrov, in which Alrov again stated that it would not apply for the regulatory permits which are required by law for the execution of the Max transaction, and that according to its position, in light of the above, the Governor of the Bank of Israel cannot address the Company's request for a control permit with respect to Max.

On December 11, 2022, the Company responded to Alrov's letter dated December 4, 2022, and re-stated its position, according to which the Company is not requesting, and does not require, Alrov's approval for the Max transaction, and that the issuance of a control permit to the Company is not conditional on a holding permit for Alrov, and that Alrov is therefore choosing to put itself and its shareholders at risk of breaching provisions of the law, through Alrov's intention not to request from the Bank of Israel a permit for holding a clearing entity, and that Alrov's actions constitute a gross attempt to exercise control in practice, constitute a breach of the provisions of the permit which was given to it by the Commissioner, and constitute a gross breach of the law. The Company believes that Alrov's considerations, in its refusal to request a holding permit for Max, are irrelevant, are not intended to promote the best interests of the Company and its other shareholders, and that Alrov's avoidance, as stated above, cannot prevent the issuance of the Company's permit for the control of Max, and thereby to prevent the closing of the Max transaction.

On December 26, 2022, Alrov reported that it had received a letter from the Commissioner dated December 25, 2022, which had been sent to it, and in which it was stated that "recently there appears to have been an intensification in the scope and intensity of the actions" which the permit requestors are taking against the Company and its officers, and details and information were requested regarding the actions recently taken by Alrov against the Company and its officers; and since any action which could lead to the direction of the Company's activity constitutes, *inter alia*, a breach of the permit and the law (as clarified in the Commissioner's letter to Alrov dated May 11, 2020). Alrov was requested to clarify how, according to its position, its actions are consistent with the holding permit; whether the foregoing actions are appropriate for an entity seeking control of an institutional entity, and whether they could adversely affect the Company and the institutional entities which are under its control.

Note 1: General (Cont.)

Alrov reported that it will respond to the Commissioner, that all of its actions in the foregoing context were performed in the best interests of Alrov, the Company and its shareholders, and are consistent with Alrov's rights and obligations as a shareholder in Clal, in accordance with the law and the holding permit, including, *inter alia*, in light of the discovery of defects and changes for the worse in the Company's corporate governance, and including Alrov's position that the Max transaction is a dangerous transaction for the Company and its shareholders.

It is noted that on February 23, 2023, the Company received a permit for holding the means of control of WPI from the Banking Supervision Department. In addition and in parallel to the control permit, the Company received notice from the Banking Supervision Department, stating that it will not recommend the implementation of enforcement measures against the Company's shareholders, who, on the closing date, hold over 5% of the Company's share capital (the "**Relevant Shareholders**"), if, within seven days after the closing date of the transaction, the relevant shareholders notify the Banking Supervision Department of their holding of Company shares which requires a permit. In their notice, the relevant shareholders will specify whether they intend to submit, within 30 days after the closing date, a request for a permit to hold the means of control in a company holding a clearing entity, or whether they intend to reduce their holdings during the aforementioned period, to a rate which will not exceed 5% of the means of control in the Company, and will take action in accordance with its notice. Further to the above, on February 26, 2023, Alrov reported that it was evaluating the notice with the help of its advisors, and clarified that it is complying, and will continue complying, with the law.

On March 27, 2023, the Max acquisition transaction was closed. For additional details, see Note 42.

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance

1. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance

1.1 Appointment of directors in Clal Insurance

During the period of service of the trustee for the Company's control shares, various directives of the Commissioner were received, pertaining to the appointment of directors in the Group, including through the committee for the appointment of directors in Clal Insurance and in the Company, led by the Honorable Judge (Emeritus) Sarah Gadot, who was appointed by the Commissioner in 2015 to recommend to the trustee suitable candidates for tenure as directors (the "**Gadot Committee**"). In accordance with the recommendations of the Gadot committee, directors and outside directors of the Company and of Clal Insurance were appointed, from time to time, in accordance with the appointed committee's recommendations.

In the Commissioner's letter dated December 8, 2019, in which it was determined that there is no entity which holds, directly or indirectly, the Company's means of control, the Commissioner determined, in consideration of the presumption which is prescribed in the definition of an "insurer", in accordance with section 31(A) of the Control Law, that the provisions of the Control Law regarding arrangements for the appointment of directors in an insurer with no controlling shareholder, apply both to the Company and to Clal Insurance[2]. In these circumstances, he considered it appropriate to determine, in the conditions of the permit for control of Clal Insurance, that without derogating from the provisions of any applicable law, the method for appointing directors in the Company and in Clal Insurance will be similar to the mechanisms currently prescribed in the Control Law regarding the appointment of directors in an insurer with no controlling shareholder, without prejudice to the right of another shareholder to propose candidates by law, insofar as any such right is available.

On July 21, 2020, October 19, 2020, November 30, 2020, and December 25, 2022, the Company received from the Commissioner letters in connection with an outline for exercising the means of control of Clal Insurance, which included, *inter alia*, reference to the method for appointing directors in Clal Insurance and in the Company, as specified below. On March 27, 2023, the Company received a letter from the Commissioner which determined, *inter alia*, that the outline which was determined for exercising the means

2 In accordance with the Commissioner's letter, according to the definitions presented in section 31A of the Control Law, both the Company and Clal Insurance are considered "insurers" for the purpose of evaluating the control of Clal Insurance.

3 On January 12, 2021, the Commissioner announced that the Minister of Finance had appointed the committee, in accordance with the provisions of section 41M of the Control Law, regarding the appointment of directors in Clal Insurance.

of control of Clal Insurance, as specified in the Commissioner's aforementioned letters, will remain in effect.

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1.1 Appointment of directors in Clal Insurance (Cont.)

In the Commissioner's letter dated March 27, 2023 it was determined, *inter alia*, as an annex to the insurer license of the Group's institutional entities, that in accordance with the Commissioner's authority to approve officers in Clal Insurance, Clal Pension and Provident Funds or Clal Credit Insurance, who serve in parallel as officers in Max or in WPI, the Commissioner will take into account, *inter alia*, the number of officers in institutional entities in Clal Group, who serve simultaneously as officers in Max or in WPI, and their positions. It is clarified that the tenure, as stated above, of up to two officers in Max or in WPI, provided that none of them serves as the Chairman of the Board, will not constitute a significant consideration of the Commissioner when evaluating the appointment of a candidate for tenure as an officer in Clal Insurance, Clal Pension and Provident Funds or Clal Credit Insurance, as stated above, subject to an evaluation of each request on its own merits.

The Commissioner's position is that Clal Insurance is a private company controlled by the Company, which is a public company, and which has no ultimate controlling shareholder, and with the aim of realizing the intent of the Control Law regarding an insurer with no controlling shareholder, and to establish a comprehensive and appropriate arrangement regarding the holding structure of Clal Insurance at this time, it is necessary to create an outline to ensure the realization of the relevant purposes, in accordance with certain principles, of which the main ones are specified below. In accordance with the outline for exercising the means of control, these principles will be set forth, *inter alia*, in the control permit which will be given to the Company, by virtue of the Commissioner's authority pursuant to section 32(b) of the Control Law, as follows: Clal Insurance will be subject to the provisions regarding an "insurer with no controlling shareholder", including the provisions of sections 41K and L of the Control Law, and the provisions of the Board of Directors Circular regarding an insurer with no controlling shareholder, subject to the adjustments specified below. An external committee will be formed, which will recommend the appointment of directors in Clal Insurance in accordance with the provisions of the Supervision Law regarding a insurer without a control core (the "Committee")[3].

In light of the above, the Commissioner established an outline for the selection of directors, as specified in his letter, which primarily stated the following:

A. All of the directors in Clal Insurance (excluding outside directors and independent directors) will be presented to the general meeting for appointment once per year.

B. The Company's Board of Directors will be entitled to propose candidates for the Board of Directors of Clal Insurance (notwithstanding the provisions of the law regarding an insurer with no controlling shareholder - the Board of Directors may propose more than one candidate);

C. The Board of Directors of Clal Insurance will be entitled to propose candidates on its behalf. However, it will not be entitled to appoint directors in Clal Insurance;

[3] The committee's work arrangements will be determined in accordance with section 41Q of the Control Law. The members of the committee regarding Clal Insurance include: Committee chairman - the Honorable Judge (Emeritus) Yosef (Sefi) Eilon; Prof. Efraim Tzedaka; Mr. Avraham Rinot; Dr. Rachel Adatto (independent director in Clal Insurance); Prof. Orli Sade Ben Ami (independent director in Clal Insurance).

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1.1 Appointment of directors in Clal Insurance (Cont.)

D. The Search Committee will also propose candidates to the Board of Directors of Clal Insurance. The Search Committee will propose candidate for tenure, according to the maximum number of directors whose appointment will be discussed in the meeting. In case of the appointment of directors in any framework other than the annual general meeting, the Search Committee will recommend at least twice as many candidates as the number of available positions.

E. For the sake of guaranteeing the independence of the Board of Directors of Clal Insurance, as part of the Commissioner's authority to appoint officers, the Commissioner will take into account, *inter alia*, the verification that most of the board members who were appointed to the Board of Directors of Clal Insurance were recommended by the Search Committee, and the verification of an "absence of ties", as defined in section 240(b) of the Companies Law, 1999, *mutatis mutandis*, between candidates for tenure as directors, and Clal Holdings. It was further clarified, with respect to directors whose appointment will be recommended by the Search Committee to the general meeting of Clal Insurance, that tenure as a director in the Company will not constitute, *per se,* from the Commissioner's perspective, grounds for refusing tenure as a director[4], and that the foregoing will not derogate from the possibility of appointing a person who serves as a director in the Company, as a director in Clal Insurance, subject to the Commissioner's discretion. It was further clarified, as part of the Commissioner's considerations, that the Commissioner may also approve a composition of the Board of Directors in which the number of directors who were appointed from among the candidates recommended by the Search Committee will be less than a majority of directors, but a reasonable number, in light of the circumstances.

F. It was clarified that the number of directors serving on the Board of Directors of Clal Insurance may be determined by the general meeting of Clal Insurance, without derogating from the provisions of the Board of Directors circular regarding institutional entities, or from the Commissioner's authorities in general.

G. The chairman of the board will be among the candidates recommended by the committee; however, the Board of Directors may elect a chairman who is not among the candidates recommended by the committee, though in the foregoing case, it will be required to justify its decision, and will be required to attach it in case of a tie vote, in which the chairman will have a casting vote.

In accordance with the outline, no instructions of the Commissioner were established regarding the appointment of directors in the Company; however, it was determined that anyone who was proposed the appointment of one third of the directors holding office in the Company, and whose proposal has been accepted, will be considered as its controlling shareholder, and accordingly, may be required to obtain a control permit from the Commissioner. Subsequently, on December 25, 2022, clarification was received from the Commissioner in connection with the outline for exercising the means of control of Clal Insurance, according to which, so long as a director who was proposed by a holder or group of holders continues to serve on the Board of Directors of Clal Insurance and on the Board of Directors of Clal Holdings, another director who has been appointed as a director in Clal Holdings will not be proposed to the Board of Directors of Clal Insurance, in accordance with the offer of the same holder or group of holders.

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4 Directors who have been proposed by the Gadot committee for tenure on the Board of Directors of Clal Insurance will be considered by the Commissioner as directors who have been proposed by the search committee.

Note 1: General (Cont.)

C. Developments during the reporting period regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1. The Commissioner's directives regarding the appointment of directors in the Company and in Clal Insurance (Cont.)

1.1 Appointment of directors in Clal Insurance (Cont.)

In accordance with information, which was given to the Company, the Search Committee published its work methods on January 26, 2021, and on April 12, 2021 the Search Committee published a call for proposals to submit to the committee candidates for tenure as directors in Clal Insurance. In the call for proposals, it was noted that in light of Clal Insurance's needs, the required number of directors is up to seven ordinary directors, and one independent director. On August 1, 2021, the committee's recommendations were submitted to the Board of Directors of Clal Insurance, in which the search committee recommended to the general meeting of Clal Insurance eight candidates for tenure as directors in Clal Insurance, including three directors who had consented to serve as independent directors.

Accordingly, on September 12 and 30, 2021, and in February 2023, general meetings of Clal Insurance were convened, in which it was resolved to appoint directors in Clal Insurance, in consideration of the committee's recommendations regarding candidates for tenure on the Board of Directors of Clal Insurance, and in consideration of additional candidates who were proposed by the Company's Board of Directors, in accordance with the outline of discussions which the Company held with the Commissioner. On September 10, 2022, Mr. Roni Maliniak, who served as a director in Clal Insurance and in the Company, passed away before his time. On September 29, 2022, Mr. Sami Moualem, who had served as a director in Clal Insurance, resigned. For additional details regarding his resignation from the Company, see section 1.2 below. In February 2023, the meeting approved the appointment of directors in Clal Insurance, from among the directors who served in Clal Insurance and in the Company. As of the present date, the Commissioner's approval has not yet been received for all of the new directors among the directors who are serving in the Company. In total, there are currently 8 members on the Company's Board of Directors.

1.2 Appointment of directors in the Company

In consideration of the fact that the Company is a company without a control core, and as part of the Company's Board of Directors' preparation for the annual general meeting, in September 2020 the Board of Directors appointed a special board committee, which will serve, *inter alia*, as a committee passing recommendations to the Board of Directors in connection with the formulation of a list of recommended criteria for the appointment of directors in the Company, and will recommend additional suitable candidates for tenure on the Company's Board of Directors (hereinafter: the "**Company's Search Committee**").

The Company's Search Committee held 13 meetings, and its activity included receiving assistance from external legal advisors and an external executive headhunter company. As part of the activity of the Company's Search Committee, the Company published a call for suitable candidates to present their candidacy to the Company's Search Committee, and to the principal shareholders other than institutional entities, which hold at least 1% of the voting rights in the Company, to propose candidates on their behalf for tenure on the Company's Board of Directors, subject to restrictions in accordance with the law and regulations (including Antitrust Laws)[5], by the dates which it specified and announced (hereinafter: the "**Call For Proposals**").

The Company's Search Committee initiated meetings with certain shareholders which hold at least 1% of the voting rights (according to information in its possession), and which are not institutional entities, and held meetings with several such shareholders who had requesting them, in order to hear their positions regarding the process of appointing directors in the Company, and regarding the proposal of candidates they consider suitable for tenure on the Company's Board of Directors.

On January 3, 2021, three of the directors who were recommended by shareholders, two currently serving directors, and one outside director who was recommended by the Board of Directors, were appointed in the meeting.

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[5] For details regarding the Commissioner's position in connection with the involvement of institutional entities in the process of proposing directors in the Company, see the Company's immediate report dated October 4, 2020, referenced below.

Note 1: General (Cont.)

On December 27, 2021, a special annual meeting of the Company was convened, whose agenda included the re-appointment of the currently serving directors, and the selection and appointment of one outside director from among two candidates for tenure as outside directors, who were offered from among the list of candidates who were identified by the Company's Search Committee before the previous annual meeting, and who are qualified to serve as outside directors, and who have accounting and financial expertise. Alrov also contacted the Company with a request to present the candidacy of another candidate for tenure as a director in the Company. The re-appointment of all of the currently serving directors, and of an outside director, was approved in the meeting.

On April 14, 2022, a special meeting of the Company was scheduled for May 23, 2022, at the request of Alrov, which holds 15% of the Company's shares, to select and appoint two additional directors which it had recommended.

In accordance with the Israel Securities Authority's request on May 22, 2022, the meeting was postponed to May 31, 2022, in order to complete an evaluation regarding the impact of the appointment of the two directors whose appointment is on the meeting's agenda, on the control of the Company. The Company was requested to submit to the Israel Securities Authority its written position on the subject, and was later requested by the Israel Securities Authority to publish its position, as stated in this convention report, and to contact Alrov and allow it to include in its report also its position on the matter. Accordingly, on May 29, 2022, the Company published, as part of the meeting convention report, its position which was sent to the Israel Securities Authority on May 26, 2022, including the annexes thereto, and Alrov's position, which was submitted to it on May 29, 2022, including the annexes thereto. At the request of the Israel Securities Authority, the meeting was scheduled for May 31, 2022. The appointment of one of the directors who were recommended by Alrov was approved in that meeting.

On September 10, 2022, Mr. Roni Maliniak, who served as a director in Clal Insurance, passed away before his time.

On September 29, 2022, Mr. Sami Moualem, an outside director in the Company and in Clal Insurance, announced his resignation, after the Company's Board of Directors resolved, on September 22, 2022, not to propose Mr. Moalem's candidacy for an additional term as an outside director on the Company's Board of Directors. On October 6, 2022, Mr. Moalem sent to the Company a letter, through his representative, in which he specified the circumstances which led to his resignation. Mr. Moalem alleged that the reason for the non-renewal of his tenure by the Board of Directors was his objection to the Max transaction, and also alleged various defects in the Company's corporate governance. The Company responded to Mr. Moalem that it unequivocally rejects his assertions, and that the Company maintains high standards of corporate governance.

On September 19, 2022, the Company published preliminary notice regarding its intention to convene a shareholders' meeting in December 2022. Following the announcement, two shareholders contacted the Company and proposed candidates for tenure as directors in Clal Insurance, who will be proposed in the shareholders' meeting. The meeting convention notice included a proposal to renew the appointment of all of the currently serving ordinary directors, *inter alia*, in light of the fact that most of the serving directors who were proposed as candidates were appointed with the recommendation of the search committee (the external search committee on behalf of the Commissioner (the Gadot Committee and/or the internal search committee, as stated above), in light of the importance of maintaining the stability of the Company's Board of Directors.

In December 2022, before the convention of the meeting, Alrov, a shareholder in the Company, published a position statement regarding the resolutions on the meeting's agenda, including the appointment of directors, and the Company's Board of Directors published, in response, a position statement on its behalf (reference numbers 2022-01-151984 and 2022-01-152062).

It is further noted that, at the Israel Securities Authority's request of December 27, 2022, the shareholders' meeting was postponed, In light of the fact that the postponement the meeting was requested in light of the publication of an immediate report by Alrov on December 26, 2022, regarding the Commissioner's letter to Alrov with respect to its request to receive a permit for control of the Company, and in connection with details and information which the Capital Market Authority requested of Alrov, in light of actions which were performed around that time by Alrov towards the Company and its officers, and the question of whether they are appropriate for an entity seeking control of an institutional entity (see section B2 above). The Company's Board of Directors postponed the meeting to January 4, 2023.

In the shareholders' meeting which was convened on January 4, 2023, as stated above, 6 directors among the 7 candidates were appointed (4 directors who had served therein (one of whom was proposed by a shareholder), and two additional directors who were proposed by shareholders).

Note 1: General (Cont.)

2. Consequences

As of the reporting date, the Company is unable to assess the full impact of the results of the aforementioned events on it, *inter alia*, due to the fact that the Company holds control of Clal Insurance, and in light of the restrictions which are imposed as part of the outline for exercising the means of control in Clal Insurance, which significantly limit the Company's influence over the actions of Clal Insurance, and over the appointment of officers therein, and the Company is still evaluating its effects and adjustment over time. The aforementioned uncertainty also applies in light of additional changes which are occurring and may occur in the future, due to its holding structure, due to the fact that it is a company without a control core with a material shareholder, and due to the fact that the provisions of the Control Law with respect to an insurer with no controlling shareholder do not apply to it, due to the different corporate structure of the large insurance companies in Israel, relative to the standard structure in banks, according to which the insurance companies, including Clal Insurance, are private companies which are controlled by a holding company, including the Company, which is a public company without a control core, and in light of the effective influence of the minority shareholders on the Company's activities, in the aforementioned circumstances.

Additionally, the entire set of changes and events specified above, insofar as they continues, may affect, *inter alia*, the reputation of the Company and the Group's member companies. It is noted that a future transfer of the control of the Company to a third party may affect clauses in certain agreements of member companies in the Group with third parties (including reinsurers), which may require, upon the fulfillment of circumstances involving the above change in control, negotiations with these third parties in order to keep the agreements in force.

D. Definitions - in these financial statements:

The Company	-	Clal Insurance Enterprises Holdings Ltd.
The Group	-	The Company and its consolidated companies.
Consolidated Companies / Subsidiaries	-	Companies, including partnerships, whose reports are fully consolidated, directly or indirectly, with the Company's reports.
Investee Companies	-	Consolidated companies and companies, including partnerships or joint ventures, where the Company's investment in them is included, directly or indirectly, in the financial statements, according to the equity method.
Joint Arrangements	-	Arrangements in which the Group holds joint control, which was obtained through a contractual agreement which requires unanimous consent regarding activities which significantly affect the returns of the arrangement. Investments in joint arrangements are classified as joint operations or joint ventures, based on the rights and obligations of the parties to the arrangement. Joint ventures are any joint arrangements which are incorporated as a separate entity, and in which the Group has rights to the net assets of the joint arrangement.
Associate Companies	-	Associate companies are entities regarding which the Group has significant influence over the financial and operational policy, although control of them has not been obtained, and where the Company's investment in such companies is included in the Company's consolidated financial statements according to the equity method.
Interested Parties	-	As defined in paragraph (1) of the definition of an interested party in a corporation in section 1 of the Securities Law, 1968.
Related Parties	-	As defined in International Accounting Standard 24 (2009), Related Parties.
The Commissioner	-	The Commissioner of Capital Markets, Insurance and Savings
The Control Law	-	The Control of Financial Services (Insurance) Law, 1981, including the amendments thereto.
The Capital Regulations	-	the Control of Financial Services Regulations (Insurance) (Minimum Equity Required of Insurers), 1998, which were canceled, which were canceled in 2018. See Note 16(e) below.

Note 1: General (Cont.)

The Investment Rules Regulations	-	The Control of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities), 2012, and directives issued by the Commissioner in accordance therewith.
Economic Solvency Regime	-	As defined in insurance circular 2017-1-9.
The Reserve Calculation Regulations	-	The Control of Financial Services Regulations (Insurance) (Calculation of Reserves in Non-Life Insurance), 2013.
Insurance Contracts	-	Contracts whereby one party (the insurer) takes a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder in the event that a certain, pre-defined future event (the insurance event) occurs which adversely affects the policyholder.
Investment Contracts	-	Policies which do not constitute insurance contracts.
Investment-Linked Contracts	-	Insurance contracts and investment contracts in life insurance and long-term care insurance, where the insurer's liabilities, due to the savings component or risk of such contracts, are for the most part linked to the returns of the investment portfolio (profit sharing policies), in assets for investment-linked contracts.
Assets for Investment-Linked Contracts	-	Assets held against liabilities due to investment-linked contracts.
HETZ Bonds	-	CPI-linked government bonds which the state issues to insurance companies, and which back guaranteed-return policies.
Liabilities with Respect to Insurance Contracts	-	Insurance reserves and outstanding claims in the long term savings, non-life insurance and health insurance segments.
Reinsurance Assets	-	The share of reinsurers in payments and changes in liabilities with respect to insurance contracts.
Premiums	-	Premiums including fees.
Premiums Earned	-	Premiums attributable to the reporting period.

Note 2: Basis for Preparation of the Financial Statements

A. Preparation framework of the financial statements

The financial statements have been prepared by the Group in compliance with International Financial Reporting Standards (hereinafter: "**IFRS**"). These financial statements have also been prepared in accordance with the disclosure requirements issued by the Commissioner, in accordance with the Control Law, and in accordance with the disclosure requirements under the Securities Regulations (Annual Financial Statements), 2010, to the extent to which these regulations apply to a corporation which consolidates insurance companies.

As specified in Note 4 below, in accordance with the road map for adopting IFRS 17 - Insurance Contracts, from December 2022 (hereinafter: the "Road Map"), the initial adoption date of IFRS 17 by insurance companies in Israel will be postponed, and will be beginning from January 1, 2024 (instead of the date of initial adoption as specified in the standard itself - January 1, 2023).

In light of the above, in accordance with the position paper of the Israel Securities Authority from March 2023 (beginning on January 1, 2023), the figures in the Group's consolidated financial statements pertaining to consolidated subsidiaries which meet the definition of an insurer, as defined in the Securities Regulations (Annual Financial Statements), 2010, will be prepared in accordance with the requirements which were determined by the Commissioner of Capital Markets, Insurance and Savings, in accordance with the Control of Financial Services (Insurance) Law, 1981, while the figures in the Group's consolidated financial statements which do not pertain to the foregoing subsidiaries will be prepared in accordance with International Financial Reporting Standards (IFRS).

The figures in the Group's consolidated financial statements which pertain to the credit card company, beginning from the closing date of the acquisition of WPI, will be prepared in accordance with the directives issued by the Commissioner of Banks. For additional details, see Note 42(j) below.

The accounting policy which was applied in the financial statements was applied consistently in all presented periods, unless specified otherwise.

B. Functional currency and presentation currency

The financial statements are presented in NIS, which is the Company's functional currency, and are rounded to the nearest thousand, unless stated otherwise. NIS is the currency which represents the primary economic environment in which the Company operates.

The following are details regarding changes that occurred in the consumer price index (hereinafter: the "**CPI**") and in the representative Euro, US Dollar (hereinafter: "**USD**") and Pound Sterling exchange rates:

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
			%		
For the year ended December 31					
2022	**5.3**	**5.3**	**6.6**	**13.2**	**0.8**
2021	2.8	2.4	(10.8)	(3.3)	(4.3)
2020	(0.7)	(0.6)	1.7	(7.0)	(3.7)

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of December 31, 2022	**3.753**	**3.519**	**4.235**
As of December 31, 2021	3.520	3.110	4.203
As of December 31, 2020	3.944	3.215	4.392

Note 2: Basis for Preparation of the Financial Statements (Cont.)

C. Measurement basis

The financial statements were prepared on a historical cost basis, except for the following main assets and liabilities:

- Insurance liabilities.
- Financial instruments and derivatives which are measured at fair value through profit and loss.
- Financial instruments and derivatives which are measured at fair value through other comprehensive income.
- Investment property measured at fair value.
- Provisions.
- Deferred tax assets and liabilities.
- Assets and liabilities with respect to employee benefits.
- Investments in associate companies and joint ventures.

For details regarding the method used to measure these assets and liabilities, see Note 3 below, Summary of Significant Accounting Policies.

D. Operating cycle and reporting structure

The Group's ordinary operating cycle, which primarily includes financial institutions, cannot be clearly determined, and primarily exceeds one year, particularly with reference to the long term savings segment, the long-term care and long term health branches in the health segment, and the long tail non-life insurance branches.

The consolidated statements of financial position, which primarily include the assets and liabilities of consolidated insurance companies, were presented by order of liquidity, with no distinction made between current and non-current. This presentation conforms with the Commissioner's guidelines, and provides more reliable and relevant information.

E. Use of estimates and discretion

1. Discretion with significant impact

As part of the process of applying the significant accounting policies in the Group on the following subjects, management exercised discretion which had a significant impact on the financial statements:

Classification between insurance contracts and investment contracts - insurance contracts are contracts in which the insurer accepts a significant insurance risk from another party. Management considers, with respect to each individual contract, or with respect to a group of similar contracts, whether such products involve accepting significant insurance risk, and classifies them accordingly as either insurance contracts or investment contracts.

2. Critical estimates

In preparing the financial statements in accordance with IFRS and in accordance with the Control Law, regulations enacted pursuant thereto, and directives of the Commissioner, company management is required to exercise judgment in making estimates, assessments and assumptions which affect the implementation of the accounting policy and the amounts of assets and liabilities, revenues and expenses. It should be clarified that actual results may differ from these estimates, *inter alia*, due to regulatory changes which were published, or which are expected to be published in the insurance, pension fund and provident fund segments, and regarding which there is uncertainty as to their manner of realization and implications.

When formulating estimates which are used in the preparation of the Group's financial statements, management is required to make assumptions with regard to circumstances and events involving significant uncertainty. When applying judgment regarding the judgment estimates, group management relies on past experience, various facts, external factors and reasonable assumptions regarding future expectations, insofar as they are estimable, according to the appropriate circumstances for each estimate.

The underlying estimates and assumptions are reviewed on an ongoing basis. Changes in accounting estimates are recognized for the period during which the estimates were updated, and for all other affected future periods.

Note 2: Basis for Preparation of the Financial Statements (Cont.)

Presented below are the main assumptions made in the financial statements in connection with the uncertainty as of the reporting date and critical estimates which were calculated by the Group and where a significant change therein, particularly in light of the aforementioned regulatory changes, may result in a material adjustment to the book values of assets and liabilities in subsequent reporting periods:

(A) Liabilities with respect to insurance contracts - Liabilities with respect to insurance contracts, and the evaluation of the adequacy of such liabilities, are primarily based on actuarial valuation methods and on the assumptions described in Note 38(e).

The actuarial estimates and the various assumptions are primarily derived from past experience, and are based on the assumption that the behavior pattern and past claims represent future occurrences, while taking into account, as much as possible, regulatory and business changes. The actuarial estimates and assumptions are evaluated at least once per year. Variability in risk factors, in the frequency or severity of events, as well as changes in the legal situation, may materially affect the amount of liabilities with respect to insurance contracts. It is noted that the following changes, including, *inter alia*, changes in estimated life expectancy, in the rate of policyholders who choose the option to withdraw funds by way of a pension, in the selection of the various annuity tracks, in the morbidity rate, in the retirement age of policyholders and in the cancellation rate, may have a significant impact on the financial statements.

For details regarding changes in the main assumptions which were used to calculate insurance liabilities in life insurance and health insurance, including the liability for supplementation of the annuity reserve, see Note 38(e)(e1)(d). For details regarding changes in the calculation of insurance liabilities in non-life insurance, see Note 38(e)(e2).

For details regarding the sensitivity tests to insurance risk, see Note 38(e)(e1)(c).

(B) Legal claims which are not in the ordinary course of business - Estimates regarding the chances of the legal claims which were filed against member companies in the Group rely on the opinion of legal advisors with respect to the final results of the proceedings. These opinions are based on their best professional judgment, in consideration of the current stage of the proceedings, in consideration of the amount of legal experience which has accumulated, if any, on the various subjects, and based on the estimate of the relevant companies regarding the amounts of the settlement arrangements, which the managements of the consolidated companies expect are more likely that not that to be paid by them. It is emphasized that the results of the claims, as determined in the Courts, may differ from the aforementioned estimates. The amounts of the provisions which were performed are based on an estimate of the risk level in each of the claims as of a date proximate to the publication date of the financial statements. On this matter, it should be noted that events which occur during litigation may require re-evaluation of this risk.

It is hereby emphasized that, in the attorneys' opinion, concerning the motions to approve class action status, the attorney's evaluation refers to the chances of the motion to approve class action status, and in some cases only, refers to the chances of the claim on the merits, in the event that it is approved as a class action. This is due, *inter alia*, to the current stage of the proceedings, and to the fact that the scope and content of hearing the claim on the merits, once granted class action status, will be affected by the Court's decision with respect to the granting of class action status, which usually refers to the causes of action that were approved or not approved, to reliefs that were approved or not approved, etc.

If the hearing of a legal claim (it is hereby clarified, for the avoidance of doubt, that the hearing of a claim does not include determinations regarding motions to recognize class actions and other interim motions) in a certain instance is determined against the Group's member companies, a provision will be recognized or updated in the financial statements which are published for the first time after the date of the determination, even if, in the opinion of group management, based on the opinion of its legal counsel, the result in an appeal to a higher instance will be different, and that at the end of the proceedings, the Group will not be charged (except in cases where the appeal is highly likely to be accepted).

Note 2: Basis for Preparation of the Financial Statements (Cont.)

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

(B) (Cont.)

In addition to the above claims, the Group's member companies are also exposed to unasserted claims / lawsuits which are due, *inter alia*, to the existence of doubt as to the interpretation of an agreement and/or a provision of the law and/or the manner of their implementation. Such exposure is brought to the attention of the Group's member companies in several ways, including, *inter alia*: through contact initiated by customers with entities in the Group, and especially as directed to the Group's ombudsman; though complaints submitted by customers to the Public Appeals Division in the Capital Markets, Insurance and Savings Authority of the Ministry of Finance; and through (non-class action) claims which are filed with the Court. These topics are brought to the attention of the Group's management if and insofar as the entities handling them recognize that the claims may have broad effects. In the assessment of risk due to unfiled claims / lawsuits, group management relies on internal estimates of the handling entities, and on its estimates, which include weighing the chances that a claim will be filed and the claim's chances of success, if and insofar as it is filed. Such estimates are based on cumulative experience with regard to the filing of claims, and on an analysis of the claims based on their own merits. Due to the nature of circumstances, actual results may differ from the estimates that were prepared in a stage prior to the filing of the claim, in light of the preliminary stage of the hearing of the legal claim.

For additional details, see Note 41(a)-(d).

(C) Impairment of non-financial assets, including goodwill - The estimated value in use of the asset or the cash generating unit, as applicable, for the purpose of performing an impairment test of non-financial assets or of goodwill, is based on past experience and on the best estimates of group management regarding the economic conditions which will prevail during the remaining useful lifetime of the asset or cash generating unit. Changes in the estimates which were used to determine the recoverable amount may result in the carrying of impairment loss.

For additional information, see Notes 3(k)(2) and 6(b).

(D) Fair value estimates - See section 3 below.

(E) Determination of the recoverability of deferred acquisition costs - The recoverability of deferred acquisition costs is evaluated at least once per year, using working assumptions, for example, regarding life and long-term care insurance policies, regarding cancellation, mortality and morbidity rates, and other variables, as stated in Note 38(e). In the event that these assumptions are not realized, it may be necessary to accelerate the amortization, or even to write off the deferred acquisition costs.

(F) Deferred tax assets - Deferred tax assets are recognized with respect to losses transferred for tax purposes and temporary differences which have not yet been used, if a future taxable income is expected to arise against which they can be used. Management is required to use judgment in order to determine whether a deferred tax asset can be recognized, as well as the recognizable amount of the deferred tax asset, based on the existence, timing and amount of projected taxable income For additional information, see Note 23.

(G) Impairment of financial assets

1. Financial assets at amortized cost - The provision for doubtful debts with respect to non-marketable debt assets, including with respect to loans and receivables, including reinsurers, outstanding premiums and other debts, is determined on a specific basis, and also based on a collective assessment of groups with similar credit risk characteristics. For additional information, see Note 3(f) and (k)(1), and Note 38(f)(2)(a.2).

Note 2: Basis for Preparation of the Financial Statements (Cont.)

E. Use of estimates and discretion (Cont.)

(2) Critical estimates (Cont.)

(G) Impairment of financial assets (Cont.)

2. Available for sale financial assets - For each reporting date, the Group evaluates whether objective evidence exists indicating that an asset's value has declined, and whether impairment has occurred with respect to it. For the purpose of evaluating the above impairment, the Group employs judgment regarding objective indicators which refer to the rates of fair value decline in percent, and regarding the continuity of the period of fair value decline. See also Note 3(k)(1).

(3) Determination of fair value

For the purpose of preparing the financial statements, the Group is required to determine the fair value of financial and non-financial assets and liabilities.

Fair value is the price which would be received upon the sale of an asset, or the price which would be paid upon the transfer of a liability, in an ordinary transaction between market participants on the measurement date. Fair value measurement is based on the assumption that the transaction takes place in the principal market of the asset or liability, or in the absence of a principal market, in the most advantageous market. The fair value of an asset or liability is measured using assumptions that the market participants would use when pricing the asset or liability, assuming that the market participants are operating in favor of their economic interests. Fair value measurement with respect to non-financial assets takes into account the market participant's ability to generate economic benefits by making best use of the asset, or by selling it to another market participant, who will make best use of the asset.

The Group uses valuation techniques which are appropriate for the circumstances, and for which there are sufficient obtainable inputs in order to measure fair value, while maximizing the use of relevant observable inputs, and minimizing the use of unobservable inputs.

Fair value amounts were determined for measurement and/or disclosure purposes using the methods described below. Additional information regarding the assumptions which were used in the determination of establishment of is included in the following notes:

- Note 10, regarding investment property, including with respect to investment-linked contracts
- Note 13, regarding assets for investment-linked contracts
- Note 14, regarding other financial investments
- Note 25, regarding financial liabilities
- Note 40, regarding share-based payment

Fair value hierarchy

In the determination of the fair value of an asset or liability, the Group uses observable market inputs, as much as possible. Fair value measurements are divided into three levels of the fair value hierarchy, based on the inputs used in the valuation, as follows:

Level 1 - Fair value which is measured according to quoted (non-adjusted) prices in an active market for similar instruments.
Level 2 - Fair value which is measured using directly or indirectly observable inputs which are not included in Level 1 above.
Level 3 - Fair value which is measured using inputs which are not based on observable market inputs.

The level within the fair value hierarchy to which the fair value measurement of the entire asset belongs, is determined based on the lowest level of data that are significant in the measurement of total fair value.

F. Reclassification

During the reporting period, immaterial classifications were made in Notes 11, 25, 39 and 40, as well as other immaterial classifications.

Note 3: Significant Accounting Policies

The accounting policy specified below was applied consistently by the Group for all periods presented in these consolidated financial statements.

A. Consolidation basis

1. Business combinations

The Group applies the acquisition method to all of its business combinations.

The acquisition date is the date on which the buyer obtains control of the acquired entity. Control exists when the Group is exposed, or holds rights, to variable returns due to its involvement in the acquired entity, and when it has the ability to influence those returns by exercising its influence over the acquired entity. The evaluation of control includes taking into account real rights which are held by the Group and by others.

The Group recognizes goodwill as of the acquisition date according to the fair value of the transferred consideration, including amounts recognized with respect to any non-controlling interests in the acquired entity, as well as the fair value, as of the acquisition date, of capital interests in the acquired entity which were previously held by the buyer, less the net amount attributed in the acquisition to identifiable assets that were acquired, and to liabilities that were accepted.

On the acquisition date, the buyer recognizes a contingent liability which was accepted in a business combination, if a present commitment exists which is due to past events, and if its fair value is reliably measurable.
In the event that the Group performs a bargain purchase (including one that includes negative goodwill), it recognizes the gains created as a result thereof in the statement of income, on the acquisition date.
Additionally, goodwill is not updated with respect to the use of transferred losses for tax purposes which existed on the business combination date.

Costs associated with the acquisition which materialized for the buyer with respect to a business combination, such as agent fees, consulting fees, legal fees, valuations and other fees with respect to professional services or consulting services, excluding services which are related to the issue of debt or equity instruments in connection with a business combination, are recognized as expenses during the period in which the services are received.

2. Subsidiaries

Subsidiaries are entities which are controlled, directly or indirectly, by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date control was obtained until the date control was lost.

The financial statements of pension funds and provident funds (excluding the Bar A Provident Fund, to whose members the Company has guaranteed minimum returns - see Note 38(d)(1)), which are under the Group's management, were not consolidated, due to the fact that the Group is not directly exposed to variable returns with respect to them, and therefore, does not control those entities.

The evaluation of control including taking into account also the overall relationship between the Group and those entities, and the Group's exposure to returns from other interests which it holds. This estimate also takes into account the Group's maximum exposure to the variability of returns, including with respect to management fees and the Group's guarantee to protect returns of members' rights in compensation programs.

The accounting policy of subsidiaries was changed insofar as was required in order to adjust it to the accounting policy which was adopted by the Group.

3. Non-controlling interests

Non-controlling interests constitute the total capital in a subsidiary that is not attributable, either directly or indirectly, to the Company.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

3. Non-controlling interests (Cont.)

Measurement of non-controlling interests on the business combination date
Non-controlling interests, which are instruments conferring ownership rights in the present, and which grant their holder a share in the net assets in case of liquidation (for example: ordinary shares), are measured on the business combination date at fair value, or according to their relative share in the assets and liabilities identified with the acquired entity, on a separate basis for each transaction.

Allocation of profit or loss and other comprehensive income between shareholders
Income or loss, and any component of other comprehensive income, is attributed to shareholders in the Company and to non-controlling interests. Total income or loss, or other comprehensive income or loss, is attributed to the owners of the Company and to non-controlling interests, even if, as a result, the balance of non-controlling interests is negative.

Transactions with non-controlling interests, while retaining control
Transactions with non-controlling interests, while retaining control, are treated as capital transactions. The Company chose to charge any difference between the consideration paid or received for the change in non-controlling interests to the capital reserve from transactions with non-controlling interests.

Furthermore, when making changes to its stake in a subsidiary while still retaining control, the Company re-attributes the cumulative amounts which were recognized under other comprehensive income between the Company’s shareholders and the non-controlling interests.

4. Loss of control

When a loss of control occurs, the Group writes off the assets and liabilities of the subsidiary, as well as any non-controlling interests and other components of capital attributed to the subsidiary. If the Group remains with a certain investment in the former subsidiary, the balance of the investment is measured according to its fair value on the date of loss of control. The difference between the consideration for the fair value of the remaining balance of the investment, and the balances which were written off, is recognized under profit and loss, in the item for other income or expenses. From that date onwards, the remaining investment is accounted by the equity method or as an available for sale financial asset, according to the Group’s degree of influence on the relevant company.

The amounts which were recognized in capital through other comprehensive income in connection with said subsidiary are re-classified to profit or loss or to retained earnings, in the same manner that would have been required had the subsidiary itself disposed of the assets or the liabilities in question.

5. Investments in associate companies and joint ventures

Investments in associate companies and joint ventures are accounted by the equity method (save as specified in section (f)(6) below), and are recognized for the first time at cost. The investment cost includes transaction costs. The consolidated financial statements include the Group’s share in net income or loss, in other comprehensive income or loss, and in the net assets of investee companies accounted by the equity method, after performing adjustments required to adapt the accounting policy to that used by the Group, from the date when significant influence or joint control materialized, until the date on which the conditions for significant influence or joint control are no longer met.

The Group discontinues applying the equity method beginning on the date when it loses significant influence over the associate company or joint control of the joint venture, or when it rises to control of the investee company, and treats the remaining investment as a financial asset or subsidiary, as applicable.

Note 3: Significant Accounting Policies (Cont.)

A. Consolidation basis (Cont.)

On the date of loss of significant influence or joint control, the Group measures at fair value any remaining investment in the former associate company or joint venture. The Company recognizes profit or loss under the item for other income or expenses, with respect to any difference between the fair value of a particular remaining investment, and any consideration from the disposal of part of the investment in the associate company or joint venture, and the book value of the investment at that time. The amounts which were recognized under capital reserves through other comprehensive income, with reference to an investee company accounted by the equity method, are reclassified to profit and loss or to retained earnings, in the same manner which would have been required had the aforementioned investee company itself realized the assets or liabilities in question.

Changes in the holding rates in companies accounted by the equity method, while retaining significant influence or joint control, including transitions from significant influence to joint control, and vice versa:

In case of an increase in the holding rate of a company which is accounted by the equity method while retaining significant influence or joint control, the Group applies the acquisition method only to the additional holding rate, while the previous holding remains unchanged.

In case of a decrease in the holding rate of a company which is accounted by the equity method while retaining significant influence or joint control, the Group writes off the proportional part of its investment, and recognizes the profit or loss from the sale under the item for other income or expenses in the statement of income. The cost of the rights which were sold for the purpose of calculating the profit or loss from the sale is determined according to a weighted average. Additionally, at that time, a proportional part of the amounts which were recognized under capital reserves through other comprehensive income, with reference to the same company accounted by the equity method, is reclassified to the statement of income or to retained earnings, in the same manner as would have been required had the associate company or joint venture itself realized the assets or liabilities in question. The aforementioned accounting treatment is also relevant in cases where an investment in an associate company becomes an investment in a joint venture, or vice versa.

6. <u>Transactions which were canceled as part of the preparation of the consolidated financial statements</u>

Inter-company balances in the Group, and unrealized income and expenses resulting from inter-company transactions among the Group's member companies, were canceled as part of the preparation of the consolidated financial statements. Unrealized profits due to transactions with associate companies and with joint ventures were canceled against the investment, in accordance with the Group's rights in those investments. Unrealized losses were canceled in the same manner as that which was used to cancel unrealized profits, so long as no evidence of impairment existed.

7. <u>Acquisition of property company</u>

Upon the acquisition of a property company, the Group exercises judgment in its evaluation of whether it constitutes the acquisition of a business or a property, for the purpose of determining the accounting treatment for the transaction. In its evaluation of whether a property company constitutes a business, the Group evaluates, *inter alia*, the nature of the existing processes in the property company, including the scope and nature of the management, security, cleaning and maintenance services which are given to tenants. Transactions in which the acquired company is a business are treated as a business combination, as specified above. However, transactions in which the acquired company is not a business are treated as an treated as a group of assets and liabilities. In transactions of the business combination type, the acquisition cost, including transaction costs, is proportionately allocated to the identifiable assets and liabilities which were acquired, based on their proportional fair value as of the acquisition date. In the latter case, goodwill is not recognized, and deferred taxes are not recognized, with respect to temporary differences which exist as of the acquisition date.

Note 3: Significant Accounting Policies (Cont.)

B. Foreign currency

1. Transactions in foreign currency

Transactions in foreign currency are translated to the relevant functional currencies of the Group's member companies, according to the exchange rates that were in force as of the transaction dates. Monetary assets and liabilities denominated in foreign currency on the reporting date are translated to the functional currency according to the exchange rate which is in effect as of that date. Foreign currency differences with respect to the monetary items refers to the difference between the amortized cost of the functional currency at the start of the year, adjusted to the effective interest rate and to payments throughout the year, and the amortized cost of the foreign currency, as translated using the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies and measured at fair value are translated to the functional currency according to the exchange rate that is in force on the date of determination of fair value. Non-monetary items denominated in foreign currency and measured at historical cost are translated according to the exchange rate that was in force as of the transaction date.

Foreign currency differences arising from translation to the functional currency are generally recognized under the statement of income, excluding differences which are due to the translation of capital, non-monetary financial assets classified as available for sale and which are recognized under other comprehensive income (excluding in the case of impairment, in which case the translation differences which were recognized under other comprehensive income are reclassified to profit and loss).

2. Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments which materialized at the time of acquisition, are translated to NIS according to the current exchange rate as of the reporting date. The income and expenses of foreign operations are translated to NIS using average exchange rates, which constitute an approximation of the rates that existed on the transaction dates.

Foreign currency differences with respect to the translation are recognized under other comprehensive income and are presented under capital, in the translation reserve.

In cases where a foreign operation is a subsidiary that is not wholly owned by the Group, the proportional part of the foreign currency differences with respect to the foreign operation is allocated to non-controlling interests.

Upon the disposal of a foreign operation which leads to loss of control, significant influence or joint control, the cumulative amount in the translation reserve with respect to the foreign operation is reclassified to profit and loss, as part of the profit or loss from the disposal.

B. Foreign currency (Cont.)

In general, foreign currency differences with respect to loans which were received or provided for foreign operations, including foreign operations which are subsidiaries, are recognized under profit and loss in the consolidated statements. When the settlement of loans which were received or provided for foreign operations is not planned and is not expected in the foreseeable future, profit and loss from foreign currency differences which are due to those monetary items are included as part of the investment in the foreign operation, net, recognized under other comprehensive income, and presented under capital, as part of the translation reserve.

Note 3: Significant Accounting Policies (Cont.)

C. Segmental reporting

An operating segment is a component of the Group which fulfills the following criteria:

1. It is engaged in business operations from which it may derive income, and with respect to which it may bear expenses, including income and expenses that are attributable to transactions between the Group's member companies.
2. Its operating results are reviewed on a regular basis by the Group's Chief Operational Decision Maker, in order to reach decisions regarding the resources allocated to it, and in order to assess its performance.
3. Separate financial information is available for the above.

For details regarding financial reporting by segment, see Note 5.

D. Insurance contracts, investment contracts and asset management contracts

IFRS 4, Insurance Contracts, allows an insurer to continue applying the accounting policy which it applied before the date of the transition to IFRS regarding insurance contracts which it issues (including related acquisition costs and related intangible assets), and also regarding insurance contracts which it acquires.

Presented below are the Group's significant accounting policies in connection with insurance contracts:

1. Long term savings and long-term care insurance in the health insurance segment

   A. Recognition of revenue - see section (n) below.

   B. Liabilities with respect to life insurance and long-term care insurance contracts in the health insurance segment

The liabilities are calculated in accordance with the Commissioner's directives (regulations and circulars), accounting rules and conventional accounting methods in Israel. The liabilities are included based on an actuarial valuation, and are calculated according to the relevant coverage data, including policyholder age, seniority of coverage, insurance amount, etc. The liabilities also include provisions for ongoing paid claims and outstanding claims, the direct and indirect expenses due to them, and provisions for IBNR claims. The share of reinsurers in the liabilities is determined according to the terms of the relevant contracts.

The liabilities, and the share of reinsurers therein, are determined by Clal Insurance's chief actuaries: Ms. Debbie Farkash Ollech, F.IL.A.A. and Mr. Omri Harel, F.IL.A.A.

The CPI-linked liabilities and CPI-linked investments which are used to cover these liabilities were included in the last published financial statements before the end of the reporting period, including liabilities with respect to insurance contracts in which the linkage is semi-annual, in accordance with their terms.

Liabilities to supplement the annuity reserve
The liabilities regarding future annuity payments in life insurance contracts are calculated in accordance with the guidelines issued by the Commissioner, in consideration of the improvement in life expectancy and the change in annuity realization rates upon the retirement of policyholders, which require monitoring of the adequacy of the liabilities with respect to insurance contracts, which allow receiving an annuity and supplementing them appropriately. Accordingly, the Group performs an immediate supplementation of the liabilities, as required, with respect to insurance contracts regarding paid annuities for policyholders who have reached retirement age, and with respect to the non-profitable group of insurance contracts. Regarding other insurance contracts, a supplementation of the liability is performed with respect to funds which have accrued in the insurance contracts until the end of the reporting period, including matching to expected income, throughout the period of the insurance contract.

For additional details, see Note 38(e)(e.1).

Outstanding claims and INBR claims
Outstanding claims, less the share of reinsurers therein, are calculated on a case-by-case basis, in accordance with the estimates prepared by the experts of the Company, based on announcements made with respect to the insurance events and insurance amounts, and are included under liabilities with respect to insurance contracts and investment contracts. For IBNR claims, a provision is calculated based on a statistical model.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts, investment contracts and asset management contracts (Cont.)

1. Long term savings and long-term care insurance in the health insurance segment (Cont.)

B. Liabilities with respect to life insurance and long-term care insurance contracts in the health insurance segment (Cont.)

Reserves for ongoing claims
The provisions for paid pension and for paid ongoing claims in loss of working capacity insurance and in long-term care insurance, the direct and indirect expenses which are due to them, and the provisions for IBNR claims, are calculated by the chief actuaries in the Company, and are included under liabilities with respect to insurance contracts and investment contracts.

C. Deferred acquisition costs (DAC)

(1) Life and long-term care insurance contracts

DAC in life insurance and long-term care insurance contracts which were sold beginning on January 1, 1999, include commissions to agents and acquisition supervisors, and other expenses, including part of the general and administrative expenses, which are associated with the acquisition of new insurance contracts. DAC are amortized in equal annual rates over the period of the insurance contract, but no more than 15 years. The DAC with respect to insurance contracts which were canceled or settled are written off on the date of the cancellation or settlement.

The chief actuaries of the consolidated insurance companies evaluate, on an annual basis, the recoverability of DAC, in accordance with the Commissioner's directives. The evaluation is performed in order to verify that the insurance contracts are expected to generate sufficient future income to cover the amortization of DAC and the insurance liabilities, operating expenses and commissions with respect to those insurance contracts. The test is conducted collectively for all individual products and for all underwriting years. The assumptions which are used in this evaluation include assumptions regarding cancellations, operating expenses, returns on assets, mortality and morbidity, which were determined by the actuaries of the Company on an annual basis, in accordance with tests, past experience, and relevant current studies.

(2) Asset management contracts

Incremental acquisition costs which are directly attributable to the acquisition of life insurance investment contracts and contracts for managing assets in pension funds and provident funds are recorded as DAC when the Company expects to recover those costs. In any other case, they are recognized as an expense upon their materialization.
Acquisition costs which have been discounted as assets are amortized to the statement of income on a systematic basis which is consistent with the estimated period for transfer of the asset management service, which is validated from time to time. The balance of DAC which accrued until December 31, 2017 is tested for impairment once per year, by discounting the cash flow forecast due to the acquired activity. Additionally, in accordance with IFRS 15, at least once per year, the Company evaluates whether the asset's book value, which was recognized beginning on January 1, 2018, exceeds the balance of the consideration which the entity expects to receive in exchange for the service to which the asset refers, less the costs which are directly attributable to the provision of the service, which were not recognized as expenses, according to undiscounted amounts. If necessary, impairment loss is recognized in the statement of income.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts, investment contracts and asset management contracts (Cont.)

1. Long term savings and long-term care insurance (Cont.)

D. Liability adequacy test

The insurance company's chief actuaries periodically conduct a liabilities adequacy test regarding liabilities with respect to life and long-term care insurance contracts (hereinafter: "**LAT**"), in accordance with the provisions of the consolidated circular, Volume 5, Part 2, Chapter 1, Section C, regarding the measurement of liabilities, section 1.1.4 (hereinafter: the "LAT Circular"). The LAT is intended to test that the total liabilities suffice to cover the discounted value of the future flows which are expected from the insurance contracts: claims, commissions and expenses, net of premiums, and in consideration of the surplus of fair value over the book value of the backing assets. The cash flows are discounted according to a risk-free interest rate, plus a rate of an illiquidity premium, depending on the type of liability. The illiquidity premium as of December 31, 2022 was 1.11% (as of December 31, 2021 - 0.54%), and was calculated based on the Commissioner's guidelines on the matter (hereinafter: the "**Liability Value**").

If the test indicates that the amount of the liability in the books is lower than the value of the aforementioned liability, a special provision is recorded with respect to the deficiency.

The test is performed separately for groups of policies which have been defined by the Commissioner. In individual policies, the test is performed with respect to groups of insurance contracts (including their riders). The assumptions used for the above tests include assumptions made with regard to cancellations, operating costs, returns from assets, mortality and morbidity, and are determined by the chief actuaries of the Company based on tests, past experience and other relevant studies, including a margin for adverse deviations, in accordance with the insurance circular on the subject of the LAT. See Note 38(e)(e1)(d), including regarding the effects of the updates to the rate of the illiquidity premium.

E. Investment contracts

Receipts with respect to investment contracts are directly applied to the item for liabilities with respect to insurance contracts and investment contracts in the statement of financial position, and are not included under the item for earned premiums in the statement of income. Repayments of investments with respect to redemptions and end of period with respect to these contracts are directly written off from the item for liabilities with respect to insurance contracts and investment contracts, and are not applied to the statement of income.

In the statement of income, amounts are charged with respect to these contracts for income from investments, management fees collected from policyholders, changes in liabilities with respect to insurance contracts and investment contracts, in the amount of the policyholders' share in investment income (participation in profits), agent commissions and general and administrative expenses.

F. Provision with respect to participation in the profits of policyholders in collective insurance

The provision is included under other accounts payable in the statement of financial position, and the change in provision is charged to the item for premiums.

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts and investment contracts (Cont.)

2. Non-life insurance and health insurance, excluding long-term care insurance

A. Recognition of revenue - see section (n) below.

B. Liabilities with respect to non-life and health insurance contracts, except long-term care insurance

Insurance reserves and outstanding claims which are included in the item for liabilities with respect to insurance contracts in the statement of financial position, and the share of reinsurers in the reserve and in outstanding claims, which is included in the item for reinsurance assets in the statement of financial position, were calculated according to the Reserve Calculation Regulations, the Commissioner's guidelines and conventional actuarial methods for the calculation of outstanding claims, which are applied according to the judgment of the actuaries of the Company. The liabilities with respect to insurance contracts were primarily calculated by the chief actuaries in the Company.

The item for liabilities with respect to insurance contracts is comprised of the following:

1. Unearned premium reserve. This reserve reflects the premiums which are attributed to the insurance period subsequent to the reporting date.

2. Premium deficiency reserve. This reserve is recorded, as required, if the unearned premiums (less deferred acquisition costs, see section C below) do not cover the expected cost with respect to insurance contracts.

3. Insurance reserves in long term health insurance branches This reserve is calculated according to actuarial estimates, including, if needed, a provision with respect to expected loss on retention (premium deficiency), which is calculated based on the estimated expected cash flows with respect to the contracts, according to the relevant coverage data, such as policyholder age, seniority of coverage, insurance type, insurance amount, etc.

4. Outstanding claims and reserves which are calculated according to the methods described below:

4.1 Outstanding claims, and the share of reinsurers therein, were included based on an actuarial valuation, excluding as regards the branches listed in section 4.2 below. Provision for indirect expenses for the settlement of claims is included according to an actuarial valuation. The actuarial calculation was performed by the chief supervising actuaries of Clal Insurance: Ms. Galit Robstein, F.IL.A.A., and Mr. Omri Harel, F.IL.A.A.

4.2. In the cargo, shipping, marine and aviation insurance branches, in guarantees according to the Sales Law, in financial guarantees, in credit insurance, and in the foreign trade risks and incoming business branches, regarding which the actuary has determined that it is not possible to apply an actuarial model, due to a lack of statistical significance, outstanding claims were included based on estimates which were prepared by external experts and employees of the Company who handle claims, on reports of delivering companies regarding incoming businesses, and with the addition of IBNR claims and reserves, as needed.

4.3. Net surplus revenues - with respect to the foreign trade risks branch, net surplus revenues are calculated basis on a cumulative annual report.

4.4 Claims of recourse and residuals are taken into account in the database used to calculate the actuarial valuations of outstanding claims.

4.5 According to the Company's estimate, the outstanding claims are adequate, in consideration of the fact that the outstanding claims are mostly calculated on an actuarial basis, and the others include appropriate provisions for IBNR, as required.

5. Reserve due to the liability adequacy test in accordance with the principles specified in Note 38(e)(e2)(4).

Note 3: Significant Accounting Policies (Cont.)

D. Insurance contracts and investment contracts (Cont.)

2. Non-life and health insurance, excluding long-term care insurance (Cont.)

C. Deferred acquisition costs (DAC)

Gross DAC and reinsurers, with respect to non-life insurance and health insurance, excluding long-term care insurance, as stated above, were calculated in accordance with the Reserve Calculation Regulations and the Commissioner's instructions:

(1) DAC in the non-life insurance and short term health insurance branches include commissions to agents and part of the general and administrative expenses in connection with the acquisition of insurance contracts, which are attributed to unearned premiums on retention. DAC are calculated according to the actual expense rates, or according to standard rates which were determined in the Reserve Calculation Regulations and in accordance with the Commissioner's provisions, as a percentage of unearned premiums for each branch separately, whichever is lower. Some of the reinsurers in DAC are classified under the item for other accounts payable. For details regarding changes in the calculation of reinsurers' share in DAC, see section B above.

(2) DAC in long term health insurance branches include commissions to agents and acquisition supervisors, and some of the general and administrative expenses which are associated with the acquisition of new insurance contracts. DAC are amortized in equal rates over the period of the insurance contract, but no more than six years. DAC attributable to canceled insurance contracts are written off on the cancellation date.

In accordance with the Commissioner's directives, an actuary of the insurance company evaluates, on an annual basis, the recoverability of DAC in the long term health insurance branches. This calculation includes evaluating whether the insurance contracts are expected to create sufficient future income to cover the insurance liabilities, the amortization of DAC, the operating expenses and the commissions with respect to those insurance contracts. The test is conducted collectively for all underwriting years. The assumptions which are used in this test include assumptions with respect to cancellations, operating expenses, return on assets, mortality and morbidity, and are determined on an annual basis by the chief actuary of the insurance company, in accordance with tests, past experience and relevant current studies.

D. Items for payments and changes in liabilities

The items for payments and change in liabilities with respect to insurance contracts, gross, and retention, include*, inter alia*, settlement and direct handling costs with respect to paid claims, indirect claim settlement expenses, and updates to the provision for outstanding claims, to direct handling costs, and to indirect claim settlement expenses, which were recorded in previous years.

E. Provision with respect to participation in the profits of policyholders in collective insurance in the long term health insurance branches

The provision is included under other accounts payable in the statement of financial position, and the change in provision is charged to the item for premiums.

F. The Israeli Compulsory Motor Insurance Database of the Israel Insurance Association and other incoming business

Business received from the Israeli Compulsory Motor Insurance Database Ltd. (hereinafter: the "**Pool**"), from other insurance companies (including co-insurance and incoming business from abroad) and from underwriting agencies, are included according to accounts that are received by the reporting date, with the addition of provisions, as applicable, and in accordance with the participation rate of Clal Insurance.

Note 3: Significant Accounting Policies (Cont.)

E. Statements of cash flows

In the statements of cash flows, the Company chose to present interest received, and dividends received as part of cash flow from operating activities. Interest paid and dividends paid are presented under cash flows from financing activities.

F. Financial Instruments

1. **Non-derivative financial assets**

Non-derivative financial assets include investments in stocks and in debt instruments, cash and cash equivalents and other receivables.

Initial recognition
The Group initially recognizes loans, receivables and deposits on the date of their creation. Other financial assets which are acquired through regular way purchase, including assets which were designated to fair value through profit and loss, are initially recognized on the trade date, when the Group becomes a party to the contractual terms of the instrument, i.e., when the Group undertook to buy or sell the asset. Financial assets are initially measured at fair value plus transaction costs which are directly attributable to the purchase or issuance of the financial asset.

Write-offs
Financial assets are written off when the Group's contractual right to the cash flows arising from the financial asset expire, or when the Group transfers the rights to receive the cash flows arising from the financial asset in a transaction wherein all risks and benefits associated with the ownership of the financial asset are effectively transferred.

Sales of financial assets through regular way sale are recognized on the trade date, i.e., on the date when the Group undertook to sell the asset.

For details regarding the offsetting of financial assets and financial liabilities, see section 5 below.

Classification of financial assets to groups and accounting treatment with respect to each group

On the date of initial recognition, the Group classifies financial assets into groups, as follows:

Financial assets at fair value through profit and loss
Financial assets are classified as measured at fair value through profit and loss, if they are classified as held for trading, or if they were designated as such upon initial recognition. Financial liabilities are designated at fair value through profit and loss if the Group manages investments of this kind, and reaches decisions regarding the sale and purchase thereof based on their fair value, in accordance with the method used by the Group to document the risk management or strategy associated with the investment, or if the designation was intended to prevent an accounting mismatch, or if the instrument in question is a hybrid instrument which includes an embedded derivative (see section 3 below). Attributable transaction costs are applied to the statement of income upon their materialization. These financial assets are measured at fair value, and changes therein are applied to the item for profit (loss) from investments, net, and statement of income in the statement of income.

Loans and receivables
Loans and receivables are non-derivative financial assets with payments that are fixed or fixable, and which are not traded on an active market. These assets are recognized for the first time at fair value plus attributable transaction costs. After initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less impairment losses (see section (k)(1) below). Profit and loss due to the disposal of investments is calculated as the difference between the disposal consideration, net, and the original or amortized cost, and is recognized upon the occurrence of the sale event.

Loans and receivables include cash and cash equivalents and investments in debt instruments which are non-marketable and which are not included in the investment portfolios held against profit sharing (nostro) policies, including designated bonds (HETZ agreements), deposits in banks and loans and balances receivable.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

1. **Non-derivative financial assets (Cont.)**

Classification of financial assets to groups and accounting treatment with respect to each group (Cont.)

The Group classifies financial assets into groups, as follows: (Cont.)

Cash includes cash balances that are available for immediate use. Cash equivalents include short term investments where the duration from the original deposit date to the redemption date is up to 3 months, which have a high degree of liquidity, which are easily convertible into known amounts of cash, which are exposed to immaterial risk of changes in value, and which are not restricted in terms of withdrawal or use.

Available for sale financial assets
Available for sale financial assets are non-derivative financial assets which were designated as available for sale, or which were not classified under any of the other groups. The Group's investments in stocks and in certain debt instruments are classified as available for sale financial assets. Upon their initial recognition date, available for sale financial assets are recognized at fair value, with the addition of all attributable transaction costs. In subsequent periods, these investments are measured at fair value, while the changes in them, except for impairment losses and except for profit or loss from changes in the CPI and in the exchange rate and to the accrual of effective interest in debt instruments classified as available for sale, are applied directly to other comprehensive income, and are presented in the capital reserve with respect to financial assets classified as available for sale. Dividends which are received with respect to available for sale financial assets are applied to the statement of income. When the investment is written off, the profit or loss which accumulated in the capital reserve with respect to available for sale financial assets is transferred to profit and loss.

Available for sale financial assets include marketable debt instruments, excluding embedded derivatives, which must be separated, and investments in stocks which are not classified as held for trading investments, and which are not included in the investment portfolios held against profit sharing policies (nostro).

2. **Non-derivative financial liabilities**

Non-derivative financial liabilities include liabilities to banking corporations and others, deferred liability notes, and other accounts payable.

Initial recognition of financial liabilities
The Group recognizes issued debt instruments for the first time on the date of their creation. Other financial liabilities are recognized for the first time on the trade date, when the Group becomes party to the contractual terms of the instrument.

Non-derivative financial liabilities are recognized for the first time at fair value, less all attributable transaction costs. Transaction costs which are directly attributable to an expected issuance of an instrument which will be classified as a financial liability, are recognized as an asset under the item for deferred expenses in the statement of financial position. These transaction costs are deducted from the financial liability upon initial recognition, or are amortized as financing expenses in the statement of income, when the issuance is no longer expected to take place.

After initial recognition, non-derivative financial liabilities are measured at amortized cost using the effective interest method. Financing expenses are charged to the statement of income using the effective interest method.

Write-off of financial liabilities
Financial liabilities are written off when the Group's liabilities, as specified in the agreement, expire, or when it has been settled or canceled.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

2. <u>Non-derivative financial liabilities</u> (Cont.)

Changes to terms of debt instruments
An exchange of debt instruments, on the level of series with materially different terms, between an existing borrower and lender, are treated as a settlement of the original financial liability, and as a recognition of the new financial liability at fair value. Additionally, a significant change in the terms of an existing financial liability, or a part thereof, is treated as a settlement of the original financial liability, and as a recognition of the new financial liability.

In such cases, any difference between the amortized cost of the original financial liability, and the fair value of the new financial liability, is recognized under profit and loss, in the item for financing expenses.

The conditions are materially different if the discounted present value of the cash flows, according to the new conditions, including any commissions which were paid, less any commissions which were received and discounted by the original effective interest rate, is different by at least ten percent than the discounted present value of the remaining cash flows of the original financial liability.

In addition to the aforementioned quantitative test, the Group is evaluating whether changes also occurred in various qualitative parameters which are embodied in the replaced debt instruments. In general, debt instrument exchanges which result in a significant change in qualitative parameters are considered exchanges with materially different terms, even if they do not fulfill the quantitative test which was performed, as stated above.

In the event that the exchange or change is immaterial, it is treated as a change to the terms of the original liability, and no income or loss is recognized with respect to the exchange. Any costs or fees which have materialized adjust the book value of the liability, and are amortized over the remaining period of the modified liability.

3. <u>Derivative financial instruments</u>

The Group holds derivative financial instruments such as options, foreign currency forward contracts and interest rate swaps.

Derivative financial instruments are first recognized at fair value, and directly attributable transaction costs are charged to the statement of income upon their materialization. After initial recognition, the derivative financial instruments are measured at fair value. Profit or loss due to changes in the fair value of derivative financial instruments are immediately applied to the statement of income, under the item for profit (loss) from investments, net, and financing income. Derivative financial instruments are recognized in the statement of financial position as assets when their fair value is positive, and as liabilities when their fair value is negative.

Embedded derivatives in a hybrid instrument must be measured at fair value through profit and loss separately from the host contract if: (a) There is no close connection between the economic characteristics and risks of the host contract and of the embedded derivative, (b) a separate instrument with the same terms as those of the embedded derivative would have fulfilled the definition of a derivative, and (c) the hybrid instrument is not measured at fair value through profit and loss.

Embedded derivatives in an insurance contract are not separated when the embedded derivative itself constitutes an insurance contract.

Economic hedging
Hedge accounting is not applied with respect to derivative instruments used for economic hedging of financial assets and liabilities. Changes in the fair value of these derivatives are applied to the statement of income as part of profit or loss from investments, net, and financing income.

4. <u>CPI-linked financial assets and liabilities which are not measured at fair value</u>
The Company chose to revaluate CPI-linked financial assets and liabilities which are not measured at fair value, in each period, in accordance with the actual rate of change of the CPI.

Note 3: Significant Accounting Policies (Cont.)

F. Financial instruments (Cont.)

5. Offsetting of financial instruments

A financial asset and financial liability is offset, and the amounts presented net in the statement of financial position, when the Group has a currently enforceable legal right to offset the amounts which were recognized, and intends to settle the asset and the liability on a net basis, or to realize the asset and settle the liability simultaneously.

6. The Group has reached decisions to designate financial assets as specified below:

Assets included in the investment portfolios of profit sharing policies
These assets, which include marketable financial instruments and non-marketable financial instruments (including investments in associates and joint ventures), were designated to the Group for fair value through profit or loss, for to the following reasons: they constitute portfolios which are managed, separate and identifiable, and whose presentation at fair value significantly reduces a lack of accounting consistency in the presentation of the assets and liabilities using various measurement bases, while in addition, such management is performed at fair value, and the portfolio’s performance is measured at fair value in accordance with a documented risk management strategy, and the information regarding the financial instruments is internally reported to management (the relevant Investment Committee) based on fair value.

Financial assets which include embedded derivatives required for separation
Financial assets which include embedded derivatives required for separation were designated to the Group at fair value through profit or loss.

7. Share capital

Ordinary shares are classified as an equity instrument. Incremental costs which are directly attributed to the issuance of ordinary shares and share options, less tax impact, are presented as an amortization of the equity instrument in question.

G. Property, plant and equipment

1. Recognition and measurement

The Company chose to measure components of property, plant and equipment at cost less accumulated depreciation and accumulated impairment losses (see section (k)(2) below).

The cost includes costs which are directly attributable to the acquisition of the asset. The cost of independently established assets includes the cost of materials and direct working costs, as well as any other costs which are directly attributable to the process of bringing the asset to a position and situation in which it can operate in the manner intended by management. The cost of purchased software which constitutes an integral part of the operation of the equipment in question, is recognized as part of the cost of such equipment.

When significant components of property, plant and equipment have different lifetimes, these are treated as separate components (significant components) of the fixed asset.

Income or loss arising from the write-off of a component of property, plant and equipment is determined by comparing the net consideration from the write-off of the asset to its book value, and is recognized net in the item for other income or other expenses, as relevant, in the statement of income.

2. Subsequent costs

The cost of replacing part of an item of property, plant and equipment, and other subsequent costs, is recognized as part of the book value of property, plant and equipment, if the future economic benefit embodied therein is expected to flow to the Group, and if the cost is reliably measurable. The book value of the replaced part of the property, plant and equipment is written off. Current maintenance costs are charged to income as incurred.

Note 3: Significant Accounting Policies (Cont.)

G. Property, plant and equipment (Cont.)

3. Depreciation

Depreciation is the systematic allocation of an asset's depreciable amount over its useful lifetime. The depreciable amount is the asset's cost less the asset's residual value.

An asset is amortized when it is available for use, in other words, once it has reached the location and condition which are required in order to enable it to operate in the manner intended by management.

Depreciation is charged to the statement of income using the straight line method, over the estimated useful lifetime of each part of the fixed asset items, due to the fact that this method reflects, in the best possible manner, the expected pattern of consumption of future economic benefits embodied in the asset. Assets leased under financial leases, including real estate properties, are depreciated over either the properties' leasing period or the properties' useful lifetime, whichever is shorter, unless the Group is reasonably expected to receive the ownership of the property at the end of the leasing period. Owned real estate properties are not depreciated. Leasehold improvements are depreciated using the straight-line method over the rental period (including optional extension periods held by the Group, and which it intends to exercise) or according to the assets' estimated lifetime, whichever is shorter.

The estimates with respect to the depreciation method, the useful lifetime and the residual value are re-evaluated at least once at the end of each reporting year, and are adjusted when necessary and treated prospectively as a change in estimate.

The depreciation rates used during the current period and the comparison periods are as follows (in percent):

Land	2
Buildings	4
Furniture and office equipment	6-20
Vehicles	15
Computers and peripheral equipment	20-33
Leasehold improvements	4-10

4. Classification under the item for investment property

When the use of real estate is converted from use by the owners to investment property which is measured at fair value, the property is remeasured at fair value, and classified as investment property. Any profit which was created due to the remeasurement is applied to other comprehensive income and presented under the revaluation reserve in capital, unless the profit cancels a previous impairment loss of the property, in which case the profit is first applied to profit and loss. Any losses are carried directly to profit and loss.

H. Intangible assets

1. Goodwill

Goodwill created as a result of the acquisition of consolidated companies is presented under intangible assets. For information regarding the measurement of goodwill upon initial recognition, see section (a)(1) above.

In subsequent periods, goodwill is measured at cost less accumulated impairment loss (see section (k)(2) below).

2. Other intangible assets

Intangible assets which are acquired separately are measured upon initial recognition at cost, with the addition of direct acquisition costs. Intangible assets which are purchased in a business combination are measured at fair value on the date of the business combination.

The fair value of intangible assets that were acquired in a business combination is based on the discounted value of the cash flow expected to arise from the use and sale of such assets. The method requires a determination of a discount rate that is appropriate for the asset type, and for the risk level associated with the asset.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets (Cont.)

2. Other intangible assets (Cont.)

After initial recognition, intangible assets are measured at cost less accumulated amortization and less accumulated impairment losses (see section (k)(2) below).

Intangible assets with an undefined useful lifetime are not methodically amortized, and are subject to impairment tests on an annual basis, and also at any such time as indicators arise which signify that impairment may have occurred (see also section(k)(2) below). The useful lifetime of these assets is tested on an annual basis in order to determine whether the assessment of its lifetime as undefined is still valid. In the event that the events and circumstances no longer support said estimate, the change from undefined to defined useful lifetime is treated prospectively as a change in accounting estimate. At the same time, impairment is evaluated, and the asset is systematically amortized over its useful lifetime.

Intangible assets with a defined useful lifetime are amortized over their useful lifetimes using the straight line method, or based on the expected cash flow which was used for estimation purposes beginning on the date when the assets became available for use, since these methods reflect, in the best possible manner, the forecasted consumption pattern of the future economic benefits embodied in each asset. Impairment of intangible assets is evaluated when indicators exist which signify that impairment has occurred (see section (k)(2) below). The amortization period and amortization method of intangible assets with defined useful lifetimes are reviewed at least at the end of each year. Changes in the useful lifetime or in the expected consumption patterns of the economic benefits that are expected to arise from the asset are treated prospectively as a change in accounting estimate. The amortization expenses with respect to intangible assets with finite useful lifetimes are charged to the income statement.

Software programs, including research and development costs

The Group's assets include computer systems which are comprised of hardware and software. Software programs that constitute an integral part of hardware that cannot operate without the software installed on it are classified as property, plant and equipment. However, licenses for standalone software programs which provide additional functionality to hardware are classified as intangible assets.

Expenses associated with research activities which are performed with the aim of acquiring new scientific or technical knowledge and understanding know-how are applied to the statement of income upon their materialization.

Development activities are associated with product creation plans or new processes or significant improvements of existing products or processes. Expenses with respect to software development activities are recognized as an intangible asset if and only if: the development costs are reliably measurable; The product or process are both technologically and commercially feasible; A future economic benefit is expected from the product, and the Group has the intention, and sufficient resources, to complete the development and to use the asset. Costs recognized as intangible assets include the cost of materials, direct wage expenses and overhead expenses that are directly attributable to the preparation of the asset for its intended use. Software development costs recognized as intangible assets are measured at cost less accrued amortization and accrued impairment losses (see Note 3(k)(2)).

Other costs with respect to software development activities are charged to income as incurred.

Intangible assets which are created in the Group are not systematically amortized so long as they are not available for use, in other words, they are not in the location and condition which are required in order for them to be used in the manner intended by management. Therefore, these intangible assets, such as development costs, are tested for impairment at least once per year, until the date when they become available for use.

Subsequent costs

Subsequent costs are recognized as intangible assets only if they increase the future economic benefit embodied in the asset for which they were spent. The remaining costs, including costs associated with goodwill or with independently developed brands, are charged to the statement of income upon their materialization.

Note 3: Significant Accounting Policies (Cont.)

H. Intangible assets (Cont.)

2. Other intangible assets (Cont.)

Useful lifetime

The estimated useful lifetime in the current period and in comparative periods is (in percent):

Future management fees from pension operations	3
Future management fees from provident fund operations	5-14
Customer portfolios and brand	7-10
Acquisition costs with respect to insurance portfolios	7
Software programs	10-33

Classification of amortization and impairment losses

The current amortization with respect to intangible assets, including expenses involved in the acquisition of life and non-life insurance portfolios, and excluding software programs, is charged to the statement of income under the item for other expenses.

The depreciation of computer programs is charged to purchasing, distribution and other expenses, indirect expenses for claim settlement, or general and administrative expenses, in accordance with the designation of the software programs in question.

Impairment loss is charged to the item for “Impairment of intangible assets”.

I. Investment property

Investment property includes any property (land or building, or part of a building, or both) which is held by the Group, as the owner or under a financial lease, for the purpose of generating rental income and/or for the purpose of capital appreciation, or both, and not for the purpose of providing services, or for administrative purposes.

Investment property is measured for the first time at cost plus expenses which are directly attributable to the acquisition of the investment property. The cost of investment property under self construction includes materials and direct labor, as well as other costs which are directly attributable to bringing the asset to the required condition in order to allow it to operate in the manner intended by management.

In subsequent periods, investment property is measured at fair value, with the changes in fair value charged to the statement of income, under the item for income (losses) from investments, net, and financing income. Investment property under construction that is designated for future use as investment property is also measured at fair value, as above, at such time as the fair value becomes reliably measurable. However, in cases where the fair value is not reliably measurable, due to the nature and scope of the risks associated with the project, the property is measured according to the fair value of the land plus construction costs, less impairment losses, if any, until the completion of construction, or until a date when the fair value is reliably measurable, whichever is earlier.

An asset is transferred from investment property to property, plant and equipment when a change in use occurs, such as the commencement of use of an asset by the owner. The cost of the asset that is transferred from investment property to property, plant and equipment constitutes its fair value as of the date of change.

Profit or loss from the write-off of investment property is determined by comparing the consideration from the write-off of the asset to its book value as of the last financial reporting date, and is recognized in the item for profit (loss) from investments, net, and financing income, in the statement of income. When investment property which was classified in the past as an investment property item is sold, the revaluation reserve which is included under capital with respect to the investment property is transferred directly to retained earnings.

Note 3: Significant Accounting Policies (Cont.)

J. Leases

The accounting policy which is applied to leases is as follows:

(1) Determining whether an arrangement contains a lease

On the date of engagement in the lease, the Group determines whether the arrangement constitutes a lease or contains a lease, including assessing whether the arrangement involves a transfer of the right to control the use of an identifiable asset for a certain period of time, in exchange for payment. When assessing whether an arrangement involves a transfer of the right to control the use of an identifiable asset, the Group evaluates whether it has the following two rights throughout the lease period:

(A) The right to essentially obtain all of the economic benefits from the use of the identifiable asset; and:

(B) The right to direct the use of the identifiable asset.

For lease contracts which include non-lease components, such as services or maintenance, that are associated with the lease component, the Group chose to account for the contract as a single lease component, without separating the components.

(2) Leased assets and lease liabilities

Contracts which give the Group the right to use a leased asset for a certain period of time in exchange for a consideration, are treated as leases. Upon initial recognition, the Group recognizes a liability in the amount of the present value of the future lease payments (such payments do not include certain variable lease payments), and in parallel, the Group recognizes a right-of-use asset in the amount of the lease liability, adjusted with respect to lease payments which were paid in advance or which accrued, plus direct costs which materialized in the lease, excluding lease transactions for periods of up to 12 months, and lease transactions in which the underlying asset has a low value, for which the Company chose to recognize the lease payments as an expense in the statement of income, in a straight line throughout the lease period.

Since it is not possible to easily determine the interest rate implicit in the Group's leases, the Group used, for the purpose of measuring the lease liability, nominal discount rates according to the yield curve which is used for loans in the rating group of Clal Insurance, in the relevant lifetimes of the various leases. After initial recognition, the right-of-use asset is treated according to the cost model, and is depreciated throughout the lease period or throughout the asset's useful lifetime (whichever is earlier). **The Group chose to adopt the expedient and to use a standard discount rate for a portfolio of leases with similar characteristics.**

In transactions wherein the employee is entitled to receive a company vehicle as part of their employment terms, the Company treats those transactions as employee benefits, in accordance with the provisions of IAS 19, and not as a sublease transaction.

(3) Lease period

The lease period is determined as the period during which the lease is not cancelable, together with periods which are covered by an option to extend or cancel the lease, if the lessee is reasonably certain to exercise or not exercise the option, respectively.

(4) Variable lease payments

Variable lease payments which are linked to an index or to an exchange rate are initially measured using the index or exchange rate which applied on the lease commencement date, and are included in the measurement of the lease liability. When changes have occurred to the cash flows of future lease fees, which are due to changes in the index or exchange rate, the balance of the liability is updated against the right-of-use asset.

Other variable lease payments which are not included in the measurement of the liability are applied to the statement of income on the date when the conditions for those payments have materialized.

Note 3: Significant Accounting Policies (Cont.)

J. Leases (Cont.)

(5) Amortization of right-of-use asset

After the lease commencement date, the right-of-use asset is measured at cost less accumulated amortization, and less accrued impairment losses, and is adjusted with respect to remeasurements of the lease liability. The amortization is calculated on a straight line basis throughout the useful lifetime or the contractual lease period, whichever is shorter, as follows:

- Land for telecommunication sites 6-15 years
- Buildings 7-20 years
- Vehicles 3 years

When indicators of impairment exist, the Company tests for impairment of the right-of-use asset, in accordance with the provisions of IAS 36.

(6) Re-assessment of lease liability

Upon the occurrence of a significant event or a significant change in circumstances, which is under the Group’s control, and which affected the decision of whether it is reasonably certain that the Group will exercise an option, which was not previously included in the determination of the lease period, or that it will not exercise an option which was previously included in the determination of the lease period, the Group remeasures the lease liability according to the updated lease payments, using an updated discount rate. The change in the liability’s book value is recognized against the right-of-use asset, or is recognized in profit and loss if the book value of the right-of-use asset has been amortized in its entirety.

(7) Lease amendments

When an amendment to is made to the lease terms which does not reduce the scope of the lease, and is not treated as a separate lease transaction, the Company remeasures the balance of the lease liability according to the amended terms of the lease, according to the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

When an amendment is made to the lease terms, which results in a decrease in the scope of the lease, the Company recognizes profit or loss due to the full or partial write-off of the balance of the right-of-use asset and the lease liability. Subsequently, the Company remeasures the balance of the lease liability according to the amended terms of the lease, using the updated discount rate as of the date of the amendment, and carries the total change in the balance of the lease liability to the balance of the right-of-use asset.

(8) Assets leased by the Group

Operating leases

Leases which do not involve a transfer of substantially all of the risks and benefits associated with the ownership of the underlying asset are classified as operating leases.
The Group recognizes lease payments from operating leases as income on a straight line basis throughout the lease period.

Initial direct costs which materialized in the process of obtaining operating leases are added to the book value of the underlying asset, and are recognized as an expense throughout the lease period, on the same basis as the income from the lease.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment

1. Non-derivative financial assets

The Group reviews, for each reporting date, whether objective evidence exists which indicates impairment with respect to the following financial assets or groups of financial assets:

Financial assets at amortized cost
When objective evidence of impairment is found to exist, a test is performed to evaluate the need for recognition of an impairment loss. For material financial assets, the need for impairment is evaluated for each asset on a separate basis. For the remaining financial assets, the need for impairment is evaluated on a collective basis, based on groups with similar credit risk characteristics. Objective evidence for impairment, with regard to assets which are included under the loans and receivables groups, exists when one or more events occurred which adversely impacted the estimate of future cash flows expected to arise from the asset or group of assets with similar credit risk characteristics (hereinafter: the "**Asset**") after the recognition date.

Evidence of impairment includes indicators of financial difficulty, including liquidity difficulties and the inability to make principal or interest payments. The loss amount charged to the statement of income is measured as the difference between the asset's balance in the financial statements and the present value of estimated future cash flows (which does not include future credit losses that have not yet materialized), which are discounted according to the financial asset's original effective interest rate (the effective interest rate calculated upon initial recognition). If the financial asset bears variable interest, the discount is performed according to the current effective interest rate. The balance for the asset in the financial statements is reduced by means of a recording provision. In subsequent periods, impairment loss is canceled when the retrieval of the asset's value is objectively attributable to an event that occurred after recognition of the loss. Such cancellation is charged to the statement of income up to the amount of amortized cost which would have existed as of the date of the impairment's cancellation, had the impairment not been recognized.

Available for sale financial assets
With respect to available for sale financial assets which constitute equity instruments, the objective evidence of impairment includes significant or ongoing decline in the fair value of the asset below its cost, as well as evaluation of changes in the technological, economical or legal environment, or in the market environment in which the Company that issued the instrument operates. The evaluation of significant or ongoing impairment is dependent on the circumstances prevailing as of each financial reporting date, where such evaluation includes taking into account the historical volatility of fair value, and also the duration of time in which the asset's fair value is lower than its original cost. Furthermore, in accordance with the Group's policy, a decline in fair value at a rate of 20% or higher relative to cost, as of the reporting date, or a decline which continued for over nine months (even if at a lower rate, as stated above), constitutes objective evidence of impairment. When objective evidence of impairment exists, the cumulative losses charged to capital reserves, which are measured as the difference between the acquisition cost (less previous impairment losses) and the fair value, are transferred from the capital reserves and recognized as an impairment loss in the statement of income. In subsequent periods, any additional decrease in fair value is recognized as an impairment loss; Cancellation of impairment loss is not carried to the statement of income, but rather, is carried to capital reserve as other comprehensive income.

With respect to available for sale financial assets which constitute debt instruments, objective evidence for impairment exists when one or more events occurred which adversely impacted the estimate of future cash flows expected to arise from the asset after the investment date, and when such impact can be reliably measured. Evidence of impairment includes indicators of financial difficulty, including liquidity difficulties and the inability to make principal or interest payments. When objective evidence of impairment exists, the cumulative losses charged to capital reserves, which are measured as the difference between the purchase cost (less previous impairment losses, amortization using the effective interest method and previous impairment losses) and the fair value, are transferred from the capital reserve and recognized as an impairment loss in the statement of income. In subsequent periods, any additional decrease in fair value is recognized as impairment loss; Impairment loss is canceled when the increase in fair value is objectively attributable to an event which occurred after the recognition of the impairment loss, and which was included in the original impairment calculation. A cancellation due to an increase in fair value as above, is charged to the statement of income up to the amount of amortized cost which should have existed as of the date of the impairment's cancellation, had the impairment not been recognized.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

2. Non-financial assets

Timing of impairment test
The book value of the Group's non-financial assets that do not constitute deferred acquisition costs, investment property and deferred tax assets, is tested for each reporting date in order to determine the existence of impairment financial indicators. In the event that such indicators are found to exist, the asset's estimated recoverable amount is calculated. Once per year, on a fixed date, with respect to each cash generating unit which includes goodwill, or intangible assets with an undefined lifetime or which are not yet available for use, the Group performs an assessment of the recoverable amount. This is performed on a more frequent basis if impairment indicators have been found.

Determination of cash generating units
For the purpose of the impairment test, the assets are grouped into the smallest group generating cash flows from continuous use, and which are primarily independent of other assets and groups (hereinafter: "**Cash Generating Unit**").

Measurement of recoverable amount
The recoverable amount of an asset, or of a cash generating unit, is the higher of either the value in use or the fair value less disposal expenses. When determining value in use, the Group discounts projected future cash flows according to the discount rate before tax, which reflects market assessments regarding the time value of money, and the specific risks relevant to a particular asset or cash generating unit, with respect to which the future cash flows which are expected to arise from the asset or from the cash generating unit have not been adjusted.

Allocation of goodwill to cash generating units
Cash generating units to which goodwill has been allocated are grouped in a manner whereby the level on which the goodwill impairment was tested reflects the lowest level on which the goodwill is monitorable for the purpose of internal reporting, although in any case, it is no larger than the operating segment (before grouping similar segments - see section (c) above regarding the definition of operating segments). In cases where goodwill is not monitored for internal management purposes, the goodwill is allocated to operating segments (before grouping similar segments). Goodwill acquired as part of a business combination is allocated to cash-generating units, including those which existed in the Group also prior to the business combination, and which are expected to produce benefits from the synergy of the combination.

For the purpose of testing the impairment of goodwill, where non-controlling interests were measured for the first time according to their relative share in the net assets of the acquired entity, the Group chose to reflect the book value of the goodwill according to the Group's holding rate in the cash generating unit to which the goodwill is allocated.

Headquarter assets
Headquarter assets do not produce separate cash flows, and are used for more than one cash generating unit. A part of the headquarters' assets is allocated to cash generating units on a reasonable and consistent basis, and are evaluated for impairment as part of the impairment test performed with respect to the cash generating units to which they are allocated. Other headquarters' assets, which cannot be reasonably and consistently allocated to cash generating units, are allocated to the Group for cash generating units in the event that indicators exist which signify that impairment has occurred in the asset belonging to the Company's headquarters, or when indicators exist which signify that impairment has occurred in the Group for cash generating units. In this case, the recoverable amount of the cash generating unit used by the headquarter asset is determined.

Recognition of impairment loss
Impairment losses are recognized when the book value of the asset or of the cash generating unit exceed the recoverable amount, and are applied to the statement of income. As regards cash generating units which include goodwill, an impairment loss is recognized when the book value of the cash generating unit, after embodiment of the balance of goodwill, exceeds its recoverable amount. Impairment losses which are recognized with respect to cash generating units are initially allocated towards the amortization of the book value of the goodwill attributed to such units, and are later proportionally attributed to the amortization of

the book value of the other assets in the cash generating unit.

Note 3: Significant Accounting Policies (Cont.)

K. Impairment (Cont.)

2. Non-financial assets (Cont.)

Allocation of impairment loss for non-controlling interests
The Company chose to allocate impairment loss between the owners of the Company and non-controlling interests according to the same basis which is used to allocated profit or loss.

Cancellation of impairment loss
Loss from goodwill impairment is not canceled. With respect to other assets for which impairment losses were recognized in previous periods, on each reporting date, an evaluation is performed to ascertain whether indicators exist which signify that such losses have decreased, or no longer exist. The impairment loss is canceled if a change occurred in the estimates used to determine the recoverable amount, only in the event that the asset's book value, after cancellation of the impairment losses, does not exceed the book value less depreciation or amortization which would have been determined had the impairment loss not been recognized.

3. Associate companies and joint arrangements accounted by the equity method

The Company determines, on each reporting date, after applying the equity method, whether objective evidence of impairment exists, and whether it will be necessary to recognize impairment loss with respect to the investment in investee companies accounted by the equity method (hereinafter: the "**Investment**").

The impairment test is conducted with respect to the investment in its entirety, including the goodwill attributed to the investee company accounted by the equity method (hereinafter: the "**Investee Company**"). In the event that such objective evidence is found to exist, impairment loss is recognized in the amount of the difference between the recoverable amount of the investment and its value in the financial statements. The recoverable amount is the higher of either fair value or value in use, which is calculated based on a valuation of the net cash flows which are expected to arise from the investee, including cash flows from the activities of the investee, and the consideration from the final disposal of the investment, or an estimation of the present value of the estimated future cash flows which are expected to arise from the dividends which will be received, and from the final disposal. Such impairment loss is not specifically allocated to the goodwill which is included in the investment, and therefore, in subsequent periods, loss is cancelable up to its full amount, if and only if changes have occurred in the estimates which were used to determine the recoverable amount of the investment, from the date when the impairment loss was last recognized. The book value of the investment, after the cancellation of the impairment loss, may not exceed the book value of the investment which would have been determined according to the equity method, had it not been recognized as an impairment loss.

4. Outstanding premiums

The provision for doubtful debts with respect to premiums whose collection is doubtful, in the opinion of management, is determined specifically based on specific risk assessments, and collectively based on past collection experience in population groups with similar credit risk characteristics.

5. Debts of reinsurers

Non-fulfillment of reinsurers' undertakings towards the Company does not release it from its undertakings towards policyholders in accordance with the insurance policies. A reinsurer which does not fulfill its undertakings in accordance with the reinsurance contracts may cause the Company to incur losses.

Provisions for doubtful debts with respect to the debts of reinsurers whose collection is in doubt are performed on the basis of individual risk assessments. Additionally, when determining the share of reinsurers in outstanding claims and in insurance reserves, the consolidated companies take into account, *inter alia*, an evaluation of the possibility of collecting from the reinsurers. When the share of the above reinsurers is calculated on an actuarial basis, the share of such reinsurers in these difficulties is calculated by the actuary, in consideration of all risk factors. Additionally, the consolidated companies take into account, when preparing the provisions, *inter alia*, the willingness of reinsurers to reach "cut off" agreements (in which contractual agreements are terminated by means of final repayment of the debts).

Note 3: Significant Accounting Policies (Cont.)

L. Employee benefits

1. Post-employment benefits

The Group has several post-employment benefit plans. The plans are generally financed by deposits to insurance companies and to pension funds, and are classified as defined deposit plans and as defined benefit plans.

A. Defined deposit plans

A defined deposit plan is a post-employment plan in which the Group pays fixed payments to a separate entity, without having a legal or implicit obligation to make additional payments. The Group's obligations to deposit sums in a defined deposit plan are charged as an expense to the statement of income, in the periods during which the employees have provided related services.

B. Defined benefit plans

A defined benefit plan is a post-employment benefit plan which is not a defined deposit plan. A net liability of the Group which refers to a defined benefit plan with respect to post-employment benefits is calculated for each plan separately, by estimating the future amount of the benefit which will be owed to the employee in consideration of his services, in the current period and in previous periods. This benefit is presented at present value less the fair value of plan assets. The Group determines the net liability on the liability (asset), net, with respect to the defined benefit, by multiplying the liability (asset), net with respect to the defined benefit by the discount rate which was used to measure the liability with respect to defined benefit, as both were determined at the beginning of the annual reporting period. The discount rate was determined according to the yields, as of the reporting date, of high quality corporate bonds, whose currency is the NIS, and whose repayment date is similar to the terms of the Group's liability. The calculations are performed by a certified actuary, based on the forecasted eligibility unit.

When the results of these calculations lead to the creation of an asset for the Group, an asset is recognized up to the net amount of the present value of the economic benefits which are available in the form of a repayment from the plan, or a reduction in the future deposits to the plan. An economic benefit in the form of repayments or reductions in future deposits will be considered available when it is realizable over the plan's lifetime, or after settlement of the liability. This calculation will take into account minimum deposit requirements, if they are relevant to the plan.

The remeasurement of the liability (asset), net, with respect to the defined benefit, includes actuarial profit and loss, return on plan assets (excluding interest), and any change in the impact on the assets limit (insofar as is relevant, excluding interest). According to the Group's choice, re-measurements are immediately applied, through other comprehensive income, directly to retained earnings. Interest costs with respect to defined benefit liabilities, interest income with respect to plan assets and interest with respect to the impact on the limit of assets which were applied to the statement of income, are presented under the item for general and administrative expenses.

When an improvement or reduction has occurred in the benefits provided by the Group to employees, that part of the increased benefits which is attributed to the past service of employees, or the profit or loss from the reduction, is immediately recognized under profit or loss when the correction or reduction of the plan takes place.

The Group recognizes profit or loss from the settlement of a defined benefit plan when the settlement takes place. Such profit or loss constitutes the difference between the settled part of the present value of the defined benefit liability on the settlement date and the settlement price, including transferred plan assets.

Insurance policies with respect to termination of employer - employee relationships that were issued by the Company do not constitute plan assets, and are presented as a reduction of the liability with respect to the insurance contracts.

Note 3: Significant Accounting Policies (Cont.)

L. Employee benefits (Cont.)

2. Other long term employee benefits

   The Group's net liability with respect to long term employee benefits which do not refer to post-employment benefit plans, applies to the future benefit amount owed to employees with respect to services provided during the current period and previous periods. The total amount of such benefits is discounted to its present value, and is presented after deduction of the fair value of the assets attributable to the obligation in question. The discount rate is determined according to the returns as of the reporting date of high quality corporate bonds whose currency is the NIS, and whose repayment date is similar to the terms of the Group's liabilities. The calculation is performed based on the forecasted eligibility unit.
   Actuarial gains and losses are charged to the statement of income for the period in which they were created.

3. Severance benefits

   Severance benefits are recognized as an expense when the Group has clearly committed, without any real possibility of cancellation, to the dismissal of employees before they reach the conventional retirement age according to a detailed formal plan, or to provide severance benefits as a result of an offer which was made in order to encourage voluntary retirement. Benefits provided to employees upon voluntary retirement are charged when the Group has provided to employees a plan encouraging voluntary retirement, when it is expected that the offer will be accepted, and when the number of individuals accepting the offer can be reliably estimated.

4. Short term employee benefits

   Short term employee benefits are benefits whose full settlement is expected earlier than 12 months after the end of the reporting period during which the employees provide the services in question. Liabilities with respect to short term employee benefits are measured on a non-discounted basis, and the expense is charged upon provision of the service in question, or in the event of non-cumulative absences (such as maternity leave) - upon actual absence. A provision with respect to short term employee benefits for cash bonus or profit sharing plans is recognized in the amount expected for payment when the Group has a current legal or implicit liability to pay the amount in question with respect to a service provided by the employee in the past, and where the liability is reliably measurable.

5. Share-based payment transactions

   The fair value on the allocation date of share-based payment bonuses to employees is applied as a payroll expense under profit and loss in parallel the increase in capital, over the period when the employees' eligibility to equity instruments is obtained, i.e., the period when the performance and/or service conditions are fulfilled (hereinafter: the "**Vesting Period**"). The vesting period concludes on the date when the relevant employees are entitled to compensation (hereinafter: the "**Vesting Date**"). According to the Group's policy choice, the increase in capital is applied to the item for retained earnings.

   The cumulative expenses recognized on each reporting date with respect to transactions settled by equity instruments until the maturity date reflects the rate of passage of the vesting period, and the Group's best estimate of the number of equity instruments that will eventually vest. The charge or credit in the statement of income reflects the change in the cumulative expense which was recognized at the beginning and end of the reporting period. In transactions where the parent company grants to employees of the Group's member companies interests in its equity instruments, the Group accounts for the grant as a share-based and equity-settled payment transaction.

Note 3: Significant Accounting Policies (Cont.)

M. Provisions

A provision is recognized when the Group has a current legal or implicit liability as a result of an event which occurred in the past, and which is reliably measurable, and when it is more likely that not that a negative flow of economic benefits will be required in order to settle the liability. The Company has chosen to determine the provisions when the impact of the value of time is significant, by discounting the future cash flow according to the pre-tax interest rate which reflects the current market estimates regarding the time value of money and the specific risks associated with the liability. The book value of the provision is adjusted in each period in order to reflect the passage of time.

The Group recognizes an indemnification asset if it is virtually certain that the indemnification will be received in the event that the Company settles the obligation. The amount recognized with respect to the indemnification does not exceed the provision amount.

Legal claims
Legal claims which possess unique characteristics are not grouped, but rather are evaluated separately. A provision with respect to unasserted claims is recognized in accordance with the claim's overall chance of success, if filed, against the Group's member companies (based on the probability that the claim will be filed, and the probability that the claim will succeed).

Onerous contracts
A provision for onerous contracts is recognized when the benefits which are expected to be received from the contracts by the Group are lower than the unavoidable costs due to the fulfillment of its onerous contract obligations. The provision is measured as the lower of either the present value of the expected cost to terminate the agreement and the present value of the net expected cost of continuing the agreement. Before the provision is recognized, the Group recognizes impairment of the assets associated with that agreement, if any.

N. Recognition of revenue

Presented below is the Group's policy regarding the recognition of revenue:

1. Premiums

A. Long term savings segment and health segment

Premiums in the life insurance, long-term care and long term health branches, including savings premiums, and excluding receipts with respect to investment contracts, are recorded as income when they come due.

Premiums in the short term health branch are recorded as income based on monthly output reports.

Cancellations are recorded on the date the announcement is received from the policy owner, or when initiated by the Company due to arrears in payment, subject to the provisions of the law. Policyholders' participation in profits is deducted from the premiums.

B. Non-life insurance segment
Premiums in the non-life insurance segment are recorded as income based on monthly output reports. Premiums primarily involve an insurance period of one year. Gross premium income, and changes in unearned premiums in respect thereof, are recorded under the item for earned premiums, gross.

Premiums in the compulsory motor branch are recorded upon repayment of the premium, since the insurance coverage is conditional on payment of the premium.

Premiums from insurance contracts whose commencement date is after the end of the reporting period are recorded as prepaid premiums.

The income included in the financial statements is after cancellations received from the policy owners, and less cancellations and provisions due to non-repayment of premiums, subject to the provisions of the law, and less participation in earnings on the basis of agreements which are in force.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue (Cont.)

2. Income (loss) from investments, net, and financing income

Income (loss) from investments, net, and financing income, includes income from interest and linkage differentials with respect to invested sums (including available for sale financial debt assets), dividend income, net income (loss) from the sale of financial assets classified as available for sale, changes in the net fair value of financial assets at fair value through profit or loss, net income (loss) from foreign currency with respect to assets, changes in the fair value of investment property, income (loss) with respect to the write-off of investment property, and rental income from investment property less attributable expenses.

Interest income and premium amortization or deductions are recognized upon their accrual, using the effective interest method.

Dividend income is recognized on the date of eligibility for payment. In the event that the dividend is received with respect to marketable shares, the Group recognizes the dividend income on the ex date.

Rental income from investment property is recognized under profit and loss according to the straight line method, over the lease period. Allocated lease incentives are recognized as an inseparable part of total rental income over the lease period.

Gains and losses from foreign currency differences and changes in the fair value of investments are reported net.

3. Revenue from management fees

A. Management fees for investment-linked insurance contracts

The management fees are calculated in accordance with the Commissioner's instructions and the contract terms, on the basis of the returns and the accrual of policyholders' savings in the profit investment portfolio for those contracts. The management fees include the following components:
With respect to insurance contracts which were sold beginning on January 1, 2004 - fixed management fees only;
With respect to insurance contracts which were sold until December 31, 2003 - fixed and variable management fees.

Fixed management fees are calculated using fixed rates from the savings accrual, and are recorded on an accrual basis.

Variable management fees are calculated as a rate of real annual profit (from January 1 to December 31) which is applied to the insurance contract after deducting the fixed management fees which were collected from that insurance contract. Only positive variable management fees may be collected, less negative amounts accrued in previous years. Variable management fees are calculated on the level of the single policy (see also Note 30).

Over the course of the year, variable management fees are recorded on an accrual basis in accordance with the real monthly return, insofar as this is positive. For months in which the real return was negative, the variable management fees are reduced to the cumulative amount of variable management fees charged from the beginning of the year. Negative returns for which no reduction of management fees was performed during the current year will be deducted for the purpose of calculating the management fees from positive returns in subsequent periods.

B. Management fees from pension funds and provident funds

Revenue from management fees in pension funds and provident funds is applied based on the balances of managed assets and receipts from members on an accrual basis, according to the Commissioner's directives.

Note 3: Significant Accounting Policies (Cont.)

N. Recognition of revenue (Cont.)

4. Revenue from commissions

A. Life insurance

Revenue from life insurance commissions in consolidated insurance agencies is applied based on the date of eligibility to receive commissions, according to the agreements with the insurance companies, less provisions for repayment of fees due to expected cancellations of insurance policies.

B. Non-life insurance

Revenue from commissions in non-life insurance in the consolidated insurance agencies are applied upon their materialization.

C. Reinsurance

Revenue from reinsurance commissions in life insurance, health insurance and non-life insurance is applied upon its materialization.

O. General and administrative costs and expenses

General and administrative costs and expenses are classified under indirect claim settlement expenses (which are included under the item for payments and changes in liabilities with respect to insurance contracts and investment contracts), expenses associated with acquisition (which are included under the item for commissions, marketing expenses and other acquisition expenses), and the balance of other general and administrative expenses which are included in this item. The classification was made according to the Group's internal models, and according to the identification and loading of overhead expenses.

P. Financing expenses

Financing expenses include interest expenses, linkage differentials and foreign currency differences on received loans and other credit costs, interest and linkage differentials on deposits and balances of reinsurers, changes with respect to the value of time in provisions. Profit and loss from foreign currency differences are reported net.

Non-discounted borrowing costs are applied to the statement of income according to the effective interest method.

Q. Taxes on income

Taxes on income include current and deferred taxes. Current and deferred taxes are applied to the statement of income unless the tax is due to a business combination, or are applied directly to capital or to other comprehensive income if they are due to items which are recognized directly other comprehensive income under capital or are recognized directly, respectively.

Current taxes

Current tax is the tax amount which is expected to be paid (or received) on taxable income for the year, calculated according to the applicable tax rates in accordance with laws which were enacted, or which were effectively enacted, as of the reporting date. Current taxes also include changes in tax payments in reference to previous years.

The Group offsets current tax assets and liabilities if there is a legally enforceable right to offset current tax assets and liabilities, and if there is an intention to settle current tax assets and liabilities on a net basis, or if the current tax assets and liabilities are settled simultaneously.

Uncertain tax positions

A tax liability with respect to uncertain tax positions, including additional tax expenses and interest, is recognized when it is more likely than not that the Group will be required to make use of its economic resources to settle the obligation.

Note 3: Significant Accounting Policies (Cont.)

Q. Taxes on income

Deferred taxes

Deferred taxes are recognized with respect to the temporary differences between the book value of assets and liabilities for the purpose of financial reporting, and their value for tax purposes. The Group does not recognize deferred taxes with respect to the following temporary differences: initial recognition of goodwill; Initial recognition of assets and liabilities in a transaction which does not constitute a business combination and which does not affect accounting profit and profit for tax purposes; and differences due to investments in investee companies, if the Group holds control on the difference reversal date, and they are not expected to reverse in the foreseeable future, whether by way of realization of the investment or by way of a dividend distribution with respect to the investment.

The measurement of deferred taxes reflects the tax implications which will result from the manner by which the Group predicts, at the end of the reporting period, the repayment or settlement of the book value of assets and liabilities, according to the tax rate which is expected to apply on the reversal date. Regarding investment property measured using the fair value model, a refutable assumption exists that the book value of the investment property will be repaid by way of sale.

Deferred taxes are measured according to the tax rates that are expected to apply to the temporary differences on the date of their realization, based on the laws that were enacted, or effectively enacted, as of the reporting date. Deferred taxes with respect to subsidiaries operating outside of Israel were calculated according to the relevant tax rates in each country.

Deferred tax assets are recognized in the books with respect to transferred losses and/or deductible temporary differences in the event that taxable income is expected to arise in the future against which the transferred losses and/or deductible temporary differences may be used, or in the absence of projected future taxable income, deferred tax assets are recognized only up to the amount of taxable temporary differences. Deferred tax assets are evaluated for each reporting date, and in the event that the attributable tax benefits are not expected to be realized, they are amortized.

Deferred tax assets which were not recognized are re-evaluated on each reporting date and are recognized if the expectation has changed such that taxable income is expected in the future against which it will be possible to use them.

Offsetting of deferred tax assets and liabilities

The Company offsets deferred tax assets and liabilities in the event that a legally enforceable right exists to offset the current assets and liabilities, and they are attributable to the same taxable income, which is taxed by the same tax authority in the same assessed company, or in different companies, which intend to realize deferred tax assets and to settle deferred tax liabilities on a net basis, or where the deferred tax assets and liabilities are settled simultaneously.

Inter-company transactions

Deferred tax with respect to inter-company transactions recorded in the consolidated financial statements is recorded based on the tax rate that applies to the acquiring company.

R. Earnings per share

The Company presents data regarding basic and diluted earnings per share for its ordinary share capital.

Basic earnings per share are calculated by dividing the income or loss attributable to the holders of ordinary shares in the Company by the weighted average number of ordinary shares which were outstanding during the year.

Diluted earnings per share are determined by adjusting the profit or loss attributed to the holders of ordinary shares in the Company, and adjusting the weighted average of the outstanding ordinary shares and with respect to the effects of all potential diluting ordinary shares (i.e., shares which reduce earnings per share or which increase loss per share), including share options which were granted to employees.

Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
International Financial Reporting Standard (IFRS) 17, Insurance Contracts	The standard establishes principles for recognition, measurement, presentation and disclosure in connection with insurance contracts (including reinsurance treaties), and replaces the current provisions on the subject. According to the new standard, the entity will recognize and measure groups of insurance contracts in accordance with the risk-adjusted present value of the future cash flows from the contracts, pertaining to all available information regarding the cash flows, consistently with observable market inputs; plus (in case of a liability) or less (in case of an asset) the amount representing the unrealized profit from the group of contracts (the contractual service margin). Revenue with respect to insurance contracts, for each reporting period, is derived from changes in the liability with respect to future coverage, which are attributed to the various components of the proceeds which the insurer is entitled to receive with respect to the contract, such as costs of acquiring insurance contracts, adjustment of risk, attribution of the contractual service margin to periods, expected claims, and expenses during the period. However, an entity may apply a simpler measurement model to certain particular (for example, contracts with insurance coverage of up to one year), according to which the amount attributed to services which have not yet provided will be measured by allocating the premium over the coverage period (the premium allocation approach).	In December 2022, the Capital Market, Insurance and Savings Authority published an update to the "road map for adopting IFRS 17 - Insurance Contracts" (hereinafter: the "Road Map"). In accordance with the road map, the date of the standard's initial adoption in Israel will be beginning with the quarterly and annual periods beginning on January 1, 2024. Accordingly, the transition date will be January 1, 2023. Additionally, in accordance with the road map in the annual report for 2023, the companies will be required to submit, as part of a dedicated note to the financial statements, a pro forma statement of financial position only as of January 1, 2023 (opening balance figures as of the date of the transition, without comparative figures), prepared in accordance with the provisions of IFRS 17 and IFRS 9. The road map also specifies the preparation steps and main timetables which the Capital Market, Insurance and Savings Authority believes should be implemented in order to ensure that the insurance companies in Israel are prepared for the qualitative adoption of the standard, properly and reliably, *inter alia*, with respect to the adjustment of information systems, completing the formulation of the accounting policy, and preparing for the various required reports, conducting a quantitative evaluation of fair value before the transition date, preparing to calculate the risk adjustment (RA) with respect to non-financial risk, preparing for the audit by the auditors, disclosure of voluntary quantitative data and disclosure of qualitative data as part of a dedicated note beginning in the quarterly reports of 2023, and the timetable pertaining to the adequacy tests of controls related to information systems and of associated processes.	As part of the process of adopting the standard, the Company is in the process of implementing and integrating computerized information systems which are critical to the adoption of the standard's provisions. The Group is also evaluating and specifying the required controls, and the manner of flow of information to the financial statements. The Company is continuing to evaluate the consequences of the adoption of these standards on its financial statements, and is preparing to adopt then within the above timetable; however, at this stage, it is unable to estimate the impact that the adoption of the standard could have on its financial statements.

Note 4: New Standards and Interpretations Which Have Not Yet Been Adopted (Cont.)

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
IFRS 9, Financial Instruments	The new standard determines that, upon initial recognition, all financial assets will be measured at fair value. In subsequent periods, debt instruments will be measured at amortized cost only if the following two cumulative conditions are fulfilled: - The asset is held within the framework of a business model which is intended to hold assets in order to collect the contractual cash flows issuing therefrom (hereinafter: the “Principal and Debt Only Test”). - According to the contractual terms of the financial asset, the Company is entitled, on certain dates, to receive cash flows which constitute only principal payments and interest payments on the principal balance. All other debt instruments and all other financial assets will be subsequently measured at fair value. The new standard provides a distinction between debt instruments which will be measured at fair value through profit or loss, and debt instruments which will be measured at fair value through other comprehensive income. Financial assets which constitute equity instruments will be measured in subsequent periods at fair value, and the differences will be applied to the statement of income or to other comprehensive income (loss), in accordance with the Company’s choice regarding each individual instrument. Equity instruments which are held for trading must be measured at fair value through profit or loss. The new standard also includes a new model for measuring the impairment of financial debt instruments which are not measured at fair value through profit or loss, and is based on the expected credit losses model. The new standard includes new requirements with respect to hedge accounting.	In January 2018 IFRS 9 - Financial Instruments entered into effect, which replaced IAS 39 - Financial Instruments: Recognition and Measurement. IFRS 9 (hereinafter: the “New Standard”) primarily changes the provisions for the classification and measurement of financial assets, and applies to all financial assets covered under IAS 39. The amendment to IFRS 4 allows an entity issuing insurance contracts to adopt IFRS 9 with adjustments (hereinafter: the “Overlay Approach”), or to defer the adoption of IFRS 9 to January 1, 2023 (hereinafter: the “Deferral Approach” or the “Temporary Exemption”). However, in accordance with the draft update to the “Road map for the verification of IFRS 17 - Insurance Contracts”, which was published by the Control of Insurance Office in December 2022, the initial adoption date of IFRS 17 and IFRS 9 in Israel will commence with the quarterly and annual periods beginning on January 1, 2024. Accordingly, the transition date will be January 1, 2023. The Company is applying the temporary exemption from adopting IFRS 9, as permitted in accordance with IFRS 4, since it did not previously adopt any version of IFRS 9, and its activities are mostly insurance-related. For details regarding the position of the Israel Securities Authority regarding the adoption of the standard beginning in 2023, with respect to data in the Group’s consolidated financial statements which pertain to consolidated subsidiaries which do not meet the definition of an insurer, see Note 2(a).	The Group has begun, but has not yet concluded, its evaluation of the consequences of the standard’s adoption on its financial statements.

Note 5: Segmental Reporting

A. General

The Group is engaged in the following operating segments:

1. **Long term savings**

The long-term savings segment includes life insurance, accompanying coverages (riders) and management of pension funds and provident funds. The segment includes long-term savings (within the framework of the various types of insurance policies, pension funds and provident funds, including study funds), as well as insurance coverage for various risks, including death, disability, loss of working capacity, health insurance policies sold as riders to life insurance policies, and others. According to the Commissioner's directives, the long-term savings segment includes the following branches: provident funds, pension funds, and life insurance.

2. **Health insurance**

The health insurance segment includes the Group's operations in the health insurance branches. The segment includes long-term care insurance, medical expenses insurance, surgeries, transplants, personal accidents (long term health branch), international travel, dental insurance, foreign workers, and more.

3. **Non-life insurance**

The non-life insurance segment in Israel includes the liability and property insurance, credit insurance, personal accidents and other insurance branches.

According to the Commissioner's directives, the non-life insurance segment in Israel is divided into the following branches: compulsory motor, motor property, property and others branches, and other liability branches, as specified below:

- **Compulsory motor branch**
The compulsory motor insurance branch focuses on coverage whose acquisition by the vehicle owner or driver is compulsory by law, and provides coverage for bodily injuries (to the driver of the vehicle, to the passengers in the vehicle or to pedestrians), as a result of the use of the motor vehicle.

- **Motor property branch**
The motor property insurance branch focuses on coverage for damages caused to the policyholder's vehicle, and on property damages caused to a third party by the policyholder's vehicle.

- **Property and others branches**
The remaining property branches other than motor, liability and other insurance branches, such as guarantees and personal accident insurance (short term health branch).

- **Credit insurance through a consolidated company**
Credit insurance branches and foreign trade risks.

- **Other liability branches**
The liability branches cover the liabilities of policyholders with respect to damages caused to third parties. These branches include third party liability, employers' liability, professional liability, and product liability.

4. **Other**

Including operating segments which do not meet the quantitative thresholds for reporting, credit and financing operations, and insurance agencies.

5. **Operations which were not allocated to segments**

This operation includes the Group's headquarters, which primarily includes capital, liabilities that are not a part of insurance operations, and assets held against them in Clal Insurance, as well as the Company's separate balances and results.

Note 5: Segmental Reporting

B. Seasonality

1. Long-term savings segment

In general, income from premiums in life insurance, and income from management fees in pension funds and provident funds, are not characterized by seasonality, and therefore, seasonality is not a factor with respect to claims.

However, due to the timing of the end of the tax year, a certain degree of seasonality exists with respect to deposits of premiums/contributions to pension savings products in December, since substantial amounts are deposited during that month by employees and self-employed persons who initiate deposits that are not in the framework of their wages, with the intention of making full use of the tax benefits, as well as by employers completing obligations with respect to the tax year or making one-time deposits, usually with respect to a severance pay tenure debt. There are also certain months, which vary from year to year, in which the scope of premiums/contributions could be higher, this being mainly due to one-time payments made by employers to workers, in respect of which contributions are provided.

2. Non-life insurance segment

In general, revenue from premiums in non-life insurance in Israel is not characterized by clear seasonality. However, premiums in the first quarter of the year are higher than premiums in other quarters, mainly due to renewals of insurance contracts by business policyholders, and to renewals of large vehicle fleets at the start of the calendar year, which have a certain degree of seasonality. The effect of this seasonality on reported income is neutralized by the unearned premium reserve.

There is no clear seasonality in the other expense components, such as claims, and in other income components, such as income from investments. However, it should be noted that in the winter seasons an increase in claims is sometimes seen in the first or fourth quarters of the year, or in both of them, mainly in the property branches, and as a result reported income for the period decreases.

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments

	Long-term savings											
	Provident			Pension			Life insurance			Total		
NIS in thousands	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross premiums earned	**-**	-	-	**-**	-	-	**6,844,475**	6,390,838	5,728,544	**6,844,475**	6,390,838	5,728,544
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**161,811**	146,810	146,775	**161,811**	146,810	146,775
Premiums earned on retention	**-**	-	-	**-**	-	-	**6,682,664**	6,244,028	5,581,769	**6,682,664**	6,244,028	5,581,769
Income from investments, net, and financing income	**248,197**	190,871	118,733	**2,752**	2,272	477	**(4,783,380)**	12,490,005	4,592,600	**(4,532,431)**	12,683,148	4,711,810
Income from management fees	**252,388**	202,879	175,360	**338,857**	310,137	280,185	**605,191**	1,261,425	790,192	**1,196,436**	1,774,441	1,245,737
Income from commissions	**-**	-	-	**-**	-	-	**35,689**	22,144	23,653	**35,689**	22,144	23,653
Other income	**448**	490	572	**(17)**	(1)	-	**-**	-	-	**431**	489	572
Total income	**501,033**	394,240	294,665	**341,592**	312,408	280,662	**2,540,164**	20,017,602	10,988,214	**3,382,789**	20,724,250	11,563,541
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**249,158**	183,961	113,061	**-**	-	-	**1,741,547**	18,130,944	9,759,827	**1,990,705**	18,314,905	9,872,888
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(109,906)**	(161,570)	(122,352)	**(109,906)**	(161,570)	(122,352)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**249,158**	183,961	113,061	**-**	-	-	**1,631,641**	17,969,374	9,637,475	**1,880,799**	18,153,335	9,750,536
Commissions, marketing expenses and other acquisition costs	**116,813**	78,259	66,304	**111,331**	94,657	96,644	**728,507**	690,231	674,861	**956,651**	863,147	837,809
General and administrative expenses	**123,373**	123,141	113,480	**193,158**	191,942	174,362	**371,390**	386,907	394,616	**687,921**	701,990	682,458
Impairment of intangible assets	**1,788**	-	-	**1,318**	-	306	**3,203**	7,077	1,999	**6,309**	7,077	2,305
Other expenses	**5,623**	3,198	4,453	**7,360**	3,553	3,635	**-**	-	-	**12,983**	6,751	8,088
Financing expenses	**1**	2	3	**158**	175	186	**3,425**	27,775	7,488	**3,584**	27,952	7,677
Total expenses	**496,756**	388,561	297,301	**313,325**	290,327	275,133	**2,738,166**	19,081,364	10,716,439	**3,548,247**	19,760,252	11,288,873
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**29**	101	(449)	**(2,641)**	3,850	(2,064)	**(2,612)**	3,951	(2,513)
Income (loss) before taxes on income	**4,277**	5,679	(2,636)	**28,296**	22,182	5,080	**(200,643)**	940,088	269,711	**(168,070)**	967,949	272,155
Other comprehensive income (loss) before taxes on income	**(6,414)**	2,747	581	**(10,583)**	5,427	951	**104,378**	166,706	96,136	**87,381**	174,880	97,668
Total comprehensive income (loss) before taxes on income	**(2,137)**	8,426	(2,055)	**17,713**	27,609	6,031	**(96,265)**	1,106,794	365,847	**(80,689)**	1,142,829	369,823

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

	Health			Non-life			Other		
NIS in thousands	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross premiums earned	**1,598,897**	1,406,495	1,296,408	**3,067,661**	2,804,388	2,471,385	**-**	-	-
Premiums earned by reinsurers	**83,644**	72,332	65,602	**1,419,619**	1,368,569	1,254,137	**-**	-	-
Premiums earned on retention	**1,515,253**	1,334,163	1,230,806	**1,648,042**	1,435,819	1,217,248	**-**	-	-
Income from investments, net, and financing income	**180,240**	432,450	128,032	**201,655**	239,639	8,882	**(3,403)**	899	3,284
Income from management fees	**-**	-	-	**-**	-	-	**-**	-	-
Income from commissions	**11,455**	6,054	5,134	**224,752**	220,998	217,740	**201,293**	172,236	145,011
Other income	**-**	-	-	**83**	28	39	**22**	337	17
Total income	**1,706,948**	1,772,667	1,363,972	**2,074,532**	1,896,484	1,443,909	**197,912**	173,472	148,312
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**746,229**	1,049,595	619,989	**2,013,150**	2,777,631	1,500,422	**-**	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(105,174)**	(79,119)	(130,345)	**(793,156)**	(1,626,363)	(721,604)	**-**	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**641,055**	970,476	489,644	**1,219,994**	1,151,268	778,818	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**577,598**	522,781	510,384	**612,520**	587,153	558,484	**139,377**	119,875	104,882
General and administrative expenses	**83,496**	84,018	77,761	**79,554**	82,436	82,049	**15,694**	16,313	15,972
Impairment of intangible assets	**1,012**	-	-	**836**	-	-	**-**	-	-
Other expenses (income)	**-**	-	-	**-**	-	-	**5,305**	3,808	607
Financing expenses (income)	**9,251**	16,720	5,549	**27,026**	228	(2,163)	**683**	800	992
Total expenses	**1,312,412**	1,593,995	1,083,338	**1,939,930**	1,821,085	1,417,188	**161,059**	140,796	122,453
Share in the results of investee companies accounted by the equity method, net	**(128)**	(2)	(702)	**(2,504)**	1,715	(4,292)	**5,704**	18,573	167
Income (loss) before taxes on income	**394,408**	178,670	279,932	**132,098**	77,114	22,429	**42,557**	51,249	26,026
Other comprehensive income (loss) before taxes on income	**(41,372)**	13,955	(104,511)	**(223,517)**	35,171	26,163	**2,226**	1,092	2,678
Total comprehensive income (loss) before taxes on income	**353,036**	192,625	175,421	**(91,419)**	112,285	48,592	**44,783**	52,341	28,704

Note 5: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in thousands	Not allocated to segments			Adjustments and offsets			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross premiums earned	**-**	-	-	**(1,790)**	(1,511)	(2,037)	**11,509,243**	10,600,210	9,494,300
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**1,665,074**	1,587,711	1,466,514
Premiums earned on retention	**-**	-	-	**(1,790)**	(1,511)	(2,037)	**9,844,169**	9,012,499	8,027,786
Income from investments, net, and financing income	**56,947**	575,542	198,993	**392**	(354)	(259)	**(4,096,600)**	13,931,324	5,050,742
Income from management fees	**-**	-	-	**1,325**	1,045	944	**1,197,761**	1,775,486	1,246,681
Income (expenses) from commissions	**-**	-	-	**(90,183)**	(84,609)	(80,270)	**383,006**	336,823	311,268
Other income	**(48)**	182	15	**(18)**	2	2	**470**	1,038	645
Total income	**56,899**	575,724	199,008	**(90,274)**	(85,427)	(81,620)	**7,328,806**	25,057,170	14,637,122
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**-**	-	-	**(826)**	(2,141)	(3,450)	**4,749,258**	22,139,990	11,989,849
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(1,008,236)**	(1,867,052)	(974,301)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**-**	-	-	**(826)**	(2,141)	(3,450)	**3,741,022**	20,272,938	11,015,548
Commissions, marketing expenses and other acquisition costs	**-**	-	-	**(90,169)**	(84,609)	(80,270)	**2,195,977**	2,008,347	1,931,289
General and administrative expenses	**73,678**	89,922	74,846	**915**	(1,579)	817	**941,258**	973,100	933,903
Impairment of intangible assets	**-**	1,685	187	**-**	-	-	**8,157**	8,762	2,492
Other expenses (income)	**(653)**	3	367	**-**	-	-	**17,635**	10,562	9,062
Financing expenses (income)	**193,733**	186,052	142,511	**306**	90	133	**234,583**	231,842	154,699
Total expenses	**266,758**	277,662	217,911	**(89,774)**	(88,239)	(82,770)	**7,138,632**	23,505,551	14,046,993
Share in the results of investee companies accounted by the equity method, net	**2,964**	4,994	3,148	**-**	-	-	**3,424**	29,231	(4,192)
Income (loss) before taxes on income	**(206,895)**	303,056	(15,755)	**(500)**	2,812	1,150	**193,598**	1,580,850	585,937
Other comprehensive income (loss) before taxes on income	**(374,374)**	261,768	222,291	**2,250**	185	2,111	**(547,406)**	487,051	246,400
Total comprehensive income (loss) before taxes on income	**(581,269)**	564,824	206,536	**1,750**	2,997	3,261	**(353,808)**	2,067,901	832,337

Note 5: Segmental Reporting (Cont.)

D. Additional information regarding the main insurance branches included in the non-life insurance segment

	Liability branches					
	Compulsory motor			Liabilities and others branches [1)]		
NIS in thousands	2022	2021	2020	2022	2021	2020
Gross premiums	**694,671**	598,671	531,941	**486,364**	498,290	422,980
Reinsurance premiums	**275,287**	258,572	235,875	**250,516**	267,763	202,609
Premiums on retention	**419,384**	340,099	296,066	**235,848**	230,527	220,371
Change in unearned premium balance, on retention	**(43,040)**	(14,453)	(58,343)	**(6,606)**	(10,212)	(5,945)
Premiums earned on retention	**376,344**	325,646	237,723	**229,242**	220,315	214,426
Income from investments, net, and financing income	**79,729**	95,448	11,462	**76,142**	100,501	(1,874)
Income from commissions	**35,813**	45,381	51,183	**21,543**	22,730	14,643
Total income	**491,886**	466,475	300,368	**326,927**	343,546	227,195
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**484,194**	819,772	473,195	**135,300**	960,559	310,703
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(164,491)**	(428,654)	(292,383)	**(41,903)**	(766,149)	(69,017)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**319,703**	391,118	180,812	**93,397**	194,410	241,686
Commissions, marketing expenses and other acquisition costs	**96,574**	93,707	79,450	**100,976**	102,607	99,735
General and administrative expenses	**14,377**	15,182	15,365	**7,638**	8,902	9,074
Impairment of intangible assets	**202**	-	-	**107**	-	-
Financing expenses (income)	**4,023**	3,270	(104)	**5,919**	(1,693)	101
Total expenses	**434,879**	503,277	275,523	**208,037**	304,226	350,596
Share in the profits (losses) of associate companies, net	**(1,202)**	823	(2,060)	**(801)**	549	(1,373)
Income (loss) before taxes on income	**55,805**	(35,979)	22,785	**118,089**	39,869	(124,774)
Other comprehensive income (loss) before taxes on income	**(85,873)**	11,713	10,951	**(82,530)**	11,996	10,618
Total comprehensive income before taxes on income	**(30,068)**	(24,266)	33,736	**35,559**	51,865	(114,156)
Liabilities with respect to insurance contracts						
Gross	**2,843,359**	2,770,326	2,433,094	**2,941,046**	3,047,599	2,556,333
Reinsurance	**1,297,260**	1,288,616	1,014,270	**1,550,831**	1,566,997	1,079,219
Retention	**1,546,099**	1,481,710	1,418,824	**1,390,215**	1,480,602	1,477,114

1) iabilities and others branches primarily include the results of the third party, managers and employers liability insurance branches, the activity in which constituted, during the reporting year and last year, approximately 80% and approximately 79% of total premiums in those branches, respectively. In 2020, the results of the third party, professional and employers liability insurance branches constituted approximately 78% of the total premiums in those branches.

Note 5: Segmental Reporting (Cont.)

D. Additional information concerning the main insurance branches included in the non-life insurance segment (Cont.)

	Property branches											
	Motor property			Credit insurance			Property and others branches [1]			Total		
NIS in thousands	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Gross premiums	**942,375**	790,255	686,131	**132,210**	123,039	115,303	**1,019,410**	931,504	836,014	**3,275,030**	2,941,759	2,592,369
Reinsurance premiums	**113,823**	88,974	178,191	**71,778**	67,429	60,379	**791,689**	711,872	632,139	**1,503,093**	1,394,610	1,309,193
Premiums on retention	**828,552**	701,281	507,940	**60,432**	55,610	54,924	**227,721**	219,632	203,875	**1,771,937**	1,547,149	1,283,176
Change in unearned premium balance, on retention	**(70,198)**	(79,840)	(1,034)	**(1,277)**	171	(2,293)	**(2,774)**	(6,996)	1,687	**(123,895)**	(111,330)	(65,928)
Premiums earned on retention	**758,354**	621,441	506,906	**59,155**	55,781	52,631	**224,947**	212,636	205,562	**1,648,042**	1,435,819	1,217,248
Income from investments, net, and financing income	**20,315**	19,804	1,212	**9,203**	5,994	(310)	**16,266**	17,892	(1,608)	**201,655**	239,639	8,882
Income from commissions	**8,055**	6,077	6,104	**21,345**	19,772	16,937	**137,996**	127,038	128,873	**224,752**	220,998	217,740
Other income	**-**	-	-	**83**	28	39	**-**	-	-	**83**	28	39
Total income	**786,724**	647,322	514,222	**89,786**	81,575	69,297	**379,209**	357,566	332,827	**2,074,532**	1,896,484	1,443,909
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**862,346**	616,289	420,083	**34,720**	40,610	29,986	**496,590**	340,401	266,455	**2,013,150**	2,777,631	1,500,422
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(140,497)**	(138,165)	(145,265)	**(23,366)**	(27,566)	(18,692)	**(422,899)**	(265,829)	(196,247)	**(793,156)**	(1,626,363)	(721,604)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**721,849**	478,124	274,818	**11,354**	13,044	11,294	**73,691**	74,572	70,208	**1,219,994**	1,151,268	778,818
Commissions, marketing expenses and other acquisition costs	**212,211**	187,014	167,588	**11,590**	12,579	10,633	**191,169**	191,246	201,078	**612,520**	587,153	558,484
General and administrative expenses	**19,503**	19,637	19,819	**20,077**	21,018	18,515	**17,959**	17,697	19,276	**79,554**	82,436	82,049
Impairment of intangible assets	**274**	-	-	**-**	-	-	**253**	-	-	**836**	-	-
Financing expenses (income)	**1,781**	642	(390)	**4,295**	(749)	(1,421)	**11,008**	(1,242)	(349)	**27,026**	228	(2,163)
Total expenses	**955,618**	685,417	461,835	**47,316**	45,892	39,021	**294,080**	282,273	290,213	**1,939,930**	1,821,085	1,417,188
Share in the profits (losses) of associate companies, net	**(225)**	154	(386)	**-**	-	-	**(276)**	189	(473)	**(2,504)**	1,715	(4,292)
Income (loss) before taxes on income	**(169,119)**	(37,941)	52,001	**42,470**	35,683	30,276	**84,853**	75,482	42,141	**132,098**	77,114	22,429
Other comprehensive income (loss) before taxes on income	**(21,314)**	3,151	3,185	**(16,750)**	5,623	(1,565)	**(17,050)**	2,688	2,974	**(223,517)**	35,171	26,163
Total comprehensive income before taxes on income	**(190,433)**	(34,790)	55,186	**25,720**	41,306	28,711	**67,803**	78,170	45,115	**(91,419)**	112,285	48,592
Liabilities with respect to insurance contracts												
Gross	**784,169**	592,839	474,510	**100,154**	89,327	53,640	**1,293,853**	1,093,724	956,158	**7,962,581**	7,593,815	6,473,735
Reinsurance	**116,714**	87,894	124,808	**57,753**	51,420	26,528	**1,014,247**	809,252	677,081	**4,036,805**	3,804,179	2,921,906
Retention	**667,455**	504,945	349,702	**42,401**	37,907	27,112	**279,606**	284,472	279,077	**3,925,776**	3,789,636	3,551,829

1) Property and other branches mostly include the results of the business property insurance and apartment and engineering insurance branches, the activity in which during the reporting year, and last year, constituted approximately 76% and approximately 77% of total premiums in these branches (in 2020 - approximately 78%)

Note 5: Segmental Reporting (Cont.)

E. Report on operating segments as of December 31

NIS in thousands	Long-term savings		Health insurance		Non-life insurance		Other		Not allocated to segments		Adjustments and offsets		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Assets:														
Intangible assets	790,937	782,209	76,490	72,198	215,780	273,975	143,267	147,259	14,263	14,240	-	-	1,240,737	1,289,881
Deferred acquisition costs	1,539,914	1,328,743	627,245	604,801	284,369	257,494	4,019	3,098	-	-	-	-	2,455,547	2,194,136
Investments in investee companies accounted by the equity method	38,197	59,251	(202)	(53)	(2,988)	7,853	93,865	69,190	38,769	35,322	-	-	167,641	171,563
Investment property for investment-linked contracts	3,778,012	3,140,825	-	-	-	-	-	-	-	-	-	-	3,778,012	3,140,825
Other investment property	1,215,419	1,070,132	14,100	13,550	186,217	161,420	-	-	59,375	5,782	-	-	1,475,111	1,250,884
Financial investments for investment-linked contracts	76,078,868	80,612,658	1,052,410	1,132,899	-	-	-	-	-	-	-	-	77,131,278	81,745,557
Other financial investments:														
Marketable debt assets	823,126	1,138,764	445,823	331,340	2,251,033	1,959,119	-	-	3,478,760	3,040,492	-	-	6,998,742	6,469,715
Non-marketable debt assets	19,271,729	17,056,629	1,969,577	2,996,972	1,630,064	1,553,756	291	266	152,790	473,339	-	-	23,024,451	22,080,962
Stocks	456,623	380,007	18,451	44,891	4,468	19,897	16,923	21,162	1,355,732	1,607,720	-	-	1,852,197	2,073,677
Others	2,005,556	2,365,149	123,138	157,331	129,343	244,645	-	-	2,527,905	1,809,393	-	-	4,785,942	4,576,518
Total other financial investments	22,557,034	20,940,549	2,556,989	3,530,534	4,014,908	3,777,417	17,214	21,428	7,515,187	6,930,944	-	-	36,661,332	35,200,872
Cash and cash equivalents for investment-linked contracts	8,458,319	9,992,748	18	47	-	-	-	-	-	-	-	-	8,458,337	9,992,795
Other cash and cash equivalents	448,621	525,641	154,917	187,594	586,285	282,816	63,051	75,186	2,338,400	3,052,682	-	-	3,591,274	4,123,919
Reinsurance assets	331,570	312,497	155,733	301,530	4,036,805	3,804,179	-	-	-	-	-	-	4,524,108	4,418,206
Outstanding premiums	205,941	213,011	74,405	59,987	567,607	471,778	4,925	3,479	-	-	-	-	852,878	748,255
Other assets	2,948,431	231,394	27,529	203,742	310,035	257,782	58,451	67,655	975,311	515,778	(40,498)	(38,616)	4,279,259	1,237,735
Total assets	118,391,263	119,209,658	4,739,634	6,106,829	10,199,018	9,294,714	384,792	387,295	10,941,305	10,554,748	(40,498)	(38,616)	144,615,514	145,514,628
Total assets for investment-linked contracts	91,393,598	94,305,959	1,069,718	1,150,562	-	-	-	-	-	-	-	-	92,463,316	95,456,521
Liabilities:														
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	23,239,202	22,435,761	2,613,776	2,747,427	7,962,581	7,593,815	-	-	-	-	(1,090)	(1,217)	33,814,469	32,775,786
Liabilities with respect to investment-linked insurance contracts and investment contracts	88,780,137	92,331,882	1,091,676	1,141,172	-	-	-	-	-	-	(18,924)	(19,371)	89,852,889	93,453,683
Financial liabilities	2,478,469	513,842	11,525	1	48,254	18,251	-	-	5,592,848	5,234,057	-	-	8,131,096	5,766,151
Other liabilities	1,228,294	2,173,835	320,369	461,161	1,576,118	1,343,122	208,731	233,424	1,535,732	1,631,832	(112,817)	(111,539)	4,756,427	5,731,835
Total liabilities	115,726,102	117,455,320	4,037,346	4,349,761	9,586,953	8,955,188	208,731	233,424	7,128,580	6,865,889	(132,831)	(132,127)	136,554,881	137,727,455

Note 6: Intangible Assets [2)]

A. Composition and movement

NIS in thousands	Goodwill	Customer portfolios and future management fees	Licenses, trade names, brand names, and others	Original differences attributed to the value of insurance portfolios	Software programs	Total
Cost						
Balance as of January 1, 2021	597,722	272,288	8,813	641,756	2,942,957	4,463,536
Acquisitions and self-development [1) 3)]	-	-	-	12,058	186,210	198,268
Purchases within the framework of business combinations [4)]	47,004	-	-	44,689	8,563	100,256
Balance as of December 31, 2021	644,726	272,288	8,813	698,503	3,137,730	4,762,060
Acquisitions and self-development [1) 3)]	**-**	**-**	**-**	**16**	**190,439**	**190,455**
Write-off of fully amortized assets	**-**	**-**	**-**	**-**	**(3,091)**	**(3,091)**
Balance as of December 31, 2022	**644,726**	**272,288**	**8,813**	**698,519**	**3,325,078**	**4,949,424**
Amortization and impairment losses						
Balance as of January 1, 2021	298,222	249,464	8,813	634,807	2,016,966	3,208,272
Amortization for the year	-	3,198	-	3,658	226,671	233,527
Impairment loss	-	-	-	-	8,762	8,762
Initial consolidation	-	-	-	15,063	6,555	21,618
Balance as of December 31, 2021	298,222	252,662	8,813	653,528	2,258,954	3,472,179
Amortization for the year	**-**	**3,002**	**-**	**5,305**	**223,135**	**231,442**
Write-off of fully amortized assets	**-**	**-**	**-**	**-**	**(3,091)**	**(3,091)**
Impairment loss	**-**	**-**	**-**	**-**	**8,157**	**8,157**
Balance as of December 31, 2022	**298,222**	**255,664**	**8,813**	**658,833**	**2,487,155**	**3,708,687**
Book value, net						
Balance as of January 1, 2021	299,500	22,824	-	6,949	925,991	1,255,264
Balance as of December 31, 2021	346,504	19,626	-	44,975	878,776	1,289,881
Balance as of December 31, 2022	**346,504**	**16,624**	**-**	**39,686**	**837,923**	**1,240,737**

1) Additions with respect to software programs include additions with respect to self-development in the amount of approximately NIS 114,273 thousand and approximately NIS 118,091 thousand during the years ended December 31, 2022 and 2021, respectively.
2) For details regarding the policy regarding current amortization and impairment losses, and for details regarding the amortization periods, see Note 3(h).
3) In 2021, Batach Thorne engaged in agreements to acquire several insurance portfolios in total amounts of approximately NIS 12,058 thousand, and in agreements regarding continued accompaniment and portfolio management.
4) In 2021, Clal Agencies acquired Davidoff Agency. Proximate to the acquisition date, an allocation of excess cost was performed in the amount of approximately NIS 67,375 thousand, including approximately NIS 39,414 thousand with respect to goodwill, and approximately NIS 39,414 thousand with respect to insurance portfolios, Davidoff Agency's balance sheet, and the entire balance of goodwill and insurance portfolios in the amount of approximately NIS 7,590 thousand and approximately NIS 16,728 thousand, respectively.

Note 6: Intangible Assets (Cont.)

B. Impairment test and additional information

Presented below are details regarding the composition of the book value of the intangible assets, excluding software programs:

NIS in thousands	Original differences attributed to the value of insurance portfolios		Customer portfolios and future management fees		Goodwill	
	As of December 31					
	2022	2021	2022	2021	2022	2021
Provident fund operations [1)]	**-**	-	**16,624**	19,626	**124,587**	124,587
Pension fund operations [2)]	**-**	-	**-**	-	**134,700**	134,700
Non-life insurance operations - Clal Credit	**-**	-	**-**	-	**2,447**	2,447
Insurance agencies [3)]	**39,686**	44,975	**-**	-	**84,770**	84,770
Total	**39,686**	44,975	**16,624**	19,626	**346,504**	346,504

1. **Provident fund management activity**

The Company evaluated the need to record a provision for impairment with respect to the goodwill attributed to the provident fund management operation, through a valuation prepared by an independent external valuer, based on the method of discounting the cash flows from the operation (value in use) which is based, *inter alia*, on the Company's forecast regarding the rate of management fees, managed assets and segmental expenses.

In accordance with the valuation as of December 31, 2022 and 2021, the calculated recoverable amount is higher than the book value of the provident operations, and therefore, impairment of goodwill did not occur.

Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of December 31, 2022	As of December 31, 2021
Valuation methodology	DCF	DCF
Operational discount rate WACC before tax	12.1%	11.1%
Operational discount rate WACC after tax	9.7%	9%
Long term growth rate in the branch, excluding provident fund for investment	0%	0%
Long term growth rate - provident fund for investment	1.5%	1.5%
Effective marginal tax	34.2%	34.2%
Average long term rate of management fees in Tamar provident fund for compensation	0.53%	0.49%
Average long term rate of management fees in study fund	0.51%	0.50%
Number of years in the cash flow forecast	5	5

2. **Pension fund management activity**

For the purpose of preparing the financial statements as of December 31, 2022 and 2021, the Company conducted an impairment test of the goodwill attributed to the pension funds operation, through an independent external valuer. The analysis was based on the discounted cash flows (DCF) approach. In the paper, the valuer relied on the embedded value (EV) calculations for pension operations which were prepared by the Company.

Based on the valuation which was obtained, the calculated recoverable amount is higher than the book value of the pension operations, and therefore, impairment of goodwill did not occur as of December 31, 2022 and 2021.

Presented below are details regarding the key assumptions and main parameters which were used to calculate recoverable value:

	As of December 31, 2022	As of December 31, 2021
Valuation methodology	DCF	DCF
Operational discount rate WACC before tax	11.9%	11.2%
Operational discount rate WACC after tax	9.1%	8.4%
Effective marginal tax	34.2%	34.2%
Weighted return on free assets (except for designated bonds) - members' assets	5.3%	5.3%
Weighted return on free assets (except for designated bonds) - annuity recipients	3.2%	3.36%

3. **Agencies**

For the purpose of preparing the financial statements, the Company conducted an impairment test of the goodwill attributed to the agencies activity. As of December 31, 2022 and 2021, the value in use attributed to the agencies operation was greater than the value of those operations in the books, and impairment loss of goodwill was therefore recorded.

Note 7: Deferred Acquisition Costs

A. Composition

NIS in thousands	As of December 31 2022	As of December 31 2021
Life insurance and long term savings	**1,539,914**	1,328,743
Health insurance	**627,245**	604,801
Non-life insurance *)	**284,369**	257,494
Other	**4,019**	3,098
Total	**2,455,547**	2,194,136

*) For additional details, see Note 19(a).

B. Movement in deferred acquisition costs in the long term savings segment and in the health segment

	Long term savings			Health		
NIS in thousands	Life insurance	Pension and provident funds	Total	Long-term care	Illness and hospitalization	Total
Balance as of January 1, 2021	874,746	301,611	1,176,357	98,796	482,933	581,729
Additions:						
Acquisition fees	204,280	147,774	352,054	-	142,017	142,017
Other acquisition costs	119,788	-	119,788	-	137,366	137,366
Total additions	324,068	147,774	471,842	-	279,383	279,383
Current amortization	(96,004)	(55,805)	(151,809)	(11,791)	(125,384)	(137,175)
Amortization with respect to cancellations	(167,647)	-	(167,647)	(3,880)	(115,256)	(119,136)
Balance as of December 31, 2021	935,163	393,580	1,328,743	83,125	521,676	604,801
Additions:						
Acquisition fees	**205,692**	**259,030**	**464,722**	**-**	**122,346**	**122,346**
Other acquisition costs	**120,052**	**-**	**120,052**	**-**	**175,441**	**175,441**
Total additions	**325,744**	**259,030**	**584,774**	**-**	**297,787**	**297,787**
Current amortization	**(96,955)**	**(82,672)**	**(179,627)**	**(11,011)**	**(137,601)**	**(148,612)**
Amortization with respect to cancellations	**(193,976)**	**-**	**(193,976)**	**(2,644)**	**(124,087)**	**(126,731)**
Balance as of December 31, 2022	**969,976**	**569,938**	**1,539,914**	**69,470**	**557,775**	**627,245**

Note 8: Property, Plant and Equipment [3)]

A. Composition and movement [1)]

NIS in thousands	Land and office buildings	Computers and servers	Vehicles	Furniture and office equipment	Leasehold installations and improvements	Total
Cost						
Balance as of January 1, 2021	65,639	282,503	149	70,428	233,039	651,758
Acquisitions	-	26,208	31	1,099	3,629	30,967
Write-offs	-	-	(29)	-	-	(29)
Initial consolidation [2)]	-	2,100	-	1,134	1,431	4,665
Balance as of December 31, 2021	**65,639**	**310,811**	**151**	**72,661**	**238,099**	**687,361**
Acquisitions	-	**21,010**	**33**	**667**	**368**	**22,078**
Write-offs	-	**(3,393)**	**(24)**	**(1,167)**	**(587)**	**(5,171)**
Balance as of December 31, 2022	**65,639**	**328,428**	**160**	**72,161**	**237,880**	**704,268**
Depreciation and impairment losses						
Balance as of January 1, 2021	53,356	229,295	51	45,727	115,293	443,722
Depreciation for the year	1,269	18,000	20	3,668	11,841	34,798
Write-offs	-	-	(10)	-	-	(10)
Initial consolidation [2)]	-	1,842	-	984	1,431	4,257
Balance as of December 31, 2021	54,625	249,137	61	50,379	128,565	482,767
Depreciation for the year	**1,221**	**18,113**	**21**	**3,598**	**11,884**	**34,837**
Write-offs	**-**	**(3,346)**	**(17)**	**(1,167)**	**(587)**	**(5,117)**
Balance as of December 31, 2022	**55,846**	**263,904**	**65**	**52,810**	**139,862**	**512,487**
Book value, net						
Balance as of January 1, 2021	12,283	53,208	98	24,701	117,746	208,036
Balance as of December 31, 2021	11,014	63,586	90	23,266	110,965	204,594
Balance as of December 31, 2022	**9,793**	**64,524**	**95**	**19,351**	**98,018**	**191,781**

1. For details regarding the amortization periods, see Note 3(g)(3) above.

2. In 2021, Clal Agencies acquired Davidoff Agency.

3. For additional details regarding leased property, plant and equipment, see Note 27.

Note 9: Investments in Investee Companies

A. Summary financial data regarding investments in investee companies and joint ventures

As of December 31, 2022

Company name	ADC Holdings [1]	Atudot Pension Fund for Workers & Independent Workers Ltd. [3]	Clal Wacker Investments LP	WC 75 Tresser, L.L.C [2]	660 Columbus Ave. Investors, L.L.C. [2]	Argo Properties N.V [2]	Michlol Finance Ltd.	Newcom Insurance Agency	Total
Operating segment	Holding company	Old pension fund managing company	Investment in real estate	Investment in real estate	Investment in real estate	Investment in real estate	Financing and accompaniment of real estate projects	Insurance	
Country of incorporation	Israel	Israel	United States	United States	United States	Netherlands	Israel	Israel	
Main location of the business operation	Israel	Israel	United States	United States	United States	Netherlands	Israel	Israel	
Holding rate in equity (%)	33.33%	50.00%	12.25%	17.15%	9.75%	1.73%	24.90%	30.00%	
Holding rate in voting rights (%)	33.33%	50.00%	12.25%	17.15%	9.75%	1.73%	24.90%	30.00%	
Total assets	39,502	48,345	3,837	-	204,946	2,605,790	1,107,636	19,501	
Total liabilities	67	12,036	-	-	274,397	1,200,855	908,259	4,094	
Total net assets (total assets less total liabilities)	39,435	36,309	3,837	-	(69,451)	1,404,935	199,377	15,407	
The Group's share in net assets (net assets * holding rate)	13,145	18,142	470	-	(6,772)	24,336	49,645	4,622	
Balance of excess cost and other adjustments	-	24,455	-	-	-	-	25,629	13,969	
Value of the investee company in the Group's books	13,145	42,597	470	-	(6,772)	24,336	75,274	18,591	167,641
Revenues	1,114	52,329	-	(5,761)	(43,944)	155,112	98,459	32,093	
Total profit and loss	831	4,212	-	(5,761)	(43,944)	155,112	32,515	223	
The Group's share in profit and loss of the investee company	277	1,909	-	(988)	(4,285)	2,687	7,508	67	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	(1,424)	(447)	
The Group's share in the profit and loss of the investee company, as presented in the books	277	29	-	(988)	(4,285)	2,687	6,084	(380)	3,424
Foreign currency translation differences for investee companies	-	-	-	3,051	(697)	1,491	-	-	3,845
The Group's share in the comprehensive income of the investee company, as presented in the books	277	29	-	2,063	(4,982)	4,178	6,084	(380)	7,269

1) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of the reporting date, amounted to approximately NIS 13.1 million, and which are included under the item for other accounts payable. In 2022, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million. The loans were extended several times, such that their current repayment date is set as February 2025.
2) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.
3) For details regarding an audit report which was received by Atudot, *inter alia*, in connection with the implementation of the safety cushion, see Note 41 below.

Note 9: Investments in Investee Companies (Cont.)

A. Summary financial data regarding investments in investee companies and joint ventures (Cont.)

As of December 31, 2021

Company name	ADC Holdings [1]	Atudot - Pension Fund for Workers & Independent Workers Ltd. [3]	Clal Wacker Investments LP	WC Edgewater Venture, L.L.C [2]	WC 75 Tresser, L.L.C [2]	DCE 1 APS	660 Columbus Ave. Investors, L.L.C. [2]	Argo Properties N.V [2]	Michlol Financing Ltd.	Total
Operating segment	Holding company	Managing company of old pension fund	Investment in real estate	Investment in real estate	Investment in real estate	Investment in real estate	Investment in real estate	Investment in real estate	Project finance and accompaniment in real estate	
Country of incorporation	Israel	Israel	United States	United States	United States	Denmark	United States	Netherlands	Israel	
Main location of the business operation	Israel	Israel	United States	United States	United States	Denmark	United States	Netherlands	Israel	
Holding rate in equity (%)	33.33%	50.00%	12.25%	17.15%	17.15%	49.00%	9.75%	1.73%	24.90%	
Holding rate in voting rights (%)	33.33%	50.00%	12.25%	17.15%	17.15%	49.00%	9.75%	1.73%	24.90%	
Total assets	38,659	49,558	3,388	-	401,865	-	181,633	1,789,696	717,519	
Total liabilities	55	14,438	-	-	245,354	-	199,995	625,912	548,295	
Total net assets (total assets less total liabilities)	38,604	35,120	3,388	-	156,511	-	(18,362)	1,163,784	169,224	
The Group's share in net assets (net assets * holding rate)	12,868	17,547	415	-	26,840	-	(1,792)	20,160	42,137	
Balance of excess cost and other adjustments	-	26,335	-	-	-	-	-	-	27,053	
Value of the investee company in the Group's books	12,868	43,882	415	-	26,840	-	(1,792)	20,160	69,190	171,563
Revenues	1,105	52,160	-	(1,038)	33,878	-	(697)	272,066	46,220	
Total profit and loss	824	3,963	-	(1,038)	33,878	-	(697)	272,066	19,089	
The Group's share in profit and loss of the investee company	275	1,981	-	(178)	5,810	-	(69)	4,719	4,753	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	(1,712)	
Other adjustments	-	-	-	-	-	-	-	-	15,532	
The Group's share in the profit and loss of the investee company, as presented in the books	275	101	-	(178)	5,810	-	(69)	4,719	18,573	29,231
Foreign currency translation differences for investee companies	-	-	-	1,008	(817)	-	64	(1,309)	-	(1,054)
The Group's share in the comprehensive income of the investee company, as presented in the books	275	101	-	830	4,993	-	(5)	3,410	18,573	28,177

1) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of the reporting date, amounted to approximately NIS 12.8 million, and which are included under the item for other accounts payable. In 2021, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million.
2) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.
3) For details regarding an audit report which was received by Atudot, *inter alia*, in connection with the implementation of the safety cushion, see Note 41(d)(2) below.

Note 9: Investments in Investee Companies (Cont.)

A. Summary financial data regarding investments in investee companies and joint ventures (Cont.)

As of December 31, 2020

Company name	ADC Holdings 1)	Atudot Pension Fund for Workers & Independent Workers Ltd.	22 Kingsway Limited	WC Edgewater Venture, L.L.C 2)	WC 75 Tresser, L.L.C 2)	660 Columbus Ave. Investors, L.L.C. 2)	Credit Suisse Emerging Markets (2)	IDE Technologies(3	Michlol Finance Ltd.	Total
Operating segment	Holding company	Old pension fund managing company	Investment in real estate	Investment in real estate	Investment in real estate	Investment in real estate	Capital market	Water technologies	Financing and accompaniment of real estate projects	
Country of incorporation	Israel	Israel	Israel	United States	United States	United States	Cayman Islands	Israel	Israel	
Main location of the business operation	Israel	Israel	Israel	United States	United States	United States	Cayman Islands	Israel	Israel	
Holding rate in equity (%)	33.33%	50.00%	50.00%	17.15%	17.15%	9.75%	2.69%	7.22%	35.00%	
Holding rate in voting rights (%)	33.33%	50.00%	50.00%	17.15%	17.15%	9.75%	2.69%	7.22%	35.00%	
Revenues	1,141	47,848	(4,184)	(851)	(8,834)	(33,884)	-	473,308	11,316	
Total profit and loss	850	2,861	(4,184)	(851)	(8,834)	(33,884)	-	45,283	4,762	
The Group's share in profit and loss of the investee company	283	1,431	(2,092)	(146)	(1,515)	(3,305)	-	3,269	1,667	
Amortization of adjustments to fair value which were performed on the acquisition date	-	(1,880)	-	-	-	-	-	-	(1,500)	
Other adjustments	-	-	-	-	-	-	-	(404)	-	
The Group's share in the profit and loss of the investee company, as presented in the books	283	(449)	(2,092)	(146)	(1,515)	(3,305)	-	2,865	167	(4,192)
Foreign currency translation differences for investee companies	-	-	-	(689)	(1,603)	68	(650)	549	-	(2,325)
The Group's share in the comprehensive income of the investee company, as presented in the books	283	(449)	(2,092)	(835)	(3,118)	(3,237)	(650)	3,414	167	(6,517)

1) Clal Insurance received, in the years 2008-2009, two loans from ADC Holdings, according to its relative share in the share capital, the balance of which, as of the reporting date, amounted to approximately NIS 12.6 million, and which are included under the item for other accounts payable. In 2020, Clal Insurance repaid to ADC Holdings a loan in the amount of approximately NIS 0.1 million.

2) The holding rate reflects the direct holdings of the investment portfolios against non-investment-linked liabilities (hereinafter: "**Nostro**"). In addition to these rates, the Company holds investments against investment-linked liabilities (hereinafter: "**Members**") at additional holding rates. The joint holding rates in the nostro portfolio and in the members portfolio confer upon the Company significant influence.

3) Since December 31, 2020, the investment in IDE has been accounted for as a financial investment.

Note 9: Investments in Investee Companies (Cont.)

B. Movement in investments in investee companies

NIS in thousands	2022	2021
Balance as of January 1	**171,563**	136,104
Investment during the period	**9,459**	14,923
Equity gains	**3,424**	13,699
Other comprehensive income	**3,845**	(1,054)
Erosion of loans	**494**	(1,557)
Capital gains	**-**	15,532
Dividend received	**(212)**	(172)
Other	**8,198**	17,656
Consideration from sale of investment	**(29,130)**	(23,568)
Balance as of December 31	**167,641**	171,563

C. Additional details regarding main subsidiaries which are directly held by the Company [1)]

	Note	Country of incorporation	The company's rights in capital %	Investment in the consolidated company
2022				
Clal Insurance Company Ltd. ("Clal Insurance")	1	**Israel**	**99.98**	**6,496,776**
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		**Israel**	**100.00**	**152,119**
Clalbit Systems Ltd.		**Israel**	**100.00**	**8,594**
Clal Finance Ltd.	2	**Israel**	**100.00**	**31,938**
2021				
Clal Insurance Company Ltd. ("Clal Insurance")		Israel	99.98	6,798,061
Clal Agency Holdings (1998) Ltd. ("Clal Agencies")		Israel	100.00	135,947
Clalbit Systems Ltd.		Israel	100.00	9,125
Clal Finance Ltd.		Israel	100.00	25,850

1) In 2020 Clal Insurance issued to the Company a Tier 1 capital note in the amount of NIS 450 million. For additional details, see Note 25b(5) below.
2) In 2021, Clal Finance issued to the Company a capital note in the amount of NIS 15 million. In 2020, Clal Finance issued to the Company a capital note in the amount of NIS 35 million.

Note 10: Investment Property, Including with Respect to Investment-Linked Contracts

A. Composition and movement

	Investment property									
	Investment-linked contracts									
	Offices in Israel [2]		Logistical and commercial centers in Israel		Offices abroad		Residential abroad		Total	
NIS in thousands	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance as of January 1	**1,972,108**	1,787,529	**804,027**	762,108	**364,690**	361,942	**-**	131,863	**3,140,825**	3,043,442
Additions										
Net acquisitions and additions for current assets	**143,701**	54,045	**288,998**	64,168	**-**	-	**-**	-	**432,699**	118,213
Discounted costs and expenses	**28,623**	12,347	**1,613**	6,576	**-**	-	**-**	-	**30,236**	18,923
Total additions	**172,324**	66,392	**290,611**	70,744	**-**	-	**-**	-	**462,935**	137,136
Write-offs										
Disposals	**-**	-	**-**	(96,800)	**-**	-	**-**	(137,412)	**-**	(234,212)
Total write-offs	**-**	-	**-**	(96,800)	**-**	-	**-**	(137,412)	**-**	(234,212)
Translation differences	**-**	-	**-**	-	**35,381**	(12,943)	**-**	(2,109)	**35,381**	(15,052)
Changes in fair value with respect to realized real estate	**-**	-	**-**	-	**-**	-	**-**	7,658	**-**	7,658
Changes in fair value with respect to unrealized real estate	**103,391**	118,187	**37,577**	67,975	**(2,097)**	15,691	**-**	-	**138,871**	201,853
Changes in fair value [1]	**103,391**	118,187	**37,577**	67,975	**33,284**	2,748	**-**	5,549	**174,252**	194,459
Balance as of December 31	**2,247,823**	1,972,108	**1,132,215**	804,027	**397,974**	364,690	**-**	-	**3,778,012**	3,140,825
Details regarding the discount rates which were used to determine fair value	**5.25%-10%**	4.75%-9.5%	**5.5%-9.5%**	5.5%-9.5%	**5.13%-8%**	4.5%-7.14%				

1) Income from changes in fair value is recognized in the item for investment income, net, and financing income.
2) Including an advance payment with respect to investment property.

Note 10: Investment Property, Including with Respect to Investment-Linked Contracts (Cont.)

A. Composition and movement (Cont.)

	Other									
	Offices in Israel [2]		Logistical and commercial centers in Israel		Offices abroad		Residential abroad		Total	
NIS in thousands	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Balance as of January 1	**878,147**	800,485	**197,680**	165,108	**175,057**	172,890	**-**	71,003	**1,250,884**	1,209,486
Additions										
Net acquisitions and additions for current assets	**50,689**	21,418	**100,929**	26,596	**-**	-	**-**	-	**151,618**	48,014
Discounted costs and expenses	**10,491**	5,788	**460**	1,539	**-**	-	**-**	-	**10,951**	7,327
Total additions	**61,180**	27,206	**101,389**	28,135	**-**	-	**-**	-	**162,569**	55,341
Write-offs										
Disposals	**-**	(3,500)	**-**	(19,578)	**-**	-	**-**	(73,991)	**-**	(97,069)
Total write-offs	**-**	(3,500)	**-**	(19,578)	**-**	-	**-**	(73,991)	**-**	(97,069)
Translation differences	**-**	-	**-**	-	**14,976**	(6,361)	**-**	(1,171)	**14,976**	(7,532)
Changes in fair value with respect to realized real estate [1]	**-**	558	**-**	6,178	**-**	-	**-**	4,159	**-**	10,895
Changes in fair value with respect to unrealized real estate [1]	**42,956**	53,398	**8,649**	17,837	**(4,923)**	8,528	**-**	-	**46,682**	79,763
Changes in fair value	**42,956**	53,956	**8,649**	24,015	**10,053**	2,167	**-**	2,988	**61,658**	83,126
Balance as of December 31	**982,283**	878,147	**307,718**	197,680	**185,110**	175,057	**-**	-	**1,475,111**	1,250,884
Details regarding the discount rates which were used to determine fair value	**5.25%-10%**	4.75%-9.5%	**5.5%-9.5%**	5.5%-9.5%	**5.13%-8%**	4.5%-7.14%				

1) Income from changes in fair value is recognized in the item for investment income, net, and financing income.
2) Including an advance payment with respect to investment property.

Note 10: Investment Property, Including for Investment-Linked Contracts (Cont.)

B. Determination of fair value

1. **Fair value hierarchy**
   All fair value measurements are at level 3 of the fair value hierarchy. For the definition of the levels of the hierarchy, see Note 2(e)(3) above.

2. **Valuation techniques which are applied in the Group and valuation technique which were used in the determination of fair value**
   The fair value of investment property represents an estimate of the amount which would be received upon the sale of the investment property, in an ordinary transaction between market participants on the measurement date.
   In the absence of current prices on an active market, the fair value of investment property is determined based on valuations prepared by external independent valuers who have the appropriate professional skills and current experience with assets of similar position and type as that of the valuated property. Valuations of investment property are performed according to the appropriate valuation method for the property type, as specified below. External valuations are performed in different periods for different properties in the investment property portfolio.

3. **Data regarding the fair value measurement of investment property**

Type of property	Valuation techniques used in the determination of fair value	Significant unobservable inputs	Reciprocal relationships between significant unobservable inputs and fair value measurement
Rental properties for commercial / residential / office purposes	Fair value was estimated using the discounting income technique: the valuation model is based on the present value of estimated NOI from the property. Real estate valuations are based on the net annual cash flows, discounted by the discount rate which reflects the specific risks embodied therein. When rental agreements are in effect, wherein the payments are different from appropriate rental fees, adjustments are performed in order to reflect the actual rental payments during the agreement period. The valuations take into account the types of tenants which are actually located in the leased property, or who are responsible for the fulfillment of the rental liabilities, or those who may be in the leased property after a vacant property has been leased, including a general assessment regarding their credit reliability; and the property's remaining economic lifetime, in places where those parameters are relevant. The valuation also takes into account negative cash flow which are attributed to betterment levies, expected renovations and lease fees.	• Market value of future rent payments at the end of the agreement period • Cash flow discount rate (5.13% to 10%)	The fair value calculation will increase if: • Increase in NOI from the property • The cash flow discount rate decreases
Investment property under construction	The valuation is based on an estimate of the fair value of investment property after the completion of its construction, after deducting the present value of the estimated construction costs which are expected to arise for the purpose of completing it, and after deducting reasonable entrepreneurial profit, when relevant, while taking into account a capitalization rate adjusted for the relevant risks, and the property's characteristics. Insofar as the real estate is in the preliminary stages of presentation, it is presented at cost.	-	There is no reciprocal relationship between the material unobservable inputs.

Note 10: Investment Property, Including for Investment-Linked Contracts (Cont.)

B. Determination of fair value (Cont.)

(4) Sensitivity analysis

The discount rate constitutes a significant estimate in the determination of fair value, due to the fact that the changes therein significantly affect the fair value of the investment property. However, it is noted that the change in fair value of investment property for investment-linked contracts does not affect the Group's profit and loss.

The following sensitivity analysis presented presents the impact of a change in the discount rate, by the presented rates:

Investment property for investment-linked contracts

NIS in thousands	Increase (decrease) in fair value As of December 31	
	2022	2021
Increase of 0.5%	**(263,960)**	(229,372)
Decrease of 0.5%	**306,969**	264,982

Investment property for non-investment-linked contracts

NIS in thousands	Increase (decrease) in profit and loss before tax for the year ended December 31	
	2022	2021
Increase of 0.5%	**(104,609)**	(91,749)
Decrease of 0.5%	**121,178**	105,718

C. Amounts recognized in the statement of income (excluding changes in fair value and in foreign currency differences)

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Rental income from investment property	**263,568**	261,088	248,170
Direct operating expenses arising from investment property which generated rental income during the period	**(19,920)**	(25,828)	(26,074)
	243,648	235,260	222,096

D. Details regarding land rights which are used by the Group as investment property

	As of December 31	
NIS in thousands	2022	2021
Owned	**3,336,203**	2,802,351
Under capitalized lease:		
Up to 15 years	**442,980**	471,696
15-50 years	**1,157,324**	1,021,812
Over 50 years	**316,616**	95,850
Total	**5,253,123**	4,391,709

Some of the ownership rights and leasing rights have not yet been recorded under the name of the Group's member companies at the Land Registry and at the Israel Land Authority, as applicable, mostly due to technical registration arrangements.

E. For details regarding lease agreements for investment property, see Note 27 below.

F. The balance of the Group's liabilities for additional investments in investment property amounted, as of December 31, 2022, to a total of approximately NIS 723 million, including a total of approximately NIS 520 million out of the funds of profit sharing policies (and a total of approximately NIS 516 million, of which a total of approximately NIS 367 million was out of the funds of profit sharing policies, last year).

Note 11: Other Accounts Receivable

A. Composition

NIS in thousands	As of December 31 2022	2021
Government institutions and authorities	**36,546**	(*1,450
Prepaid expenses	**65,672**	53,594
Advance payments to suppliers	**515**	476
Collateral with respect to securities	**2,743,712**	10,557
Receivables with respect to the acquisition of securities	**261,165**	98,706
Advances on account of commissions for insurance agents	**15,770**	19,355
Insurance companies and insurance mediators	**49,747**	248,756
Trade receivables and income receivable	**92,575**	69,079
Subrogation and residuals	**29,746**	24,656
Others	**17,186**	(*23,523
Total	**3,312,634**	550,152
Less the provision for doubtful debts, primarily with respect to reinsurers (see section B below)	**(18,883)**	(20,796)
Total other accounts receivable	**3,293,751**	529,356

*) Reclassified.

For details regarding the Group’s exposure to credit risks and market risks, see Note 38 below.

For details regarding other accounts receivable which constitute related parties and interested parties, see Note 39 below.

B. Presented below is the movement in the provision for doubtful debts

NIS in thousands	As of December 31 2022	2021
Balance as of January 1	**20,796**	21,737
Lost debts	**(5,604)**	(91)
Change in provision for the period - charged to profit and loss	**3,691**	(850)
Total provision for doubtful debts	**18,883**	20,796

Note 12: Outstanding Premiums

A. Composition 1),2)

NIS in thousands	As of December 31 2022	2021
Outstanding premiums	**915,110**	805,854
Less provision for doubtful debts	**(62,232)**	(57,599)
Total outstanding premiums	**852,878**	748,255
Includes outstanding checks and standing orders	**606,894**	392,868

1) For details regarding the Group’s exposure to credit risks and market risks, see Note 38.

2) For details regarding outstanding premiums from related parties and interested parties, see Note 39.

B. Movement in the provision for doubtful debts with respect to outstanding premiums

NIS in thousands	2022	2021
Balance as of January 1	**57,599**	57,378
Change in provision for the period - charged to profit and loss	**4,633**	221
Balance as of December 31	**62,232**	57,599

Note 12: Outstanding Premiums (Cont.)

C. Aging

NIS in thousands	As of December 31 2022	2021
Total non-impaired outstanding premiums		
Without arrears	**559,965**	458,087
In arrears *):		
Less than 90 days	**115,767**	107,316
90 to 180 days	**59,839**	57,936
Over 180 days	**101,332**	108,632
	276,938	273,884
Total non-impaired outstanding premiums	**836,903**	731,971
Impaired outstanding premiums	**15,975**	16,284
Total outstanding premiums	**852,878**	748,255

*) Includes a total of NIS 179,020 thousand (December 31, 2021 - NIS 187,598 thousand) of debts in arrears in the life insurance segment. These debts are primarily backed by the redemption value of the policy.

Note 13: Assets for Investment-Linked Contracts

A. Composition

Details of assets held against investment-linked insurance contracts and investment contracts, presented at fair value through profit or loss 1):

NIS in thousands	As of December 31 2022	2021
Investment property	**3,778,012**	3,140,825
Financial investments:		
Marketable debt assets	**25,379,620**	24,016,563
Non-marketable debt assets	**9,592,190**	8,676,233
Stocks	**19,701,399**	27,432,400
Other financial investments 2)	**22,458,069**	21,620,361
Total financial investments	**77,131,278**	81,745,557
Cash and cash equivalents	**8,458,337**	9,992,795
Other 3)	**3,095,689**	577,344
Total assets for investment-linked contracts	**92,463,316**	95,456,521

1) For details regarding the exposure to assets for investment-linked contracts, see Note 38.
2) Other financial investments primarily include investments in ETF's/ETN's, participation certificates in mutual funds, investment funds, derivatives, futures contracts, options and structured products.
3) The balance primarily includes outstanding premiums, reinsurer balances, collateral with respect to activities with futures contracts, and transactions with securities which have not yet been settled as of the date of the financial statements.

B. Fair value of financial assets

(1) Fair value hierarchy of financial assets which are measured at fair value

The table below presents the financial assets which are measured at fair value on a periodic basis, using a valuation technique in accordance with the fair value levels. For the definition of the hierarchy levels, see Note 2(e)(3) above. For additional details regarding fair value measurement, see Note 14 below.

For details regarding fair value of investment property for investment-linked assets, see Note 10 above.

NIS in thousands	As of December 31, 2022 Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	**20,423,639**	**4,955,981**	**-**	**25,379,620**
Non-marketable debt assets	**-**	**9,531,396**	**60,794**	**9,592,190**
Stocks	**17,074,932**	**520,406**	**2,106,061**	**19,701,399**
Other financial investments *)	**11,327,246**	**1,104,004**	**10,026,819**	**22,458,069**
Total financial investments	**48,825,817**	**16,111,787**	**12,193,674**	**77,131,278**
*) Of which, with respect to	**48,896**	**178,045**	**9,407**	**236,348**

During the period, there were no significant transfers between level 1 and level 2.

Note 13: Assets for Investment-Linked Contracts (Cont.)

B. Fair value of financial assets (Cont.)

(1) Fair value hierarchy of financial assets which are measured at fair value (Cont.)

	As of December 31, 2021			
NIS in thousands	Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	20,316,384	3,700,179	-	24,016,563
Non-marketable debt assets	-	8,645,859	30,374	8,676,233
Stocks	24,565,656	814,946	2,051,798	27,432,400
Other financial investments *)	11,691,675	2,773,091	7,155,595	21,620,361
Total financial investments	56,573,715	15,934,075	9,237,767	81,745,557
*) Of which, with respect to derivatives	80,206	1,238,214	34,542	1,352,962

During the period, there were no significant transfers between level 1 and level 2.

(2) Movement in assets measured at fair value level 3

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
Balance as of January 1, 2022 (Audited)	**30,374**	**2,051,798**	**7,155,595**	**9,237,767**
Total income recognized in the statement of income	**1,045**	**358,511**	**1,448,569**	**1,808,125**
Acquisitions	**-**	**187,481**	**2,511,671**	**2,699,152**
Sales	**-**	**-**	**(1,072,861)**	**(1,072,861)**
Interest and dividend receipts	**-**	**(7,417)**	**(1,518)**	**(8,935)**
Transfers to level 3	**29,375**	**-**	**-**	**29,375**
Transfers from level 3 [3]	**-**	**(484,312)**	**(14,637)**	**(498,949)**
Balance as of December 31, 2022 (audited)	**60,794**	**2,106,061**	**10,026,819**	**12,193,674**
Total income for the period included under profit and loss with respect to held financial assets - balance as of December 31, 2022 [1]	**1,045**	**358,511**	**1,467,992**	**1,827,548**

NIS in thousands	Non-marketable debt assets	Stocks	Other financial investments	Total
Balance as of January 1, 2021 (Audited)	44,425	1,148,302	4,544,158	5,736,885
Total income recognized in the statement of income	5,473	499,851	1,343,925	1,849,249
Acquisitions	1,059	700,671	2,321,784	3,023,514
Sales	-	(92,337)	(1,115,943)	(1,208,280)
Redemptions	(4,927)	-	-	(4,927)
Interest and dividend receipts	(241)	(11,358)	(1,997)	(13,596)
Transfers from level 3 [3]	(15,415)	(107,620)	(22,043)	(145,078)
Reclassification between investment channels [2]	-	(85,711)	85,711	-
As of December 31, 2021 (audited)	30,374	2,051,798	7,155,595	9,237,767
Total income for the period included under profit and loss with respect to held financial assets - as of December 31, 2021 [1]	4,350	452,178	1,357,850	1,814,378

1. In the item for income from investments, net, and financing income.
2. With respect to an immaterial reclassification of several assets from stocks to other financial investments.
3. With respect to debt assets for which the use of quotes was begun, and which were transferred from level

(3) For details regarding the method used to measure fair value, see Note 14(f)(3).

Note 14: Other Financial Investments

NIS in thousands	As of December 31, 2022 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [(a)]	**129,788**	**6,868,954**	**-**	**6,998,742**
Non-marketable debt assets [(b)]	**1,047**	**-**	**23,023,404**	**23,024,451**
Stocks [(d)]	**-**	**1,852,197**	**-**	**1,852,197**
Others [(e)]	**552,109**	**4,233,833**	**-**	**4,785,942**
Total	**682,944**	**12,954,984**	**23,023,404**	**36,661,332**

NIS in thousands	As of December 31, 2021 Fair value through profit and loss	Available for sale	Loans and receivables	Total
Marketable debt assets [(a)]	49,013	6,420,702	-	6,469,715
Non-marketable debt assets [(b)]	1,906	-	22,079,056	22,080,962
Stocks [(d)]	-	2,073,677	-	2,073,677
Others [(e)]	658,158	3,918,360	-	4,576,518
Total	709,077	12,412,739	22,079,056	35,200,872

A. Marketable debt assets

Composition

NIS in thousands	As of December 31 2022	2021
Government bonds		
Presented at fair value:		
Available for sale	**4,206,452**	3,544,520
Total government bonds	**4,206,452**	3,544,520
Other debt assets:		
Non-convertible		
Presented at fair value:		
Designated upon initial recognition	**103,378**	17,316
Available for sale	**2,662,502**	2,876,182
Total other non-convertible debt assets	**2,765,880**	2,893,498
Convertible		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**26,410**	31,697
Total other convertible debt assets	**26,410**	31,697
Total marketable debt assets	**6,998,742**	6,469,715
Impairment applied to income statement (cumulative)	**1,090**	25

Note 14: Other Financial Investments (Cont.)

B. Non-marketable debt assets

(1) Composition, fair value vs. book value and level in the fair value hierarchy

NIS in thousands	As of December 31, 2022				As of December 31, 2021			
		Fair value [1]				Fair value [1]		
	Book	Total	Level 2	Level 3	Book	Total	Level 2	Level 3
Government bonds treated as loans								
Designated bonds	**14,252,01**	**20,670,38**	**-**	**20,670,38**	13,596,18	24,182,07	-	24,182,07
Deposits in treasury	**2,164,536**	**2,787,530**	**-**	**2,787,530**	2,164,344	3,178,317	-	3,178,317
Total government bonds	**16,416,54**	**23,457,91**	**-**	**23,457,91**	15,760,52	27,360,39	-	27,360,39
Other non-convertible debt assets								
Presented at fair value through								
Designated upon initial recognition	**1,047**	**1,047**	**1,047**	**-**	1,906	1,906	1,906	-
Presented as loans and receivables,	**5,954,085**	**6,054,118**	**4,558,176**	**1,495,943**	5,313,501	6,206,622	4,709,862	1,496,760
Deposits in banks	**652,773**	**687,912**	**687,912**	**-**	1,005,031	1,135,934	1,135,934	-
Total other non-convertible debt	**6,607,905**	**6,743,077**	**5,247,135**	**1,495,943**	6,320,438	7,344,462	5,847,702	1,496,760
Total non-marketable debt assets	**23,024,45**	**30,200,99**	**5,247,135**	**24,953,85**	22,080,96	34,704,85	5,847,702	28,857,15
Impairment applied to income	**42,476**				53,334			

1) Further to Note 3(d)(1)(d), when conducting the liability adequacy test (LAT), the Company takes into account the excess of fair value over the book value of non-marketable debt assets.
2) For additional details, see Note 38(e)(e1)(d)(1)(c).

(2) Aging of investments in non-marketable financial debt assets

NIS in thousands	As of December 31	
	2022	2021
Government bonds	**16,416,546**	15,760,524
Debt assets which were not specifically impaired, gross:		
Without arrears	**6,591,556**	6,307,738
In arrears *):		
Less than 90 days	**4,118**	3,211
90 to 180 days	**302**	256
Over 180 days	**3,570**	1,986
	7,990	5,453
Total debt assets which were not specifically impaired, gross	**23,016,092**	22,073,715
Collective provision	**(3,570)**	(5,545)
Total debt assets which were not specifically impaired, net	**23,012,522**	22,068,170
Impaired debt assets:		
Impaired assets, gross	**50,835**	60,581
Provision for loss	**(38,906)**	(47,789)
Impaired debt assets, net	**11,929**	12,792
Total non-marketable debt assets	**23,024,451**	22,080,962

*) Primarily loans on policies against which full redemption values and/or mortgages exist.

It should be noted that the above amounts do not represent the actual amount in arrears, but rather the balance of the debt associated with the arrears.

Note 14: Other Financial Investments (Cont.)

C. Details regarding interest and linkage with respect to debt assets

In percent	As of December 31 2022	2021
Marketable debt assets		
Linkage basis		
Linked to the consumer price index	**1.55**	(1.20)
NIS	**3.92**	0.65
Linked to foreign currency	**5.70**	4.49
Non-marketable debt assets		
Linkage basis		
Linked to the consumer price index	**4.70**	4.31
NIS	**4.85**	2.59
Linked to foreign currency	**6.15**	3.39

D. Stocks

NIS in thousands	As of December 31, 2022 2022	2021
Marketable		
Available for sale	**915,309**	1,138,766
Total marketable stocks	**915,309**	1,138,766
Non-marketable		
Available for sale	**936,888**	934,911
Total non-marketable stocks	**936,888**	934,911
Total stocks	**1,852,197**	2,073,677
Impairment applied to income statement (cumulative)	**211,821**	193,479

E. Other financial investments

1. Composition

NIS in thousands	As of December 31 2022	2021
Marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**473,091**	340,883
Derivative instruments (2)	**5,983**	5,424
Available for sale	**562,984**	1,070,273
Total marketable financial investments	**1,042,058**	1,416,580
Non-marketable		
Presented at fair value through profit and loss:		
Designated upon initial recognition	**25,585**	7,238
Derivative instruments (2)	**47,819**	304,613
Available for sale	**3,670,480**	2,848,087
Total non-marketable financial investments	**3,743,884**	3,159,938
Total other financial investments	**4,785,942**	4,576,518
Impairment applied to income statement (cumulative)	**174,488**	118,776

Other financial investments primarily include investments in ETN's / ETF's, participation certificates in mutual funds, investment funds, financial derivatives, futures contracts, options and structured products.

Note 14: Other Financial Investments (Cont.)

E. Other financial investments (Cont.)

2. Additional information regarding derivative instruments

Presented below is the total net exposure amount to the underlying asset, presented in delta terms of the transaction in derivative instruments made as of the dates of the financial statements of the Group's insurance companies:

NIS in thousands	As of December 31 2022	As of December 31 2021
Stocks	**132,499**	33,092
CPI	**1,574,913**	407,540
Foreign currency	**410,034**	(6,648,489)
Fixed interest	**445,368**	300,049

The amount of the net exposure to the underlying asset is presented in terms of the delta in transactions with derivative instruments which were performed as of the dates of the financial statements, which are included under financial liabilities, as specified in Note 25.

F. Fair value

1. Fair value hierarchy of financial assets measured at fair value

The following table presents the financial assets which are measured at fair value on a periodic basis, using a valuation technique in accordance with the fair value level. For details regarding the levels of the hierarchy, see Note 2(e)(3) above.

NIS in thousands	As of December 31, 2022 Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	**6,820,677**	**178,065**	**-**	**6,998,742**
Non-marketable debt assets	**-**	**1,047**	**-**	**1,047**
Stocks	**877,733**	**37,576**	**936,888**	**1,852,197**
Other financial investments 1)	**1,045,453**	**43,066**	**3,697,423**	**4,785,942**
Total financial investments	**8,743,863**	**259,754**	**4,634,311**	**13,637,928**
1) Of which, with respect to derivatives	**5,908**	**43,656**	**4,163**	**53,727**

During the period, there were no significant transfers between level 1 and level 2.

NIS in thousands	Balance as of December 31, 2021 Level 1	Level 2	Level 3	Total
Financial investments:				
Marketable debt assets	6,344,020	125,695	-	6,469,715
Non-marketable debt assets	-	1,906	-	1,906
Stocks	1,091,416	47,350	934,911	2,073,677
Other financial investments 1)	1,419,377	297,102	2,860,039	4,576,518
Total financial investments	8,854,813	472,053	3,794,950	13,121,816
1) Of which, with respect to derivatives	5,350	297,102	7,511	309,963

During the period, there were no significant transfers between level 1 and level 2.

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

2. Movement in assets measured at fair value level 3

NIS in thousands	Fair value measurement on the reporting date of financial assets at fair value through profit and loss and available-for-sale financial assets		
	Stocks	Other financial investments	Total
Balance as of January 1, 2022 (Audited)	**934,911**	**2,860,039**	**3,794,950**
Total profit which was recognized:			
Under profit and loss	**27,542**	**133,736**	**161,278**
Under other comprehensive income	**109,977**	**320,985**	**430,962**
Acquisitions	**68,694**	**926,408**	**995,102**
Sales	**-**	**(536,800)**	**(536,800)**
Dividend and interest received	**(8,711)**	**(2,128)**	**(10,839)**
Transfers from level 3 [1]	**(195,525)**	**(4,817)**	**(200,342)**
Balance as of December 31, 2022 (audited)	**936,888**	**3,697,423**	**4,634,311**
Total income for the period included under profit and loss with respect to financial assets held as of December 31, 2022	27,542	131,337	158,879

NIS in thousands	Fair value measurement on the reporting date of financial assets at fair value through profit and loss and available-for-sale financial assets		
	Stocks	Other financial investments	Total
Balance as of January 1, 2021 (Audited)	546,540	2,151,421	2,697,961
Total profit which was recognized:			
Under profit and loss	20,548	151,933	172,481
Under other comprehensive income	193,992	237,337	431,329
Acquisitions	272,228	882,035	1,154,263
Sales	(40,547)	(579,017)	(619,564)
Dividend and interest received	(7,464)	(11)	(7,475)
Reclassification between investment channels [2]	(31,708)	31,708	-
Transfers from level 3 [1] [3]	(18,678)	(15,367)	(34,045)
As of December 31, 2021 (audited)	934,911	2,860,039	3,794,950
Total income for the period included under profit and loss with respect to financial assets held as of December 31, 2021	11,650	169,022	180,672

1) With respect to assets for which the use of quotes was begun, and which were transferred from level 3.

2) An immaterial reclassification of several assets from stocks to other financial investments was made.

3) With respect to an investment which began being accounted for at equity.

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

3. Fair value valuation technique and valuation techniques which are applied in the Company

A. Investments in stocks and debt instruments

The fair value of investments which are actively traded on orderly financial markets is determined in reference to their quoted closing bid price as of the close of trading on the reporting date.

With regard to investments traded by in the over counter (OTC) market, the Group receives price quotes from recognized pricing services.

For investments which have no active market, fair value is determined by external valuers using valuation methods. These methods include reliance upon transactions recently performed in market conditions, reference to the current market value of another, materially similar instrument, cash flow discounting, or other valuation methods.

The fair value of non-marketable debt assets in Israel, including bonds, loans and deposits, is calculated according to a model which is based on the present value which is obtained by discounting the cash flows, in accordance with the discount rates which are determined by a company providing interest rate quotes (see section 4(a)(1) below).

The fair value of non-marketable debt assets outside of Israel is calculated according to a model which is based on the present value of the present value which is obtained from the discounted cash flows according to a discount rate which is obtained from an expert (see section 4(a)(2) below).

The fair value of HETZ bonds is calculated according to the actuarial average lifetime, and according to the forecasted discounted cash flow, based on the risk-free interest curve.

The valuations, methodology and trends are reviewed and approved by the relevant investment managers and investment accountants.

The fair value of investment funds is based on the net asset value (NAV), which is usually reported by the funds once per quarter. The funds' reports are reviewed and approved by the investment manager, based on their knowledge of the fund.

The fair value of hybrid instruments is determined according to quotes.

B. Derivatives

The fair value of forward contracts, cross currency swaps and warrants is based on quoted prices, if available. In the absence of quoted prices, as stated above, the fair value of forward contracts and cross currency swaps are estimated by discounting the difference between the forward price specified in the contract and the current forward price with respect to the remaining contract period to redemption, using quotes of appropriate interest rates, while with respect to warrants, fair value is determined according to the Black-Scholes model.

The fair value of interest rate swaps (IRS) is calculated in accordance with the discounted future cash flows economic model, according to the terms of the contract, and is based on price quotes which are received from recognized pricing services.

4. Inputs which were used in the calculation of fair value

A. Interest rates which were used in the determination of fair value

1. The discount rates which were used to calculate the fair value of non-marketable debt assets, which is determined by discounting the estimated expected cash flows with respect to them, are based principally on the yields of government bonds and the margins of corporate bonds, as measured on the Tel Aviv Stock Exchange. The price quotes and the interest rates which were used for discounting purposes are determined by the Company that won the tender published by the Finance Ministry, for the setting up and operation of a database of price quotes and interest rates for institutional entities.

Note 14: Other Financial Investments (Cont.)

F. Fair value (Cont.)

4. Inputs which were used in the calculation of fair value (Cont.)

A. Interest rates which were used in the determination of fair value (Cont.)

2. The discount rates used to calculate the fair value of non-marketable foreign debt assets, which is determined by discounting the estimated cash flows which are expected from them, are mostly based on the yields of corporate bonds, as measured in trading arenas outside of Israel.

3. Interest rates for non-marketable debt assets - in Israel, by rating: 1)

In percent	As of December 31 2022	 2021
AA and higher	**1.4**	(0.8)
BBB to A	**3.9**	0.6
Unrated	**6.4**	2.4

Interest rate for non-marketable debt assets - foreign, according to international rating 2):

In percent	As of December 31 2022	 2021
Unrated	**7.6**	4.3

1) The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The data of Midroog Ltd. were converted to rating symbols using commonly accepted conversion factors. Each rating includes all ranges, for example, the A rating includes A- to A+.
2) All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

G. Required disclosure in connection with the temporary exemption from the adoption of IFRS 9

The following table presents the fair value of the financial assets, divided into two groups: assets which fulfill the test only, not including assets held for trading or managed on a fair value basis (hereinafter: "**Group A**"); and all other financial assets (hereinafter: "**Group B**").

NIS in thousands	As of December 31, 2022 Group A	 Group B	As of December 31, 2021 Group A	 Group B
Financial investments for investment-linked	**-**	**77,131,278**	-	81,745,557
Cash and cash equivalents for investment-linked	**-**	**8,458,337**	-	9,992,795
Other financial investments - stocks	**-**	**1,852,197**	-	2,073,677
Other financial investments - others	**-**	**4,785,942**	-	4,576,518
Other financial investments - marketable debt	**6,868,953**	**129,789**	6,420,702	49,013
Other financial investments - non-marketable debt	**30,189,061**	**11,929**	34,692,062	12,792
Cash and cash equivalents	**3,591,274**	**-**	4,123,919	-

For details regarding the evaluation of debt assets which fulfill the principal and interest test in accordance with IFRS 9, see Note 38(f)(2)(a1).

Note 15: Cash and Cash Equivalents

A. Cash and cash equivalents for investment-linked contracts

1. Composition

NIS in thousands	As of December 31 2022	2021
Cash and deposits available for immediate withdrawal	**3,242,715**	2,702,514
Short term deposits	**5,215,622**	7,290,281
Cash and cash equivalents	**8,458,337**	9,992,795

2. Additional details

The cash in banking corporations bears, as of the financial reporting date, current interest which is based on interest rates with respect to daily bank deposits of approximately 3.0% (as of December 31, 2021 - approximately 0%).
Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 3.05%-3.6% (as of December 31, 2021 - 0.08%-0.26%).

B. Other cash and cash equivalents

1. Composition

NIS in thousands	As of December 31 2022	2021
Cash and deposits available for immediate withdrawal	**2,284,732**	2,576,031
Short term deposits	**1,306,542**	1,547,888
Cash and cash equivalents	**3,591,274**	4,123,919

2. Additional details

The cash in banking corporations bears, as of the financial reporting date, current interest which is based on interest rates with respect to daily bank deposits of approximately 3.0% (as of December 31, 2021 - approximately 0%).
Other deposits in banking corporations are for periods of one week to three months. The deposits bear interest at a rate of 3.05%-3.6% (as of December 31, 2021 - 0.08%-0.26%).

C. For additional details regarding the Group’s exposure to interest rate risk, market risk and regarding the sensitivity analysis, see Note 38(c)(2) and (3).

Note 16: Capital and Reserves

A. Share capital

	Ordinary shares *)		
	2022	**2021**	**2020**
	In thousands of shares with a par value of NIS 1		
Issued and paid-up share capital as of January 1	**67,649**	67,645	67,645
Issuance of shares **)	**6,411**	-	-
Exercise of warrants for senior employees ***)	**1**	4	-
Issued and paid-up share capital as of December 31	**74,061**	67,649	67,645
Registered capital	**100,000**	100,000	100,000

*) The shares are listed for trade on the Tel Aviv Stock Exchange. Holders of ordinary shares are entitled to receive dividends, as announced from time to time, and voting rights in the Company's general shareholder assemblies, according to a ratio of one vote per share, along with liquidation rights in the Company and director nomination rights in the Company.

**) See section d(b) below.

***) For additional details, see Note 40 below.

B. Capital reserves

1. The translation reserve for foreign operations is primarily comprised of effects from the GBP and USD.

2. Other capital reserves include a capital reserve with respect to transactions with controlling shareholders, reserve for revaluation of property, plant and equipment, and other immaterial reserves.

C. Dividends

During the last three yeas, no dividends were distributed.

The Company's Board of Directors decides on the amount of dividends for distribution to the shareholders.

The possibility of a dividend distribution is also affected by the ability of the investee companies to distribute dividends, subject to their capital requirements and liquidity needs. For details regarding the capital requirements and the provisions regarding dividend distributions in consolidated insurance companies, see sections (e) and (f) below.

D. Status of control and management of capital requirements of the Company and consolidated institutional entities

1. The Company's policy is to maintain a stable capital basis as a central loss absorption cushion and in order to maintain the Company's ability to continue its activities in order to generate returns for its shareholders, and in order to support the capital needs of its consolidated companies, as specified in section E below, and future business development.

   With regard to capital management, the need to maintain an absorption buffer is also evaluated with attention given to negative developments that may impact capital and the capital requirements.

   The Board of Directors supervises capital return, which is defined by the Group as income (loss) for the period attributable to Company shareholders, divided by capital attributable to shareholders in the Company.
   For details regarding the Company's undertaking towards the Capital Market, Insurance and Savings Authority (the "Authority") regarding the fulfillment of a ratio of equity to total assets in the balance sheet (standalone), which was given as part of the closing of the Max transaction, and for details regarding the Company's undertaking to fulfill financial covenants as part of the permit for control of Max and of WPI, which was given by the Governor of the Bank of Israel, see sections 3 and 4 below.

Note 16: Capital and Reserves (Cont.)

D. Status of control and management of capital requirements of the Company and consolidated institutional entities (Cont.)

2. Issuance of share capital and bonds

On January 16, 2022, the Company issued 6,410,700 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company's shelf offering report dated January 13, 2022, which was published by virtue of the shelf prospectus dated August 29, 2019, which was extended until August 28, 2022. The issuance proceeds, after deducting issuance costs, amounted to a total of approximately NIS 492 million.

On February 13, 2023, the Company issued, as part of the preparation for closing the WPI acquisition transaction (as specified in Note 42 to the financial statements), and for the purpose of creating a liquidity cushion and financial flexibility for the Company, two bond series, as part of a public offering in accordance with the Company's shelf offering report dated February 9, 2023, which was published by virtue of the shelf prospectus dated July 25, 2022, which was published on July 24, 2022, as specified below:

NIS 249,100,000 par value of the Company's bonds (Series A), bearing annual interest at a rate of 4.7%.

NIS 150,000,000 par value of the Company's convertible bonds (Series B), bearing annual interest at a rate of 2.8%, and convertible into Company shares such that each NIS 85 par value of the bonds (Series B) will be convertible into one ordinary share of the Company, as specified in the trust deed of the bonds (Series B).

The principal of the bonds will be repaid in a single payment 5 years after the issuance date.

The gross issuance proceeds with respect to the two series, after deducting issuance costs, amounted to a total of approximately NIS 397 million.

A total of approximately NIS 600 million out of the proceeds which were received by the Company with respect to the issuance of the shares and the bonds, and a total of approximately NIS 200-300 million out of the Company's liquid assets will be used for the payment with respect to the acquisition of WPI's issued and paid-up capital on the transaction closing date.

The remaining issuance proceeds, which are not used in the above acquisition, will be used for the Company's operating activities and/or in accordance with the Company's goals and strategy, including the liquidity cushion and/or the execution of new transactions and/or the execution of the deferred payment, as defined in Note 42 to the financial statements, with respect to the WPI acquisition transaction, in accordance with the resolutions of the Company's Board of Directors, from time to time. It is clarified that the Company may, from time to time, in its exclusive discretion, change the designation of the issuance proceeds.

Until the issuance proceeds have been used to execute the payment for the acquisition, as stated above, the Company will invest the aforementioned funds, and the remaining issuance proceeds which will not be used in the acquisition, in its discretion, in cash and cash equivalents and liquid securities, according to a mix which will be determined by the Company's investment committee and/or by the Company's Board of Directors, from time to time.

3. Status of the Company's control of consolidated institutional entities - current outline:

On December 8, 2019, the Company received a letter from the Commissioner (the "Commissioner's Letter"), in which the Commissioner announced, *inter alia*, that in light of the changes which have occurred in IDB Development's holding rate in the Company, according to the Authority's position, as of the present date, there is no entity which holds (directly or indirectly) the Company's means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Insurance Law, and therefore, the Company is required to receive from the Commissioner a permit for the control of Clal Insurance. Subsequently, the Commissioner sent additional letters which formalized, as of the present, the arrangements which apply to the Company's exercise of the means of control (the "Outline").

As of the reporting date, the Company is a company without a control core.

In the Authority's letter to the Company in connection with the Max acquisition transaction, the Authority stated that the outline which was determined regarding exercising the means of control of Clal Insurance will remain in effect, including the addition of a letter of undertaking to supplement the Company's equity towards Clal Insurance, an amendment to Clal Insurance's license and permit for control of Max Insurance Agency Ltd., as follows:

Note 16: Capital and Reserves (Cont.)

D. Status of control and management of capital requirements of the Company and consolidated institutional entities (Cont.)

On March 26, 2023, as part of the closing of the Max transaction (as stated in Note 42(j) below), the Company undertook, towards the Authority and towards Clal Insurance, to supplement the equity of Clal Insurance to the amount specified in the definition of "minimum capital requirement (MCR)" which appears in the annex - economic solvency regime, to the circular which was published by the Commissioner of Capital Markets, regarding instructions for implementing the Solvency II-based economic solvency regime for insurance companies, number 2017-1-9, or any other law which may replace it. As part of the undertaking, it was clarified that the Company is entitled to fulfill this undertaking, or part of it, through the execution of equity transactions to increase the capital of Clal Insurance for the purpose of the required capital supplementation, while diluting the Company.

For the purpose of fulfilling the capital supplementation undertaking, as stated above, the Company also undertook to maintain its equity at no less than 50% of the total assets in the Company's balance sheet, on a standalone basis.

It is noted that, as of the present date, the Company is fulfilling the aforementioned ratio of equity to total assets in the balance sheet.

For details regarding the holding and control of the Company, and for details regarding the cancellation of the control permit, see Note 1 above.

4. Capital supplementation undertakings in the Group's institutional entities:

As part of previous control permits in the Group's member companies, prior to the outline, capital supplementation undertakings were given, as specified below, which were replaced with the capital supplementation undertaking specified in section D.3 above.

(1) The Company was obligated to supplement the equity of Clal Insurance in accordance the Control of Insurance Business (Minimum Equity Required of Insurers) Regulations, 1998 (the "Capital Regulations"), up to 50% of the required equity, if and when the equity of Clal Insurance is negative, and in the amount of the negative capital, in accordance with an undertaking which was given to the Commissioner. According to the wording of the undertaking, it remained valid so long as the Company remained the controlling shareholder (as defined in the Control Law) in Clal Insurance.

(2) The Company undertook to supplement, at any time, the equity of Clal Pension and Provident Funds Ltd., to the amount stipulated in the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964. According to the wording of the undertaking, it remained in effect so long as the Company controls Clal Pension and Provident Funds, either directly or indirectly. For details regarding the capital requirements in Clal Pension and Provident Funds, see section F below.

(3) Clal Insurance undertook towards the Commissioner to supplement the capital requirement for Clal Credit Insurance in accordance with the Capital Regulations, up to 50% of the required capital according to the Capital Regulations, if and when the equity of Clal Credit Insurance becomes negative. The undertaking was in effect so long as Clal Insurance remained the controlling shareholder (as defined in the Control Law) of Clal Credit Insurance. The undertaking was given to the Commissioner in accordance with a requirement specified in the permit for control of Clal Credit Insurance, which stipulates that Clal Insurance will ensure to supplement the required equity of Clal Credit Insurance, in accordance with the Capital Regulations or in accordance with any other regulations which may replace them in the future.

Note 16: Capital and Reserves (Cont.)

D. Status of control and management of capital requirements of the Company and consolidated institutional entities (Cont.)

5. Receipt of permit for control of Max and WPI

On February 23, 2023, the Company received a permit from the Governor of the Bank of Israel, for the control and holding of the means of control of Max and WPI (the "Control Permit"). In accordance with the requirements of the permit, the Company undertook to maintain financial ratios in the Company and in WPI, mostly including the following: (A) The ratio between the Company's equity and total assets in the balance sheet will be at least 50%; (B) The ratio between WPI's equity and total assets in the balance sheet will be at least 50%, and in certain conditions - at least 45%. For this purpose, the calculation was done with certain adjustments. These ratios are required both with respect to the standalone report and with respect to the consolidated report, with the main adjustments being that the calculation in the Company's consolidated report will be done while presenting the assets and liabilities of Clal Insurance Group and of Max according to the equity method, and in the calculation of the Company's stand-alone report will include adding the existing debt in WPI. As of the present date, the Company and WPI are fulfilling these ratios. Additionally, under the permit, the Company undertook to inject capital into Max, or alternatively, undertook not to prevent Max from raising additional capital, in a manner which could dilute the Company's stake therein, in order to allow Max to fulfill the requirements of the regulatory capital adequacy requirements.

For additional details regarding the Max acquisition agreement, see Note 42(j).

E. Capital management and requirements in consolidated insurance companies

(1) Application of the economic solvency regime

Insurance companies are subject to the provisions of the economic solvency regime, which includes instructions for the calculation of equity and of the economic solvency capital requirement.

(2) Economic solvency ratio

In accordance with the economic solvency regime, according to the calculation was performed by the Group's insurance companies as of June 30, 2022, they are complying with the capital requirements, and have a capital surplus beyond the capital requirement without the transitional provisions, and including taking into account the provisions for the distribution period and the stock scenario adjustment, and according to the calculation which they performed as of December 31, 2021, the Group's insurance companies are complying with the capital requirements, and have a capital surplus beyond the capital requirement according to the provisions for the distribution period and the stock scenario adjustment.

The calculation which was conducted by the Group's insurance companies as of June 30, 2022 has not been audited or reviewed by the auditors.

The calculation which the Company conducted as of December 31, 2021 was examined by the auditors in accordance with ISAE 3400 - The Examination of Prospective Financial Information. This standard is relevant to audits of the solvency calculations, and does not constitute a part of the audit standards which apply to financial statements. It is emphasized that the forecasts and assumptions which constituted the basis for the preparation of the economic solvency ratio report are mostly based on past experience, as indicated in actuarial studies which are conducted from time to time. In light of the reforms taking place in the capital, insurance and savings market, and the changes in the economic environment, historical data does not necessarily predict future results. The calculation is sometimes based on assumptions regarding future events, on the actions of management, and on the future pattern of development of the risk margin, which may not necessarily materialize, or may materialize differently from the assumptions which were used as the basis for the calculation. Additionally, actual results may differ significantly from the calculation, in light of the fact that the combined scenarios of events may materialize in a manner which is significantly different from the assumptions in the calculation.

For additional details, see also section 3.2.3 of the Board of Directors' Report.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

(3)Additional details regarding the economic solvency regime and updates during the reporting period

The provisions of the economic solvency regime include instructions for the calculation of equity on an economic basis, and of the solvency capital requirement.

A. In accordance with the provisions of the economic solvency regime, in general, the balance sheet items are calculated based on economic value, and particularly, the insurance liabilities are calculated based on the best estimate of all future cash flows which are expected to arise from the current business operations, without conservative margins, and plus a risk margin which reflects the total cost of capital which other insurance company or reinsurer could be expected to demand for the purpose of receiving the insurance liabilities of an insurance company, calculated on a best estimate basis, as defined in the provisions of the economic solvency regime. In the economic balance sheet, in general, intangible assets are not recognized. It is prepared based on the Company's separate financial statements, which include subsidiary insurance companies whose data are consolidated with the data of the insurance company, and which, according to the instructions, does not include the economic value of the provident fund and pension activity under the insurance company.

B. The economic solvency regime includes, *inter alia*, transitional provisions in connection with the fulfillment of the capital requirements which allow increasing the economic capital by deducting from the insurance reserves the amount which is calculated in accordance with the provisions of the economic solvency regime (hereinafter: the "Deduction"). The deduction will be decreased gradually, until 2032 (hereinafter: the "Distribution Period"), in addition to the reduced capital requirements, which will gradually increase until 2023, for certain types of investments.

C. The calculation of the solvency capital requirement is based on the estimated exposure of economic equity to the risk components which are specified in the provisions of the economic solvency regime, which include life insurance risks, health insurance risks, non-life insurance risks, market risks and counterparty risks. These risk components include risk sub-components with respect to specific risks to which the insurance company is exposed. The estimation of economic equity exposure to each risk sub-factor is performed based on a scenario which was specified in the instructions. The determination of the solvency capital requirement is based on a schema of the capital requirements with respect to the risk components and the risk sub-components, as stated above, in consideration of the factors which are attributed to them, and after deducting an adjustment for absorption of losses due to deferred taxes, as specified in the provisions of the economic solvency regime. The calculation of the solvency capital requirement also includes components of required capital with respect to operational risk and required capital with respect to managing companies.

It is noted that the calculation of the economic solvency ratio is based on data and models which may differ from those used by the Company in the financial reports, and which are based, *inter alia*, on forecasts and assumptions which rely, for the most part, on past experience. Actual results may differ from the forecasts and assumptions which were used to calculate the economic solvency ratio. In particular, and as specified in the provisions of the economic solvency regime circular, the calculation of the economic solvency ratio is significantly based on the embedded value calculation model. The model for the calculation of embedded value is implemented in accordance with the practice regarding adoption in Israel, and whose principles and rules were determined by the Capital Market Authority, which adopted the rules and principles that were determined by the joint committee of insurance companies and the Capital Market Authority, which worked with the accompaniment of Israeli and foreign advisors. The model is based, *inter alia*, on internal studies which reflect the Company's best estimates, subject to certain qualifications and restrictions which were established in the aforementioned principles and rules.

It is emphasized that the results of the models which are used to calculate recognized equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions which are included therein, and to the manner in which the instructions are implemented. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly, it may be volatile.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

(4) Minimum capital requirement and the supervisory intervention hierarchy

The provisions of the economic solvency regime define, in addition to the solvency capital requirement (SCR), also the minimum capital requirement (MCR), which will not fall below 25% of the solvency capital requirement in accordance with the provisions during the distribution period, and will not exceed 45% thereof. Additionally, a supervisory intervention hierarchy was established, according to which a company which does not meet the required solvency ratio upon the implementation of the transitional provisions during the distribution period, or regarding which there is a significant concern that its solvency ratio will be lower than the minimum requirement, will submit to the Commissioner a plan to ensure its fulfillment of the solvency ratio requirement within 6 months after the date of its submission. If the insurance company has not fulfilled the requirements of the plan, in accordance with the terms specified in the provisions, the Commissioner will consider supervisory intervention in accordance with his authorities. It is noted that if the Commissioner has announced an extraordinary negative situation, upon the fulfillment of one of the circumstances specified in the economic solvency ratio regime, he is entitled to extend the period of the amendment, for a period of up to 7 years. Additionally, a company which does not meet the minimum capital requirement (MCR), or regarding which there is a real concern that it will not meet the minimum capital requirement, will submit to the Commissioner for approval a plan to ensure its fulfillment of the minimum capital requirement within three months after the date of its submission. If the insurance company has not fulfilled the requirements of the plan, in accordance with the terms specified in the provisions, the Commissioner will take supervisory measures in accordance with the authorities which are conferred upon him under the Control Law.

(5) Composition of recognized economic capital

The provisions of the economic solvency regime establish provisions regarding the composition of recognized capital on an economic basis, which stipulate that equity must amount to the total of Tier 1 and Tier 2 capital, as defined in the provisions, such that Tier 2 subordinated, Tier 2 hybrid and Tier 3 instruments which were issued before June 30, 2017 will be classified as Tier 2 capital, and will be recognized in accordance with the terms of their recognition before that date. It was further determined that the maximum scope of Tier 2 capital will amount to 40% of SCR. With reference to the fulfillment of MCR, it was determined that the maximum scope of Tier 2 capital will amount to 20% of MCR.

(6) Dividends

In accordance with the letter which the Commissioner published in October 2017 (hereinafter: the "**Letter**"), an insurance company will be entitled to distribute dividends only if, after the performance of the distribution, the company has a minimum solvency ratio of 100% according to the provisions of the economic solvency regime, calculated without the transitional provisions, and subject to the economic solvency ratio target which was determined by the Company's Board of Directors. This ratio will be calculated without the expedient which was given with respect to the original difference attributed to the acquisition of the activities of provident funds and managing companies. The letter also included provisions regarding reporting to the Commissioner.

Additionally, the insurance company is required to submit to the Commissioner, within twenty business days after the distribution date, the Company's annual profit forecast for the two years subsequent to the date of the dividend distribution; The Company's updated debt service plan, approved by the Company's Board of Directors, and an updated debt service plan of the holding company which holds the Company, which was approved by the Board of Directors of the holding company; A capital management plan, approved by the Company's Board of Directors; Minutes of the discussion in the Company's Board of Directors, in which the dividend distribution was approved, including attachment of the background material for the discussion.

In June 2021 the Board of Directors of a subsidiary, Clal Insurance Company Ltd. (hereinafter: "**Clal Insurance**") discussed the subject of Clal Insurance's capital policy, and determined that the policy of Clal Insurance is to maintain a solid capital basis in order to ensure its solvency and its ability to fulfill its undertakings to policyholders, and to maintain its ability to continue its business activities in order for generate return for its shareholders, and in order to support future business activity.

Note 16: Capital and Reserves (Cont.)

E. Capital management and requirements in consolidated insurance companies (Cont.)

Accordingly, the Board of Directors of Clal Insurance established capital targets, according to which the target range for Clal Insurance's economic solvency ratio will be in the range of 150%- 170%. It also determined a minimum solvency ratio target for stability purposes of 135%.

These targets apply to the solvency ratio in consideration of the discount amount during the distribution period, until the end of 2032 and thereafter.
The solvency ratio of Clal Insurance, without taking into account the transitional provisions, will be created according to these targets by the end of 2032.

The capital management policy and capital targets are dynamic and may be updated in the future in accordance with the risk appetite of Clal Insurance and developments in the business environment, and in any case there is no certainty regarding the actual solvency ratio, the results of which may vary.

It is noted that the above policy does not apply, at this stage, to dividend distribution targets.

F. Capital requirements for managing companies of pension funds and provident funds

The Control of Financial Services Regulations (Provident Funds) (Minimum Equity Required of Managing Companies of Provident Funds or Pension Funds), 2012 and the Income Tax Regulations (Rules for Approval and Management of Provident Funds) (Amendment No. 2), 2012, prescribe capital requirements for managing companies, in accordance with the scope of managed assets and annual expenses, however, no less than initial capital of NIS 10 million. Liquidity requirements were also prescribed.

A managing company will be entitled to distribute dividends only if its equity is at least the minimum equity required of it according to these Regulations. A managing company will also be required to provide additional capital with respect to controlled managing companies.

As of the end of the reporting period, managing companies under the control of Clal Insurance have a capital surplus relative to the minimum capital required pursuant to the Capital Regulations for Managing Companies.

Note 17: Liabilities with Respect to Non-Investment-Linked Insurance Contracts and Investment Contracts [1)]

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance Contracts	**20,798,374**	20,036,116	**(13,457)**	(14,654)	**20,784,917**	20,021,462
Investment contracts	**2,440,828**	2,399,645	**-**	-	**2,440,828**	2,399,645
	23,239,202	22,435,761	**(13,457)**	(14,654)	**23,225,745**	22,421,107
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group	**(1,090)**	(1,217)	**-**	-	**(1,090)**	(1,217)
Total long term savings segment	**23,238,112**	22,434,544	**(13,457)**	(14,654)	**23,224,655**	22,419,890
Insurance contracts included in the health insurance segment (Note 21)	**2,613,776**	2,747,427	**(138,435)**	(283,910)	**2,475,341**	2,463,517
Insurance contracts which are included in the non-life insurance segment (Note 19)	**7,962,581**	7,593,815	**(4,036,805)**	(3,804,179)	**3,925,776**	3,789,636
Total liabilities with respect to non-investment-linked insurance contracts and investment contracts	**33,814,469**	32,775,786	**(4,188,697)**	(4,102,743)	**29,625,772**	28,673,043

Note 18: Liabilities with Respect to Investment-Linked Insurance Contracts and Investment Contracts [1)]

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Life insurance and long-term savings						
Insurance Contracts	**77,514,420**	82,461,715	**(318,113)**	(297,843)	**77,196,307**	82,163,872
Investment contracts	**11,265,717**	9,870,167	**-**	-	**11,265,717**	9,870,167
	88,780,137	92,331,882	**(318,113)**	(297,843)	**88,462,024**	92,034,039
Less amounts deposited in a consolidated company as part of a defined benefit plan for employees of the Group	**(18,924)**	(19,371)	**-**	-	**(18,924)**	(19,371)
Total long term savings segment	**88,761,213**	92,312,511	**(318,113)**	(297,843)	**88,443,100**	92,014,668
Insurance contracts included in the health insurance segment (Note 21)	**1,091,676**	1,141,172	**(17,298)**	(17,620)	**1,074,378**	1,123,552
Total liabilities with respect to investment-linked insurance contracts and investment contracts	**89,852,889**	93,453,683	**(335,411)**	(315,463)	**89,517,478**	93,138,220

1) In investment-linked insurance contracts, insurance benefits which the beneficiary is entitled to receive are contingent upon or linked to returns produced by certain investments of the Group, less management fees. These contracts include, *inter alia*, insurance plans which credit / charge to the policyholder a bonus / malus, according to the investment results achieved by the policies which share in the Group's investment income. In non-investment-linked insurance contracts, the insurance benefits to which a policyholder is entitled are not dependent on the income or loss resulting from investments made by the Group.

The distinction between investment-linked contracts and non-investment-linked contracts is made on the level of the individual coverage, such that insurance policies exist which include several coverages, some of which are investment-linked, while others are non-investment-linked.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment

A. Liabilities with respect to insurance contracts included under non-life insurance segments, by type

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Compulsory motor and liabilities branches						
Unearned premium reserve	**562,022**	505,077	**243,879**	236,579	**318,143**	268,498
Outstanding claims and premium deficiency reserve	**5,222,384**	5,312,849	**2,604,214**	2,619,035	**2,618,170**	2,693,814
Total compulsory motor and liabilities branches	**5,784,406**	5,817,926	**2,848,093**	2,855,614	**2,936,313**	2,962,312
Of which, total liabilities with respect to the compulsory motor insurance branch	**2,843,359**	2,770,326	**1,297,260**	1,288,616	**1,546,099**	1,481,710
Property and others branches						
Unearned premium reserve	**943,363**	792,938	**460,632**	384,458	**482,731**	408,480
Premium deficiency reserve	**67,511**	32,329	**17,250**	8,998	**50,261**	23,331
Outstanding claims	**1,167,301**	950,622	**710,830**	555,109	**456,471**	395,513
Total property and others branches	**2,178,175**	1,775,889	**1,188,712**	948,565	**989,463**	827,324
Total liabilities with respect to insurance contracts included under non-life insurance segments	**7,962,581**	7,593,815	**4,036,805**	3,804,179	**3,925,776**	3,789,636
Deferred acquisition costs						
Compulsory motor and liabilities branches	**91,400**	86,909	**30,073**	31,767	**61,327**	55,142
Property and others branches	**192,969**	170,585	**80,565**	66,412	**112,404**	104,173
Total deferred acquisition costs	**284,369**	257,494	**110,638**	98,179	**173,731**	159,315
Liabilities with respect to non-life insurance contracts less deferred acquisition costs						
Compulsory motor and liabilities branches (see section C1 below)	**5,693,006**	5,731,017	**2,818,020**	2,823,847	**2,874,986**	2,907,170
Property and others branches (See 2C below)	**1,985,206**	1,605,304	**1,108,147**	882,153	**877,059**	723,151
Total liabilities in non-life insurance contracts less deferred acquisition costs	**7,678,212**	7,336,321	**3,926,167**	3,706,000	**3,752,045**	3,630,321

B. Liabilities with respect to insurance contracts included in the non-life insurance segment, by calculation method

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Actuarial valuations						
Ms. Galit Robstein [1)]	**6,285,811**	6,147,803	**3,241,934**	3,102,495	**3,043,877**	3,045,308
Provisions on the basis of other estimates						
Estimate of the claims department regarding known outstanding claims	**45,683**	40,926	**31,465**	27,989	**14,218**	12,937
Addition for outstanding claims with respect to incurred but not reported (IBNR) claims	**100,851**	91,949	**49,560**	49,595	**51,291**	42,354
Unearned premium reserve	**1,505,385**	1,298,015	**704,511**	621,036	**800,874**	676,979
Other estimates	**644**	633	**-**	-	**644**	633
Net surplus revenues (accrual) with respect to foreign trade risks insurance	**24,207**	14,489	**9,335**	3,064	**14,872**	11,425
Total liabilities with respect to insurance contracts included in the non-life insurance segment in Israel	**7,962,581**	7,593,815	**4,036,805**	3,804,179	**3,925,776**	3,789,636

1) See the certifications by the chief actuary in non-life insurance in Israel, which are attached as an annex to the financial statements. No addition / deficiency exists between the actuarial valuations and the amount included in the financial statements.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

C. Movement in liabilities with respect to insurance contracts included under the non-life insurance segment, less deferred acquisition costs

1. Compulsory motor and liabilities branches

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	**5,731,017**	4,903,802	**2,823,847**	2,060,852	**2,907,170**	2,842,950
Cumulative claim costs with respect to the current underwriting year	**1,020,275**	1,069,027	**421,576**	490,457	**598,699**	578,570
Change in balances as of the beginning of the year resulting from the indexation to the CPI and the investment income, according to the discount assumption embodied in the liability.	**283,906**	105,890	**143,257**	44,086	**140,649**	61,804
Impact of change in discount rate *)	**(493,398)**	114,744	**(282,007)**	64,128	**(211,390)**	50,616
Balance of change in estimated cumulative claims cost with respect to previous underwriting years **)	**(138,838)**	533,998	**(67,414)**	616,964	**(71,425)**	(82,966)
Total change in cumulative claim costs	**671,945**	1,823,659	**215,412**	1,215,635	**456,533**	608,024
Claim settlement payments during the year:						
With respect to the current underwriting year	**(4,932)**	(5,184)	**(1,473)**	(1,512)	**(3,459)**	(3,672)
With respect to previous underwriting years	**(705,024)**	(991,260)	**(219,766)**	(451,128)	**(485,258)**	(540,132)
Total payments	**(709,956)**	(996,444)	**(221,239)**	(452,640)	**(488,717)**	(543,804)
Balance at end of year	**5,693,006**	5,731,017	**2,818,020**	2,823,847	**2,874,986**	2,907,170

1. The opening and closing balances include outstanding claims, the premium deficiency reserve and unearned premiums, less deferred acquisition costs.
2. The cumulative (ultimate) cost of claims is the balance of outstanding claims, the premium deficiency reserve, unearned premiums less deferred acquisition costs, plus total claim payments, including direct and indirect claim settlement payments.
3. The payments include indirect claim settlement expenses (general and administrative expenses recorded for claims) attributed to the underwriting years.

*) For additional details, see Note 38(e)(e2)(4)(a).

**) The change in the estimated cumulative cost of claims with respect to previous underwriting years was mostly due to the change for the worse last year in the development of claims in the managers insurance branch, which is backed by reinsurance.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

C. Movement in liabilities with respect to insurance contracts included under the non-life insurance segment, less deferred acquisition costs (Cont.)

2. Property and others branches

	As of December 31					
	2022	2021	2022	2021	2022	2021
NIS in thousands	Gross		Reinsurance		Retention	
Balance at beginning of year	**1,605,304**	1,331,375	**882,153**	769,365	**723,151**	562,010
Cumulative claim costs with respect to events during the reporting year	**1,428,447**	1,016,524	**648,083**	442,669	**780,363**	573,854
Change in cumulative claim costs with respect to events prior to the reporting year	**(70,848)**	(53,863)	**(69,209)**	(20,147)	**(1,638)**	(33,715)
Total change in cumulative claim costs	**1,357,599**	962,661	**578,874**	422,522	**778,725**	540,139
Claim settlement payments during the year:						
With respect to events during the reporting year	**(761,663)**	(555,994)	**(240,113)**	(184,148)	**(521,550)**	(371,846)
With respect to events prior to the reporting year	**(378,339)**	(240,251)	**(182,663)**	(133,355)	**(195,676)**	(106,896)
Total payments	**(1,140,002)**	(796,245)	**(422,776)**	(317,503)	**(717,226)**	(478,742)
Change in the unearned premium reserve, net of deferred acquisition costs	**127,124**	75,184	**61,644**	(1,229)	**65,480**	76,413
Change in the premium deficiency reserve	**35,181**	32,329	**8,252**	8,998	**26,929**	23,331
Balance at end of year	**1,985,206**	1,605,304	**1,108,147**	882,153	**877,059**	723,151

1. The opening and closing balances include outstanding claims with the addition of the premium deficiency reserve and unearned premiums, less deferred acquisition costs.
2. The cumulative cost of claims with respect to events during the reporting year includes the balance of outstanding claims as of the end of the reporting year, with the addition of total claim payments during the reporting period, including direct and indirect claim settlement expenses.
3. Claim settlement payments during the year include payments with respect to events prior to the reporting year, with the addition of the change in the balance of outstanding claims with respect to events prior to the reporting year.
4. The claim settlement payments include direct and indirect expenses for the settlement of those claims (general and administrative expenses recorded for claims), as attributed to the damage years.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D1. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, gross, in the compulsory motor and liabilities branches in Israel, and branches assessed on the basis of underwriting years

	As of December 31, 2022										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2022 1)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Claims paid (cumulative) at end of year											
After one year	4,715	4,644	2,378	3,962	6,382	5,356	5,404	4,315	5,458	4,932	
After two years	47,770	44,724	36,342	40,670	44,664	47,576	39,003	37,076	46,057		
After three years	150,217	142,969	127,462	132,694	136,746	125,264	137,185	130,053			
After four years	289,628	257,192	233,319	232,096	238,825	229,330	232,952				
After five years	416,336	369,678	315,877	307,362	323,369	297,613					
After six years	558,247	458,722	381,465	377,495	398,789						
After seven years	658,639	557,111	452,779	440,298							
After eight years	726,736	944,499	530,203								
After nine years	791,404	997,867									
After ten years	826,083										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year 2)	950,828	843,514	720,123	696,324	689,523	728,742	765,525	958,907	1,125,456	1,020,275	
After two years	934,428	871,718	729,549	682,894	714,047	758,921	777,505	988,428	1,018,763		
After three years	930,629	861,390	692,786	706,790	758,866	815,039	819,965	873,869			
After four years	892,869	856,583	722,854	739,900	805,540	851,081	729,366				
After five years	954,699	884,992	728,764	741,194	781,024	757,833					
After six years	975,211	1,080,921	695,510	730,601	709,528						
After seven years	976,771	1,151,106	699,591	691,604							
After eight years	998,759	1,702,269	674,269								
After nine years	1,036,667	1,693,018									
After ten years	1,006,166										
Surplus (deficit) relative to the first year which did not include accrual 3)	(75,537)	4) (821,300)	45,854	4,720	(20,005)	(29,091)	36,159	85,038	106,693	-	(667,469)
Rate of the deviation relative to the first year which did not include accrual, in percent	(8.12)%	(94.22)%	6.37%	0.68%	(2.90)%	(3.99)%	4.72%	8.87%	9.48%		(8.92)%
Cumulative cost of claims as of December 31, 2022	1,006,166	1,693,018	674,269	691,604	709,528	757,833	729,366	873,869	1,018,763	1,020,275	9,174,691
Cumulative payments until December 31, 2022	826,083	997,867	530,203	440,298	398,789	297,613	232,952	130,053	46,057	4,932	3,904,847
Total liabilities as of December 31	180,083	695,151	144,066	251,306	310,739	460,220	496,414	743,816	972,706	1,015,343	5,269,844
Outstanding claims for years up to and including the 2012 underwriting year											423,162
Total gross liability with respect to insurance contracts in the compulsory motor and liabilities branches in Israel, less deferred acquisition costs as of December 31, 2022											5,693,006

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.
4) The deficit was mostly due to the development of claims in the managers' insurance branch, which is mostly backed by reinsurance.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company's estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D2. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, on self-retention, in the compulsory motor insurance and liabilities branches in Israel, and branches assessed on the basis of underwriting years

	As of December 31, 2022										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2022 [1)]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Claims paid (cumulative) at end of year											
After one year	4,703	4,644	2,373	3,960	5,402	3,218	2,752	3,491	3,866	3,459	
After two years	46,879	40,363	35,715	40,201	31,051	25,175	21,039	25,095	29,211		
After three years	141,476	132,216	122,089	130,092	87,135	61,439	64,132	80,095			
After four years	273,222	244,443	226,664	221,213	151,395	114,521	105,225				
After five years	389,632	349,181	307,428	294,165	204,917	151,170					
After six years	501,385	432,802	370,587	361,360	248,930						
After seven years	576,843	490,593	430,789	423,113							
After eight years	637,693	604,296	496,942								
After nine years	695,497	649,596									
After ten years	723,504										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2)]	813,168	729,742	628,912	628,249	395,656	369,479	367,898	496,594	609,110	598,699	
After two years	805,083	719,513	635,288	585,788	425,593	373,339	355,066	504,990	573,945		
After three years	810,431	714,431	601,144	608,023	450,649	380,451	362,421	458,636			
After four years	771,358	708,350	617,316	637,615	466,497	380,675	333,536				
After five years	839,305	723,503	628,941	651,286	443,405	349,710					
After six years	829,009	726,553	628,461	631,535	416,437						
After seven years	824,666	757,917	619,489	603,027							
After eight years	840,069	769,422	604,004								
After nine years	842,537	758,750									
After ten years	819,984										
Surplus (deficit) relative to the first year which did not include accrual [3)]	(9,553)	(39,237)	24,908	25,222	(20,781)	19,769	34,362	37,958	35,165	-	107,813
Rate of the deviation relative to the first year which did not include accrual, in percent	(1.18)%	(5.45)%	3.96%	4.01%	(5.25)%	5.35%	9.34%	7.64%	5.77%	-	2.15%
Cumulative cost of claims as of December 31, 2022	819,984	758,750	604,004	603,027	416,437	349,710	333,536	458,636	573,945	598,699	5,516,728
Cumulative payments until December 31, 2022	723,504	649,596	496,942	423,113	248,930	151,170	105,225	80,095	29,211	3,459	2,911,245
Total liabilities as of December 31	96,480	109,154	107,062	179,914	167,507	198,540	228,311	378,541	544,734	595,240	2,605,483
Outstanding claims for years up to and including the 2012 underwriting year											269,503
Total liabilities on self-retention with respect to insurance contracts in the compulsory motor and liabilities branches, less deferred acquisition costs as of December 31, 2022									-		2,874,986

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company’s estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D3. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, gross, in the compulsory motor branch

	As of December 31, 2022										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2022 [1)]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Claims paid (cumulative) at end of year											
After one year	3,525	1,795	1,588	1,623	2,063	2,976	3,887	1,631	3,616	3,369	
After two years	36,290	27,025	25,821	26,663	29,551	27,019	26,198	26,054	33,097		
After three years	99,494	92,154	91,797	91,499	105,392	87,016	108,105	100,744			
After four years	194,612	173,161	167,493	156,962	182,341	164,590	184,621				
After five years	273,969	250,427	224,281	202,442	244,493	211,461					
After six years	346,676	312,391	266,840	249,972	286,390						
After seven years	397,148	344,471	318,134	295,693							
After eight years	426,531	433,503	381,168								
After nine years	465,343	463,807									
After ten years	476,990										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2)]	557,915	512,913	431,652	433,862	419,361	427,913	475,603	537,106	712,869	676,686	
After two years	548,271	517,152	435,728	402,108	426,797	441,958	455,298	596,645	655,362		
After three years	556,931	498,379	427,106	413,832	477,168	481,219	498,786	538,580			
After four years	520,493	496,770	460,298	430,589	506,865	494,238	456,585				
After five years	574,286	502,935	469,728	427,969	489,504	444,142					
After six years	552,768	500,308	458,503	417,561	469,578						
After seven years	526,124	510,526	463,222	404,689							
After eight years	530,208	527,842	453,448								
After nine years	525,550	524,483									
After ten years	518,043										
Surplus (deficit) relative to the first year which did not include accrual [3)]	38,888	(7,331)	(21,796)	29,173	(50,217)	(16,229)	19,018	(1,474)	57,507		47,539
Rate of the deviation relative to the first year which did not include accrual, in percent	6.98%	(1.42)%	(5.05)%	6.72%	(11.97)%	(3.79)%	4.00%	(0.27)%	8.07%		1.05%
Cumulative cost of claims as of December 31, 2022	518,043	524,483	453,448	404,689	469,578	444,142	456,585	538,580	655,362	676,686	5,141,596
Cumulative payments until December 31, 2022	476,990	463,807	381,168	295,693	286,390	211,461	184,621	100,744	33,097	3,369	2,437,340
Total liabilities as of December 31	41,053	60,676	72,280	108,996	183,188	232,681	271,964	437,836	622,265	673,317	2,704,256
Outstanding claims for years up to and including the 2012 underwriting year											100,017
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2022											2,804,273

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company's estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D4. Examination of the development of estimated liabilities with respect to insurance contracts less deferred acquisition costs, on self-retention, in the compulsory motor branch

	As of December 31, 2022										
	Underwriting year										
NIS in thousands, adjusted to the CPI for November 2022 [1]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Claims paid (cumulative) at end of year											
After one year	3,525	1,795	1,588	1,623	1,095	1,195	1,340	962	2,106	2,086	
After two years	36,290	27,025	25,821	26,663	16,099	10,512	9,304	14,459	18,534		
After three years	99,494	92,154	91,797	91,499	56,181	32,718	36,681	54,976			
After four years	190,938	173,161	166,502	156,962	96,578	61,241	59,328				
After five years	268,573	250,427	223,290	202,442	129,793	77,955					
After six years	339,294	312,202	263,741	248,862	151,153						
After seven years	389,693	344,280	304,508	294,581							
After eight years	417,587	431,439	356,351								
After nine years	455,439	460,511									
After ten years	467,086										
Estimated cumulative claims (with payments including accrual) at end of year											
After one year [2]	543,942	500,083	422,445	424,691	214,191	175,166	167,360	283,197	375,055	394,865	
After two years	533,976	495,977	424,155	390,066	224,180	159,485	142,807	301,435	350,000		
After three years	545,169	485,937	396,903	393,620	247,139	167,970	147,895	278,783			
After four years	507,657	482,715	416,188	412,482	257,390	165,381	141,615				
After five years	558,702	496,000	423,745	414,051	243,552	154,854					
After six years	535,678	495,182	419,465	403,096	236,725						
After seven years	511,690	506,410	421,207	388,397							
After eight years	516,111	524,014	416,424								
After nine years	510,986	520,309									
After ten years	503,621										
Surplus (deficit) relative to the first year which did not include accrual [3]	41,548	(24,332)	6,021	36,294	(22,534)	20,312	25,745	4,414	25,055		112,523
Rate of the deviation relative to the first year which did not include accrual, in percent	7.62%	(4.91)%	1.43%	8.55%	(10.52)%	11.60%	15.38%	1.56%	6.68%		3.63%
Cumulative cost of claims as of December 31, 2022	503,621	520,309	416,424	388,397	236,725	154,854	141,615	278,783	350,000	394,865	3,385,593
Cumulative payments until December 31, 2022	467,086	460,511	356,351	294,581	151,153	77,955	59,328	54,976	18,534	2,086	1,942,561
Total liabilities as of December 31	36,535	59,798	60,073	93,816	85,572	76,899	82,287	223,807	331,466	392,779	1,443,032
Outstanding claims for years up to and including the 2012 underwriting year											77,506
Total gross liabilities with respect to insurance contracts in the compulsory motor branches, less deferred acquisition costs as of December 31, 2022											1,520,538

1) The above amounts are adjusted for inflation values to allow evaluation of the development on the basis of real values.
2) The estimate of cumulative claims at the end of the first year includes the unearned premium reserve, less deferred acquisition costs.
3) The difference between estimated cumulative claims in the first year, which does not include the accrual in the estimation of cumulative claims as of the reporting date.

Note: The level of significance of the actuarial models is greater when the development of claims is evaluated on the level of total underwriting years. It is therefore more appropriate to evaluate the development of the Company’s estimates on the level of all underwriting years together, rather than for each underwriting year separately.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

D5. Composition of comprehensive income (loss) in the compulsory motor insurance branch (NIS in thousands)

Reporting year	Comprehensive loss with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years	Comprehensive loss with respect to the current underwriting year	Comprehensive income with respect to previous underwriting years
	Gross		On retention	
2022	**(97,073)**	**129,883**	**(49,261)**	**19,193**
2021	(173,740)	(69,740)	(63,284)	39,018
2020	(58,932)	2,987	(10,787)	44,523

D6. Data regarding the 2016-2022 underwriting years in the compulsory motor branch (NIS in thousands)

	Underwriting years						
Underwriting year	2022	2021	2020	2019	2018	2017	2016
Gross premiums (including fees)	**693,976**	599,030	537,728	460,179	464,990	477,178	443,231
Comprehensive income (loss) on retention in the underwriting year, accumulated until the reporting date	**(49,261)**	(66,943)	(15,699)	10,345	30,884	22,132	31,283
Impact of investment income on cumulative income for the underwriting year	**(630)**	7,619	17,497	11,566	20,775	28,713	58,688

D7. Composition of comprehensive income (loss) on retention in the foreign trade risks insurance branch (NIS in thousands)

Reporting year	Comprehensive income (loss) with respect to the open years	Comprehensive loss with respect to the underwriting year released during the reporting year	adjustments with respect to underwriting years released in previous years	Activities not included in the calculation of reserves	Total comprehensive income reported
2022	**-**	**6,785**	**(25)**	**(1,604)**	**5,156**
2021	-	6,074	30	(1,084)	5,020
2020	-	8,394	(499)	(302)	7,593

D8. Composition of comprehensive income (loss) in other liabilities insurance branches (NIS in thousands)

Reporting year	Comprehensive loss with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years	Comprehensive loss with respect to the current underwriting year	Comprehensive income (loss) with respect to previous underwriting years
	Gross		On retention	
2022	**(4,507)**	**(* 231,586**	**(56,017)**	**91,576**
2021	(19,263)	(466,181)	(63,088)	114,953
2020	(110,535)	72,564	(77,241)	(36,915)

*) Mostly due to the development of claims in the managers' insurance branch, which is backed by reinsurance.

D9. Data regarding the 2016-2022 underwriting years in the other liabilities insurance branch

	Underwriting years						
Underwriting Year	2022	2021	2020	2019	2018	2017	2016
Gross premiums (including fees)	**443,520**	504,869	420,307	341,097	336,293	308,894	311,547
Comprehensive loss on retention in the underwriting year, accumulated until the reporting date	**(56,017)**	(65,669)	(49,215)	(50,612)	(39,671)	(24,502)	(48,641)
Impact of investment income on cumulative income for the underwriting year	**(5,366)**	7,390	1,483	18,624	25,389	28,274	33,628

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

E1. Examination of the development of the assessment of gross outstanding claims in property and others branches

	As of December 31, 2022										
	Damage year										
NIS in thousands, adjusted to the CPI for November 2022 [1)]	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
Claims paid (cumulative) at end of year											
After one year	912,598	606,423	647,306	515,592	540,738	480,118	495,533	467,913	546,352	723,403	
After two years	1,356,608	722,881	1,114,815	867,831	883,150	806,201	792,957	690,844	866,756		
After three years	1,398,194	789,145	1,177,398	944,862	930,517	873,207	827,054	738,260			
After four years	1,440,414	846,846	1,218,896	975,632	939,192	891,954	839,734				
After five years	1,468,118	846,846	1,235,806	981,979	940,811	895,563					
After six years	1,493,351	864,007	1,242,568	986,252	940,766						
After seven years	1,501,082	873,546	1,246,216	992,478							
After eight years	1,503,949	877,783	1,254,065								
After nine years	1,498,207	881,425									
After ten years	1,500,996										
Cumulative claims (including payments)											
After one year	1,505,938	1,037,715	1,247,058	939,547	1,003,263	861,854	886,212	807,278	1,030,460	1,390,164	
After two years	1,584,255	899,524	1,310,987	1,025,333	1,007,067	1,010,787	932,441	804,951	1,019,975		
After three years	1,558,708	910,610	1,305,709	1,047,083	991,468	996,981	956,842	831,716			
After four years	1,534,884	912,364	1,306,358	1,023,801	964,560	964,172	911,759				
After five years	1,544,152	890,061	1,309,464	1,018,059	958,296	953,766					
After six years	1,544,732	901,846	1,307,759	1,022,147	951,911						
After seven years	1,532,560	892,375	1,302,309	1,010,917							
After eight years	1,524,786	890,536	1,285,114								
After nine years	1,514,831	891,438									
After ten years	1,513,099										
Estimated cumulative cost of claims as of December 31, 2022	1,513,099	891,438	1,285,114	1,010,917	951,911	953,766	911,759	831,716	1,019,975	1,390,164	10,759,858
Cumulative payments until December 31, 2022	1,500,996	881,425	1,254,065	992,478	940,766	895,563	839,734	738,260	866,756	723,403	9,633,447
Balance of outstanding claims	12,103	10,013	31,049	18,439	11,145	58,203	72,025	93,455	153,219	666,760	1,126,410
Outstanding claims for years up to and including the 2012 damage year											40,891
Total outstanding claims in the property and others branches as of December 31, 2022											1,167,301

1) The above amounts are presented in values adjusted for inflation, in order to allow an evaluation of their development based on real values.

Note 19: Liabilities with Respect to Insurance Contracts Which are Included in the Non-Life Insurance Segment (Cont.)

E2. Examination of the development of the assessment of outstanding claims on retention in the property and others branches

	As of December 31, 2022										
	Damage year										
NIS in thousands, adjusted to the CPI for November 2022 [1)]	2013	2014	2015	2016	2017	2018	2019	2020	2014	2022	Total
Claims paid (cumulative) at end of year											
After one year	570,743	502,858	519,425	407,578	401,230	380,572	373,655	253,851	353,617	483,291	
After two years	796,396	525,698	756,094	641,505	595,500	554,788	527,096	363,058	535,396		
After three years	807,088	576,219	805,207	684,123	626,184	576,674	546,472	383,024			
After four years	830,139	626,638	828,397	701,726	633,547	577,878	552,128				
After five years	854,561	624,899	845,581	709,085	636,082	580,240					
After six years	870,098	637,625	854,753	714,151	636,729						
After seven years	878,672	648,237	865,979	720,304							
After eight years	881,742	652,740	874,197								
After nine years	881,320	656,574									
After ten years	883,436										
Cumulative claims (including payments)											
After one year	848,492	815,228	814,549	701,587	634,106	579,351	546,979	394,896	566,270	742,101	
After two years	926,543	643,197	878,913	714,634	648,702	604,497	573,423	403,493	588,287		
After three years	900,408	658,531	877,816	739,179	652,931	608,703	581,414	423,859			
After four years	894,318	674,460	879,747	735,023	643,540	587,457	561,169				
After five years	906,960	654,950	888,184	739,628	644,299	588,706					
After six years	905,247	668,722	889,038	744,135	646,421						
After seven years	900,219	665,292	885,718	738,024							
After eight years	895,033	664,755	890,997								
After nine years	891,278	665,959									
After ten years	889,794										
Cumulative cost of claims as of December 31, 2022	889,794	665,959	890,997	738,024	646,421	588,706	561,169	423,859	588,287	742,101	6,735,317
Cumulative payments until December 31, 2022	883,436	656,574	874,197	720,304	636,729	580,240	552,128	383,024	535,396	483,291	6,305,320
Balance of outstanding claims	6,358	9,385	16,800	17,720	9,692	8,466	9,042	40,835	52,891	258,810	429,997
Outstanding claims for years up to and including the 2012 damage year											26,473
Total outstanding claims in the property and others branches as of December 31, 2022											456,471

1) The above amounts are presented in values adjusted for inflation, in order to allow an evaluation of their development based on real values.

Note 20: Additional Details Regarding the Long Term Savings Segment

A. Liabilities with respect to insurance contracts and investment contracts, by exposure

As of December 31, 2022

		Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component		
				From 2004		Risk sold as a single policy		
	NIS in thousands	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
1	By insurance exposure							
	Liabilities with respect to insurance contracts							
	Annuity without guaranteed factors	-	-	-	12,908,908	-	-	12,908,908
	Annuity with guaranteed factors							
	Until May 2001	10,728,084	29,980,765	-	-	-	-	40,708,849
	From June 2001	-	5,732,323	52	12,349,553	-	-	18,081,928
	Paid annuity	5,727,576	4,503,594	-	630,924	-	-	10,862,094
	Capital-based (without annuity option)	1,657,681	5,981,135	926	2,219,751	-	-	9,859,493
	Supplementary pension reserve [2]	1,367,332	1,795,298	-	18,364	-	-	3,180,994
	Other risk components	87,387	648,493	120	968,475	775,701	230,352	2,710,528
	Total with respect to insurance contracts	19,568,060	48,641,608	1,098	29,095,975	775,701	230,352	98,312,794
	Liabilities with respect to investment contracts in life insurance	-	-	-	11,265,717	-	-	11,265,717
	Total life insurance	19,568,060	48,641,608	1,098	40,361,692	775,701	230,352	109,578,511
	Liabilities with respect to consolidated managing companies of provident funds [3]							2,440,828
	Total							112,019,339
2	By financial exposure							
	Non-investment-linked	19,313,491	273,399	1,098	483,610	497,064	229,712	20,798,374
	Investment-linked	254,569	48,368,209	-	39,878,082	278,637	640	88,780,137
	Total life insurance	19,568,060	48,641,608	1,098	40,361,692	775,701	230,352	109,578,511
	Guaranteed-return liabilities with respect to managing companies of provident funds which were consolidated [3]							2,440,828
	Total							112,019,339

1) Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2) The supplementary pension reserve which is included in the above table is with respect to the deferred pension component. An additional amount with respect to the current accrual, in the amount of NIS 2,474 million, will be applied to the statement of income throughout the remaining lifetime of the policy until retirement age. For additional details, see Note 38(e)(e1)(a)(3).
3) For details regarding the financial exposure with respect to the provident fund Bar A Provident Fund, where the Company is a guarantor for the minimum returns of its members, see Note 38(d)(1)(c).

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

A. Liabilities with respect to insurance contracts and investment contracts, by exposure (Cont.)

As of December 31, 2021

	NIS in thousands	Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component		
				From 2004		Risk sold as a single policy		
		Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
1	By insurance exposure							
	Liabilities with respect to insurance contracts							
	Annuity without guaranteed factors	-	-	-	(* 11,532,194	-	-	11,532,194
	Annuity with guaranteed factors							
	Until May 2001	10,528,103	32,195,178	-	-	-	-	42,723,281
	From June 2001	-	6,013,371	255	(* 14,801,226	-	-	20,814,852
	Paid annuity	5,098,580	4,256,159	-	590,775	-	-	9,945,514
	Capital-based (without annuity option)	1,657,738	7,207,277	728	2,473,718	-	-	11,339,461
	Supplementary pension reserve [2)]	1,486,397	1,870,856	-	18,154	-	-	3,375,407
	Other risk components	102,923	718,227	-	952,920	755,867	237,185	2,767,122
	Total with respect to insurance contracts	18,873,741	52,261,068	983	30,368,987	755,867	237,185	102,497,831
	Liabilities with respect to investment contracts in life insurance	-	-	242	9,870,167	-	-	9,870,409
	Total life insurance	18,873,741	52,261,068	1,225	40,239,154	755,867	237,185	112,368,240
	Liabilities with respect to consolidated managing companies of provident funds [3)]							2,399,403
	Total							114,767,643
2	By financial exposure							
	Non-investment-linked	18,572,197	287,107	1,225	467,562	472,326	235,941	20,036,358
	Investment-linked	301,544	51,973,961	-	39,771,592	283,541	1,244	92,331,882
	Total life insurance	18,873,741	52,261,068	1,225	40,239,154	755,867	237,185	112,368,240
	Guaranteed-return liabilities with respect to managing companies of provident funds which were consolidated [3)]							2,399,403
	Total							114,767,643

*) Reclassified.

1) Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.

2) The supplementary pension reserve which is included in the above table is with respect to the deferred pension component. An additional amount with respect to the current accrual, in the amount of NIS 2,119 million, will be applied to the statement of income throughout the remaining lifetime of the policy until retirement age. For additional details, see Note 38(e)(e1)(a)(3).

3) For details regarding the financial exposure with respect to the provident fund Bar A Provident Fund, where the Company is a guarantor for the minimum returns of its members, see Note 38(d)(1)(c).

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types

For the year ended December 31, 2022

NIS in thousands	Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component Risk sold as a single policy		Total
			From 2004				
	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	
Gross premiums:							
Traditional / mixed	14,743	9,907	-	-	-	-	24,650
Savings component	119,768	1,393,887	84	3,894,798	-	-	5,408,537
Other	18,607	203,255	1	324,974	790,377	74,046	1,411,260
Total	153,118	1,607,049	85	4,219,772	790,377	74,046	6,844,447
Receipts with respect to investment contracts charged directly to insurance reserves [2]	-	-	-	3,673,675	-	-	3,673,675
Financial margin including management fees [3]	(143,199)	257,003	252	346,872	-	-	460,928
Payments and changes in liabilities with respect to insurance contracts, gross [6]	1,580,351	(1,430,300)	224	1,947,470	368,904	69,239	2,535,888
Payments and changes in liabilities with respect to investment contracts [4]	-	-	(242)	(794,100)	-	-	(794,342)
Comprehensive income (loss) from life insurance businesses	18,520	(181,239)	149	(8,522)	(9,073)	(20,478)	(200,643)
Other comprehensive income from life insurance businesses	74,057	9,455	23	10,147	9,137	1,559	104,378
Total comprehensive income (loss) from life insurance businesses	92,577	(171,784)	172	1,625	64	(18,919)	(96,265)
Income from pension and provident funds							32,573
Other comprehensive loss from pension and provident funds							(16,997)
Total comprehensive income from pension and provident funds							15,576
Total loss from life insurance and long term savings							(168,070)
Total comprehensive loss from life insurance and long term savings							(80,689)
Annualized premium with respect to insurance contracts - new business	9	375	-	272,767	135,550	-	408,701
One-time premium with respect to insurance contracts	140	3,607	-	1,488,273	-	-	1,492,020
One-time premium with respect to investment contracts	-	-	-	3,621,219	-	-	3,621,219
Transfers to the Company with respect to insurance contracts and investment contracts [5]	-	-	-	1,343,314	-	-	1,343,314
Transfers from the Company with respect to insurance contracts and investment contracts [5]	42,427	531,908	-	1,512,597	-	-	2,086,932

1. Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,315 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems. During the reporting period, in light of the market declines, variable management fees were not collected, and a liability to policyholders was created in the amount of NIS 753 million, where until it is covered, the Company will not collect variable management fees.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Not including internal transfers.
6. For details regarding the impact of changes in assumptions in the calculation of liabilities, change in mortality assumptions and the discount interest rate, see Note 38(e)(e1)(d).

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types (Cont.)

For the year ended December 31, 2021

	Policies which include a savings component (including appendices) by policy issue date				Policies with no savings component Risk sold as a single policy		
			From 2004				
NIS in thousands	Until 1990 [1]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:							
Traditional / mixed	17,901	11,422	-	-	-	-	29,323
Savings component	130,366	1,392,692	(642)	3,528,726	-	-	5,051,142
Other	18,271	203,059	(5)	324,008	699,893	61,375	1,306,601
Total	166,538	1,607,173	(647)	3,852,734	699,893	61,375	6,387,066
Receipts with respect to investment contracts charged directly to insurance reserves [2]	-	-	-	6,030,006	-	-	6,030,006
Financial margin including management fees [3]	440,671	942,660	2,700	313,276	-	-	1,699,307
Payments and changes in liabilities with respect to insurance contracts, gross	1,329,516	8,708,602	(5,662)	6,904,765	423,975	64,711	17,425,907
Payments and changes in liabilities with respect to investment contracts [4]	-	-	(2,371)	707,409	-	-	705,038
Comprehensive income (loss) from life insurance businesses	329,794	796,738	7,491	(186,649)	(14,088)	6,802	940,088
Other comprehensive income from life insurance businesses	117,878	13,364	38	14,062	14,154	7,210	166,706
Total comprehensive income (loss) from life insurance businesses	447,672	810,102	7,529	(172,587)	66	14,012	1,106,794
Income from pension and provident funds							27,861
Other comprehensive income from pension and provident funds							8,174
Total comprehensive income from pension and provident funds							36,035
Total income from life insurance and long term savings							967,949
Total comprehensive income from life insurance and long term savings							1,142,829
Annualized premium with respect to insurance contracts - new business	7	338	-	268,341	116,136	-	384,822
One-time premium with respect to insurance contracts	388	4,412	-	1,210,810	-	-	1,215,610
One-time premium with respect to investment contracts	-	-	-	5,993,133	-	-	5,993,133
Transfers to the Company with respect to insurance contracts and investment contracts [5]	-	-	-	957,428	-	-	957,428
Transfers from the Company with respect to insurance contracts and investment contracts [5]	41,075	586,304	-	1,348,006	-	-	1,975,385

1. Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,125 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Not including internal transfers.

Note 20: Additional Details Regarding the Long Term Savings Segment (Cont.)

B. Details of results by policy types (Cont.)

For the year ended December 31, 2020

NIS in thousands	Policies which include a savings component (including appendices) by policy issue date: Until 1990 [1]	Until 2003	From 2004: Non-investment-linked	From 2004: Investment-linked	Policies with no savings component, Risk sold as a single policy: Individual	Collective	Total
Gross premiums:							
Traditional / mixed	17,443	13,995	-	-	-	-	31,438
Savings component	132,353	1,345,263	231	2,934,263	-	-	4,412,110
Other	25,230	220,685	116	327,872	644,906	68,793	1,287,602
Total	175,026	1,579,943	347	3,262,135	644,906	68,793	5,731,150
Receipts with respect to investment contracts charged directly to insurance reserves [2]	-	-	-	1,584,017	-	-	1,584,017
Financial margin including management fees [3]	199,511	524,728	(343)	257,155	-	-	981,051
Payments and changes in liabilities with respect to insurance contracts, gross	596,833	4,231,139	348	4,355,948	363,848	53,736	9,601,852
Payments and changes in liabilities with respect to investment contracts [4]	-	-	55	157,919	-	-	157,974
Comprehensive income (loss) from life insurance businesses	321,225	184,848	(230)	(176,015)	(51,958)	(8,159)	269,711
Other comprehensive income from life insurance businesses	68,270	7,878	23	7,661	7,998	4,306	96,136
Total comprehensive income (loss) from life insurance businesses	389,495	192,726	(207)	(168,354)	(43,960)	(3,853)	365,847
Income from pension and provident funds							2,444
Other comprehensive income from pension and provident funds							1,532
Total comprehensive income from pension and provident funds							3,976
Total income from life insurance and long term savings							272,155
Total comprehensive income from life insurance and long term savings							369,823
Annualized premium with respect to insurance contracts - new business	19	528	-	159,044	113,003	-	272,594
One-time premium with respect to insurance contracts	22	3,291	-	631,109	-	-	634,422
One-time premium with respect to investment contracts	-	-	-	1,539,927	-	-	1,539,927
Transfers to the Company with respect to insurance contracts and investment contracts [5]	-	-	-	240,448	-	-	240,448
Transfers from the Company with respect to insurance contracts and investment contracts [5]	50,443	428,466	-	922,887	-	-	1,401,796

1. Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are primarily backed by designated bonds.
2. Not including premiums with respect to investment contracts in a consolidated provident fund (Bar A), in the amount of NIS 2,018 thousand.
3. The financial margin includes gains (losses) from investments charged to other comprehensive income, and does not include the Company's additional income charged as a percentage of the premium, and is calculated before deduction of investment management expenses. The financial margin in guaranteed-return policies is based on income from actual investments for the reporting year, less a multiple of the guaranteed rate of return per year, times the average reserve for the year in the various insurance funds. Financial margin in investment-linked contracts is the total of fixed and variable management fees based on a reduction in the charging to savings in the Company's systems.
4. The line "payments and change in liabilities with respect to investment contracts" includes only the total profits from investments with respect to investment contracts.
5. Not including internal transfers.

Note 21: Additional Details Regarding The Health Insurance Segment

A. Liabilities with respect to insurance contracts

1. Details of liabilities with respect to insurance contracts, by financial exposure

As of December 31, 2022

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Investment-linked	**1,091,056**	**620**	**-**	**-**	**1,091,676**
Other	**1,561,439**	**336,065**	**661,193**	**55,079**	**2,613,776**
Total insurance liabilities	**2,652,495**	**336,685**	**661,193**	**55,079**	**3,705,452**

As of December 31, 2021

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Investment-linked	1,140,455	717	-	-	1,141,172
Other	1,573,600	528,159	616,022	29,646	2,747,427
Total insurance liabilities	2,714,055	528,876	616,022	29,646	3,888,599

2. Details of liabilities with respect to insurance contracts, by insurance exposure

As of December 31, 2022

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Reserve for payable claims	**307,702**	**221,494**	**53,798**	**-**	**582,994**
Other risk components	**2,344,793**	**115,191**	**607,395**	**55,079**	**3,122,459**
Total insurance liabilities	**2,652,495**	**336,685**	**661,193**	**55,079**	**3,705,452**

As of December 31, 2021

	Long-term care		Illness and hospitalization *)		
NIS in thousands	Individual	Collective	Long term	Short term	Total
Reserve for payable claims	241,465	433,173	47,085	-	721,723
Other risk components	2,472,590	95,703	568,937	29,646	3,166,876
Total insurance liabilities	2,714,055	528,876	616,022	29,646	3,888,599

*) The most material coverage included in long term illness and hospitalization insurance is medical expenses; with respect to short term, it is international travel.

Note 21: Additional Data Regarding the Health Insurance Segment (Cont.)

B. Details of results by policy types

For the year ended December 31, 2022

NIS in thousands	Long-term care Individual	Long-term care Collective	Illness and hospitalization Long term	Illness and hospitalization Short term	Total
Gross premiums	**271,265**	**23,797**	**(1 1,176,750**	**(1 131,682**	**1,603,494**
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**41,069**	**66,700**	**560,897**	**77,563**	**746,229**
Profit from health insurance business operations	**289,999**	**17,011**	**77,572**	**9,826**	**394,408**
Other comprehensive income (loss) from health insurance businesses	**134**	**12**	**(38,167)**	**(3,351)**	**(41,372)**
Total comprehensive income (loss) from health insurance businesses	**290,133**	**17,023**	**39,405**	**6,475**	**353,036**
Annualized individual premium - new	**23**		**(2 144,452**		**144,475**

1) Of which, individual premiums in the amount of NIS 1120585 thousand, and collective premiums in the amount of NIS 187,847 thousand.
2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

For the year ended December 31, 2021

NIS in thousands	Long-term care Individual	Long-term care Collective	Illness and hospitalization Long term	Illness and hospitalization Short term	Total
Gross premiums	264,477	34,909	(1 1,061,510	(1 46,896	1,407,792
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	428,313	68,385	516,716	36,181	1,049,595
Income (loss) from health insurance businesses	73,149	42,531	75,533	(12,543)	178,670
Other comprehensive income (loss) from health insurance businesses	85	11	14,892	(1,033)	13,955
Total comprehensive income (loss) from health insurance businesses	73,234	42,542	90,425	(13,576)	192,625
Annualized individual premium - new	3,147		(2 163,877		167,024

1) Of which, individual premiums in the amount of NIS 989,240 thousand, and collective premiums in the amount of NIS 119,166 thousand.
2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

For the year ended December 31, 2020

NIS in thousands	Long-term care Individual	Long-term care Collective	Illness and hospitalization Long term	Illness and hospitalization Short term	Total
Gross premiums	267,251	40,522	(1 969,472	(1 15,497	1,292,743
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	41,490	166,853	407,063	4,583	619,989
Income (loss) from health insurance businesses	238,491	(40,466)	83,690	(1,783)	279,932
Other comprehensive income (loss) from health insurance businesses	(51,794)	(48,414)	(5,035)	732	(104,511)
Total comprehensive income (loss) from health insurance businesses	186,697	(88,880)	78,655	(1,051)	175,421
Annualized individual premium - new	2,117		(2 196,683		198,800

1) Of which, individual premiums in the amount of NIS 892,306 thousand, and collective premiums in the amount of NIS 92,663 thousand.
2) Does not include the following branches: dental, foreign workers, international travel and Israelis abroad.

Note 22: Movement in Liabilities with Respect to Life Insurance Contracts, Investment Contracts and Health Insurance

	Life insurance and long term savings				
NIS in thousands	Insurance Contracts	Investment Contracts	Total	Health insurance	Reinsurance assets in health insurance
Balance as of January 1, 2021	91,822,101	6,314,997	98,137,098	3,778,884	455,997
Interest, linkage differentials and investment income [2)]	11,461,830	889,020	12,350,850	246,575	18,382
Increase with respect to premiums charged to liabilities [3)]	5,184,917	6,032,130	11,217,047	220,261	-
Decrease in rate of management fees from accrual	(1,208,615)	(52,806)	(1,261,421)	-	-
Decrease with respect to claims, redemptions and end of period	(3,864,979)	(913,529)	(4,778,508)	(638)	-
Changes due to change in assumptions	(* (16,527)	-	(16,527)	(1 12,827	(51)
Other changes [4)]	(880,896)	-	(880,896)	(359,310)	(172,798)
Balance as of December 31, 2021	102,497,831	12,269,812	114,767,643	3,888,599	301,530
Interest, linkage differentials and investment income [2)]	**(3,514,424)**	**(544,325)**	**(4,058,749)**	**109,195**	**15,502**
Increase with respect to premiums charged to liabilities [3)]	**5,551,967**	**3,675,990**	**9,227,957**	**241,597**	**-**
Decrease in rate of management fees from accrual	**(518,538)**	**(86,652)**	**(605,190)**	**-**	**-**
Decrease with respect to claims, redemptions and end of period	**(4,888,608)**	**(1,608,280)**	**(6,496,888)**	**-**	**-**
Changes due to change in assumptions	**(* (359,924)**	**-**	**(359,924)**	**(1 10,953**	**13,993**
Other changes [4)]	**(455,510)**	**-**	**(455,510)**	**(544,892)**	**(175,292)**
Balance as of December 31, 2022	**98,312,794**	**13,706,545**	**112,019,339**	**3,705,452**	**155,733**

*) See Note 38(e)(e1)(a) - section regarding main assumptions used to calculate insurance liabilities.

1) Derived from accumulated experience regarding the cost and frequency of claims, and their impact on expected results.

2) This section including interest, linkage differentials and investment income with respect to the balance at the start of the year, plus interest, linkage differentials and investment income with respect to the savings premiums only which were recorded during the reporting period.

3) These premiums include the savings premiums and part of the premiums in products with a fixed premium, after deducting management fees which are collected as a percentage of premiums, and do not include the entire premium which was recorded as income.

4) The section includes changes in the reserve with respect to outstanding claims, reserve for seasonal claims, IBNR claims, paid annuities, etc., according to the assumptions which were applied at the end of the previous year. The section also includes the impact of interest, linkage differentials and investment income which were not included under the item for "interest, linkage differentials and investment income", such as interest, linkage differentials and investment income on claim payments and non-savings premiums.

Note 23: Taxes on Income

A. Tax rates applicable to the Group's member companies

1. General

Most of the consolidated companies (insurance companies, pension fund management companies, provident fund management companies and other companies) constitute "financial institutions" as defined in the Value Added Tax Law, 1975. The tax that is applicable to income of financial institutions consists of corporate tax and capital gains tax.

Corporate tax applies to the Company's income and to the income of the other investee companies in Israel.

2. Tax arrangements which are unique to the insurance branch

Sector-specific agreements are in effect between the Israel Insurance Association and the tax authorities (hereinafter: the "**Tax Agreements**"), which are renewed and updated on an annual basis, and which regulate the treatment of tax issues which are unique to the sector. The tax agreements refer, *inter alia*, to the following issues:

A. Deferred acquisition costs (DAC) - direct expenses of insurance companies for the acquisition of life insurance contracts, with respect to underwriting years up to and including 2014, will be deductible for tax purposes in equal parts, distributed over four years, and with respect to the underwriting years 2015, up to and including 2020, over ten years. The aforementioned expenses, which pertain to canceled life insurance contracts, are deductible during the year of cancellation. Acquisition costs of pension and provident funds (as defined in the agreement) with respect to the underwriting years 2015 to 2020 will be deductible for tax purposes in equal parts, distributed over 10 years, or according to their distribution in the books, as chosen by the Company. Early expenses with respect to canceled pension and provident contracts will not be permitted.
Deferred acquisition costs in illness and hospitalization insurance are amortized over a period of 6 years, similarly to the amortization rate in the books.

B. Attribution of expenses to preferred income - regarding income taxable at reduced rates, and tax-exempt income which is received by Clal Insurance (hereinafter: "**Preferred Income**"), attribution of expenses will be performed when it signifies turning a part of the preferred income into fully taxable income, according to the attribution rate. The attribution rate stipulated in the agreement is dependent upon the financial source yielding the preferred income.

C. Taxation method with respect to income from assets held as investments which overlap with investment-linked liabilities.

D. Provision for indirect claim settlement expenses - partial adjustment of the provision for indirect claim settlement expenses in the non-life and health insurance segment will be performed with respect to each underwriting year from 2013 to 2020. The adjusted amount will be recognized for tax purposes over a period of three years, beginning from the year after the adjustment year.

E. The last agreement, which was signed in November 2020, extended by three additional years the previous agreement pertaining to the tax year 2016, such that it will also apply to the tax years 2017-2019, excluding the following subjects:

   1. An agreement was reached regarding the method of recognition for tax purposes with respect to provisions that were made by the insurance companies in the financial statements in the years 2016-2018, due to the implementation of the Winograd committee's recommendations, which were mostly canceled in 2019, as follows:
   In the 2016 tax report, 10% of the decrease of the provision which was recorded in 2019 (the "Adjustment Amount") will be adjusted. If the adjustment amount exceeds 10% of the increase of the provision in 2016, then 10% of the increase of the provision in 2016 will be adjusted, and the remaining amount between the adjustment amount and this amount will be adjusted in 2017 (and jointly with the adjustment amount below: the "Cumulative Adjustment Amount"). The cumulative adjustment amount will be recognized as an expense in 2019.

   2. It was agreed that the reversal of the LAT provision which was carried to retained earnings, and which originated in 2019, will be included as taxable income already in 2019, and the balance of the amount with respect to the years up to and including 2018, will be included as taxable income in 2020.

Note 23: Taxes on Income (Cont.)

B. Tax rates applicable to the Group's member companies

1. The statutory tax applicable to financial institutions, including the Company, which constitutes the majority of the Group's operations, is comprised of corporate tax and capital gains tax.
2. The statutory tax rates which apply to financial institutions, including, the Company, are:

In percent	Corporate tax rate	Capital gains tax rate	Overall tax rate in financial institutions
2020 onwards	23.00	17.00	34.19

Current taxes for reporting periods are calculated in accordance with the tax rates presented in the above table.

C. Components of expenses (income) in taxes on income

NIS in thousands	For the year ended December 31 2022	2021	2020
Current tax expenses (income)			
With respect to the current period	**93,295**	455,094	236,079
Adjustments with respect to previous years, net	**(11,337)**	(12,445)	(18,503)
	81,958	442,649	217,576
Deferred tax expenses (income)			
Creation and reversal of temporary differences	**(42,441)**	51,538	(51,966)
Adjustments with respect to previous years, net	**28,044**	198	(22,336)
	(14,397)	51,736	(74,302)
Total taxes on income	**67,561**	494,385	143,274

D. Components of tax on income with respect to components of other comprehensive income

NIS in thousands	For the year ended December 31 2022	2021	2020
Foreign currency translation differences for foreign operations	**4,221**	592	(2,425)
Available for sale financial assets	**(195,756)**	164,035	80,817
Actuarial gains from defined benefit plan	**3,615**	1,756	5,112
Total tax expense (tax benefit) with respect to components of other comprehensive income	**(187,920)**	166,383	83,504

E. Adjustment between theoretical tax on income before tax, and tax expenses

NIS in thousands	For the year ended December 31 2022	2021	2020
Profit before taxes on income	**193,598**	1,580,850	585,937
	34.19%	34.19%	34.19%
Tax calculated according to the Group's primary tax rate	**66,187**	540,461	200,320
Addition to (savings in) tax liability with respect to:			
Adjustment with respect to a lower tax rate in investee companies which are not insurance companies	**(10,580)**	(8,703)	(2,669)
Tax neutralization is calculated with respect to the Company's share in the profits of investee companies accounted by the equity method	**(2,130)**	(8,157)	(671)
Differences in the measurement of assets and liabilities for tax purposes, and for the purpose of the adjusted reports	**7,451**	9,837	5,967
Difference with respect to the tax rate used to calculate deferred taxes	**(5,226)**	(9,499)	592
Rental income exempt from capital gains tax	**(3,755)**	(3,670)	(3,099)
Tax-exempt income	**(7,236)**	(20,702)	(18,182)
Unrecognized expenses	**6,687**	3,277	2,435
Unrecognized expenses with respect to share-based payment (see Note 40)	**2,668**	5,022	-
Use of losses and benefits from previous years with respect to which no deferred taxes were recorded	**(3,212)**	(1,336)	-
Losses and benefits for tax purposes for the period with respect to which no	**-**	102	(580)

deferred taxes were recorded			
Taxes with respect to previous years	**16,707**	(12,247)	(40,839)
Total taxes on income (tax benefit)	**67,561**	494,385	143,274
Effective tax rate	**34.90%**	31.27%	24.45%

Note 23: Taxes on Income (Cont.)

F. Deferred tax assets and liabilities

1. Deferred tax assets and liabilities which were recognized

<u>Deferred tax assets and liabilities are attributable to the following items:</u>

NIS in thousands	Intangible assets	Property, plant and equipment	Investment property	Financial instruments	Deferred acquisition costs in life insurance	Deductions and carryforward tax losses	Employee benefits	Investee companies	Others 1)	Total
Balance of deferred tax asset (liability) as of January 1, 2021	(179,525)	(14,215)	(40,621)	(323,604)	(117,929)	43,073	36,954	(4,299)	71,577	(528,589)
Changes applied to the income statement	3,850	(3,143)	(23,052)	(4,291)	(12,519)	(4,806)	5,692	(801)	(12,666)	(51,736)
Changes applied to other comprehensive income	-	-	(455)	(161,331)	-	-	(1,807)	-	(2,790)	(166,383)
Initial consolidation	(7,309)	-	-	-	-	-	151	-	-	(7,158)
Classification of current taxes to deferred taxes	-	-	-	-	-	-	-	-	2,032	2,032
Balance of deferred tax asset (liability) as of December 31, 2021	**(182,984)**	**(17,358)**	**(64,128)**	**(489,226)**	**(130,448)**	**38,267**	**40,990**	**(5,100)**	**58,153**	**(751,834)**
Changes applied to the income statement	**10,619**	**15,567**	**(67,875)**	**24,132**	**35,662**	**(8,250)**	**6,734**	**4,967**	**(7,159)**	**14,397**
Changes applied to other comprehensive income	**-**	**-**	**(4,221)**	**195,756**	**-**	**-**	**(3,615)**	**-**	**-**	**187,920**
Classification of current taxes to deferred taxes	**-**	**(998)**	**10,748**	**(4,471)**	**5,733**	**(4,631)**	**5,358**	**-**	**(17,622)**	**(5,883)**
Balance of deferred tax asset (liability) as of December 31, 2022	**(172,365)**	**(2,789)**	**(125,476)**	**(273,809)**	**(89,053)**	**25,386**	**49,467**	**(133)**	**33,372**	**(555,400)**

1) Primarily due to the provision for doubtful debts.

Note 23: Taxes on Income (Cont.)

F. Deferred tax assets and liabilities (Cont.)

NIS in thousands	As of December 31 2022	As of December 31 2021
Deferred tax assets	**17,106**	14,738
Liability with respect to deferred taxes	**(572,506)**	(766,572)
Total	**(555,400)**	(751,834)

2. Deferred tax assets which were not recognized

Deferred tax assets which were not recognized are with respect to the following items:

NIS in thousands	As of December 31 2022	As of December 31 2021
Losses for tax purposes	**57,472**	80,414
Capital losses and real difference from marketable securities	**692,357**	708,448
Total	**749,829**	788,862

According to the currently existing tax laws in Israel, there is no time restriction on the usage of losses for tax purposes or on the usage of the deductible temporary differences. However, deferred tax assets were not recognized with respect to these items, since it is not expected that taxable income will arise in the future against which the tax benefits may be used.

G. Tax assessments

The tax reports of the Group’s member companies, to and including the tax year 2017 are considered final assessments in accordance with the provisions of section 145 of the Income Tax Ordinance.

Note 24: Employee Benefits

Employee benefits include post-employment benefits, severance benefits, other long term benefits and short term benefits, as well as share-based payments.

For details regarding benefits to key management personnel, see Note 39.

For details regarding share-based payments, see Note 40.

		For the year ended December 31	
NIS in thousands	Details	2022	2021
Present value of funded obligations		**80,280**	85,402
Present value of unfunded obligations		**23,325**	27,688
Total present value of obligations	A(2)	**103,605**	113,090
Fair value of plan assets	A(2)	**52,644**	52,918
Liability which was recognized with respect to defined		**50,961**	60,172
Recognized liability with respect to other long term benefits	C	**14,873**	20,410
Liabilities with respect to short term benefits *)		**192,145**	240,952
Total employee benefits		**257,979**	321,534
Presented under the following sections:			
Other accounts payable		**192,750**	241,527
Liabilities with respect to employee benefits, net		**65,229**	80,007

*) The liabilities with respect to short term benefits include liabilities with respect to salary, holiday, compensation and annual bonuses to employees.
The decrease relative to last year was mostly due to a bonus which was given to employees in 2021, in light of the Company's results.

For details regarding amounts which are deposited in Clal Insurance, as part of a defined benefit plan for the Group's employees, see Notes 17 and 18.

A. Post-employment benefit plans - defined benefit plan

The Group has defined benefit plans with respect to which amounts are deposited in provident funds, pension funds, appropriate insurance policies and insurance policies which were issued by Clal Insurance.

Labor laws and the Severance Pay Law, 1963 (hereinafter: the "**Severance Pay Law**") in Israel require the Group to pay severance to employees upon termination of employment, or upon retirement. The Group's liability with respect to employee benefits is calculated according to a valid employment agreement, and is based on the salary of an employee which, in management's opinion, creates the right to receive severance pay.

For details regarding a collective agreement and an annex to the agreement, including its implications regarding the subject of the payment of severance pay to employees and the voluntary retirement program, see section D below.

1. Composition of plan assets

The composition of plan assets is as follows:

	As of December 31	
In percent	2022	2021
Managers insurance	**33**	31
Provident funds and pension funds	**67**	69
	100	100

Note 24: Employee Benefits (Cont.)

A. Post-employment benefit plans - defined benefit plans (Cont.)

2. Movement in liabilities (assets), net, with respect to defined benefit plans and components thereof

NIS in thousands	Liability with respect to defined benefit plan 2022	2021	Fair value of plan assets 2022	2021	Total liability (asset), net, recognized with respect to defined benefit plan 2022	2021
Balance as of January 1	**113,090**	113,479	**(52,918)**	(48,263)	**60,172**	65,216
Expense/income applied to the statement of income [1)]						
Current service cost	**9,929**	9,796	**-**	-	**9,929**	9,796
Past service cost	**885**	(331)	**(223)**	(563)	**662**	(894)
Interest costs / income	**3,360**	2,785	**(1,540)**	(1,100)	**1,820**	1,685
Settlements	**(226)**	(503)	**223**	344	**(3)**	(159)
Total expense/income applied to the statement of income	**13,948**	11,747	**(1,540)**	(1,319)	**12,408**	10,428
Recognized under other comprehensive income:						
Actuarial losses due to changes in demographic assumptions	**-**	833	**-**	-	**-**	833
Actuarial gain (loss) due to changes in financial assumptions [2)]	**(16,125)**	(1,831)	**2,022**	(285)	**(14,103)**	(2,116)
Other actuarial losses (gains)	**2,337**	(548)	**-**	-	**2,337**	(548)
Actual returns less interest income	**-**	-	**412**	(3,617)	**412**	(3,617)
Total recognized under other comprehensive income	**(13,788)**	(1,546)	**2,434**	(3,902)	**(11,354)**	(5,448)
Additional movements						
Benefits paid	**(9,645)**	(10,590)	**5,085**	5,882	**(4,560)**	(4,708)
Amounts deposited by the Group	**-**	-	**(5,705)**	(5,316)	**(5,705)**	(5,316)
Total additional movements	**(9,645)**	(10,590)	**(620)**	566	**(10,265)**	(10,024)
Balance as of December 31	**103,605**	113,090	**(52,644)**	(52,918)	**50,961**	60,172

1) Expenses are included under general and administrative expenses in the statement of income. See Note 34.
2) Such as the discount rate.

3. Actuarial assumptions and sensitivity analysis

Main actuarial assumptions as of the end of the reporting period (by weighted average):

In percent	2022	2021	2020
Average real discount rate as of December 31 [1)]	**2.86**	0.67	0.93
Rate of future salary increases	**3.00-4.00**	3.00-4.00	3.00-4.00

1) The discount rate is based on high quality CPI-linked corporate bonds.

Reasonably possible changes on the reporting date in one of the actuarial assumptions, assuming that the other assumptions remain unchanged, affect the defined benefit liability as follows:

NIS in thousands	As of December 31 Increase of one percent 2022	2021	Decrease of one percent 2022	2021
Rate of future salary increases	**3,866**	7,236	**(3,615)**	(6,029)
Discount rate	**(3,747)**	(5,877)	**3,731**	6,926

Note 24: Employee Benefits (Cont.)

A. Post-employment benefit plans - defined benefit plans (Cont.)

4. Impact of the plan on the Group's future cash flows

For details regarding the collective agreement, including its implications regarding the subject of the payment of severance pay to employees, see section D below.
The Company's estimate regarding expected deposits in 2023 in defined benefit plans, financed for the plan assets, amounts to NIS 5,464 thousand.
The Group's estimate throughout the lifetime of the plan (according to a weighted average) at the end of the reporting period is 9 years (for 2021 - 9.4 years).

5. Actual returns

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Actual returns on plan assets	**1,128**	4,717	2,698

B. Post-employment benefit plans - defined deposit plan

The Group has the following defined deposit plans:

1. Most severance payments are subject to the terms of section 14 of the Severance Pay Law, 1963, according to which the Company's current deposits in pension funds and/or in policies in insurance companies exempt it from any additional undertaking towards employees, for which the aforementioned amounts were deposited. See section D below on this matter as well.

2. Deposits for compensation in Israel.

For details regarding the collective agreement, including its implications regarding the subject of the payment of severance pay to employees, see section D below.

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Amount recognized as expenditure with respect to defined deposit plans	**103,910**	98,160	96,805

C. Liabilities with respect to other long term benefits

	As of December 31	
NIS in thousands	2022	2021
Liabilities with respect to sick days	**7,015**	6,503
Liability with respect to retention bonus *)	**-**	5,154
Liability with respect to seniority bonus	**7,858**	8,753
Total recognized liability with respect to other long term benefits	**14,873**	20,410

*) In accordance with the new collective agreement, it was decided to cancel a retention bonus which was determined in the previous agreement, and instead to provide a retention bonus to employees, depending on the Company's profits. For details on this matter, see also section D(6) below.

Note 24: Employee Benefits (Cont.)

D. Collective agreement between the Group's member companies and the Histadrut Worker's Committee in the Group

In April 2022, a collective agreement was signed between the Company's subsidiaries Clal Insurance, Clal Pension and Provident Funds, Clal Credit Insurance, Clalbit Systems and Canaf (the "**Companies**") and the Histadrut New General Federation of Labor and the worker's committee in the Group (the "**New Collective Agreement**"), which generally centralizes all of the agreements and collective agreements which were signed between the parties since 2014, into one unified agreement, subject to the agreed-upon changes and additions, the main terms of which are specified below:

1. The payment of salary raises to employees at a rate of 3% of the base salaries of the employees who are entitled to salary raises, each year, remained unchanged. Similarly to the previous collective agreement, depending on the fulfillment of an agreed-upon average annual profit target for the Company, with respect to the years 2021-2024 - in April 2025, an additional budget for salary raises will be allocated, at a maximum rate of 4% (raise of up to 1% per year). In general, half of the total salary additions budget will be paid as a uniform addition, and the other half will be paid as a differential addition in the managers' discretion.
2. Raising the minimum wage for monthly employees in 3 stages, up to a total salary of NIS 6,600 in September 2024.
3. Raising salaries for veteran employees (who have been employed in the Company between 5 and 30 years, and more) to amounts between NIS 6,750 and NIS 9,450, beginning in September 2023.
4. and raising the hourly rate of call center employees in 3 stages, up to an hourly rate of NIS 34, beginning in September 2024.

5. Each year, depending on the fulfillment of the annual minimum profit condition, as defined in the new collective agreement, in the amount of NIS 200 million, a special payment will be paid to employees, depending on actual profit, the total cost of which will be between NIS 11 million and NIS 55 million, insofar as the Company's annual profit exceeds NIS 1,200 million. Additionally, in case the Company's annual profit is in the range between NIS 300 million and NIS 600 million, at least, an additional payment will be paid to employees, the cost of which will be between NIS 4.25 million and NIS 17 million, in accordance with the results. The payment will be given to eligible employees by way of options, at an exercise price which will constitute the average closing price of the Company's shares during the 30 trading days preceding the date of the Company's Board of Directors' approval of the outline, and no less than the share price on the day before the resolution;
6. It was further agreed to change the rate of payment of convalescence pay, in accordance with the employee's length of employment and employment commencement date, to increase the participation and to improve the terms of the health insurance policies for the Company's employees, to increase the participation in payment for summer camps, to change the framework for participation in employee meals, to cancel the retention bonus which was established in the previous agreement, and instead to give the employees a retention bonus depending on the Company's profits.
7. In 2024, the companies will offer a voluntary retirement program to employees aged 60 or older, the acceptance of which will be subject to the Company's discretion.
8. The agreement will be in effect for a period of 3 years, from January 1, 2022 to December 31, 2024, and industrial peace will be kept during the entire period of the agreement. The agreement also exhausts the claims and assertions of all of the parties throughout the entire period of the agreement.
9. In 2021, in light of the Company's results in that year, the Group included in the financial statements variable payroll costs and a special wellbeing addition in the amount of approximately NIS 60 million.

Except as noted in section 9 above, the changes and additions in the agreement during the reporting period did not significantly affect workforce costs relative to the previous collective agreement, and according to the Company's estimate, no significant effects are expected in the remaining years of the agreement.

The new collective agreement applies to most employees of the Group's member companies, except for employees in specific positions which were defined in the agreement, and managers of a rank which was defined.

As of December 31, 2022, the Group has around 768[1] employees who are not subject to the new collective agreement, including senior members of management, and who are employed in accordance with personal work agreements, which define their employment terms, including the base salary, social benefits and fringe benefits.

[1] Not including employees of providers.

Note 25: Financial Liabilities

A. Financial liabilities

	As of December 31			
	Book value		Fair value 2)	
NIS in thousands	2022	2021	2022	2021
Total financial liabilities presented at amortized cost **)				
Liability certificates	**4,548,020**	4,279,751	**4,249,163**	4,551,516
Total liabilities presented at amortized cost **)	**4,548,020**	4,279,751	**4,249,163**	4,551,516
Liabilities measured at fair value through profit and loss:				
Liabilities with respect to derivative financial instruments and short sales:				
Future contracts	**2,271,601**	192,266	**2,271,601**	192,266
Foreign currency and stock swap transactions	**180,473**	21,008	**180,473**	21,008
Share options	**204**	1,082	**204**	1,082
Index options	**12,649**	14,899	**12,649**	14,899
Repo undertaking	**1,118,149**	1,257,145	**1,118,149**	1,257,145
Total liabilities measured at fair value through profit and loss 1)	**3,583,076**	1,486,400	**3,583,076**	1,486,400
Total financial liabilities	**8,131,096**	5,766,151	**7,832,239**	6,037,916
1) Of which, with respect to investment-linked liabilities	**2,251,560**	(*474,130	**2,251,560**	(*474,130

2) Includes an approximation of fair value, in cases where the gap is immaterial. For additional information regarding fair value measurement, see section E below.

For additional information regarding the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 38(d).

*) Reclassified.

**) For additional details, see section B below.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes - Composition as of December 31 [a)]

	Additional information	Capital type	Linkage terms	Interest type	Annual interest rate – Effective %	Annual interest rate – Nominal %	Marketable/non-marketable	Level in the fair value hierarchy	Early redemption date [b)] %	Original amount issued	Book value 2022	Book value 2021	Fair value 2022	Fair value 2021
Liability certificates (Series G)	(1)	Tier 2 hybrid capital	CPI-linked	Fixed	2.39-2.45	2.32	Marketable	1	December 2023	364,846	**281,639**	266,997	**284,895**	290,255
Liability certificates (Series H)	(1)	Tier 2 hybrid capital	Unlinked	Fixed	2.98-4.31	4.14	Marketable	1	December 2022	469,388	-	264,130	-	273,085
Liability certificates (Series I)	(1)	Tier 2 hybrid capital	CPI-linked	Fixed	2.51-3.84	2.48	Marketable	1	July 2025	423,486	**452,369**	427,755	**470,705**	498,909
Liability certificates (Series J)	(1)	Tier 2 hybrid capital	Unlinked	Fixed	3.38-4.61	3.92	Marketable	1	July 2024	959,854	**956,412**	954,375	**970,988**	1,052,384
Liability certificates (Series K)	(1)	Tier 2	Unlinked	Fixed	2.42-2.79	2.64	Marketable	1	March 2030	1,636,172	**1,640,971**	1,641,589	**1,428,051**	1,703,255
Liability certificates (Series L)	(1)	Tier 2	Unlinked	Fixed	2.66-5.01	2.50	Marketable	1	March 2035	1,333,647	**1,216,629**	724,905	**1,094,524**	733,628
Total liability certificates										5,187,393	**4,548,020**	4,279,751	**4,249,163**	4,551,516

A) The issuer of all of the liability certificates is Clalbit Finance, an interested party and an equity instrument, for which the issuer is Clal Insurance.

B) For additional details, see section 1(J)(1) below.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. A. Liability certificates (Series G) were issued in July 2014, and the series was extended in December 2016. The principal will be repaid in a single payment in December 2026, subject to an early redemption right, as specified in section J(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on June 30 and December 31 of each calendar year, between the years 2014 and 2026. For details regarding the exchange of some of these liability certificates with liability certificates (Series L), by way of a series extension, see section I below.

   B. Liability certificates (Series F) were issued in July 2014, and the series was extended in December 2016. For details regarding the exchange of some of these liability certificates with liability certificates (Series L), by way of a series extension, see section H below. The liability certificates were repaid in full, through prepayment, on January 1, 2023, in accordance with their terms, since the prepayment date according to the terms of the liability certificates was December 31, 2022, which is not a business day, and the repayment date was therefore postponed to the first subsequent business day.

   C. Liability certificates (Series I) were issued in July 2015, and the series was extended in December 2016. The principal will be repaid in a single payment in July 2028, subject to an early redemption right, as specified in section J(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on January 31 and July 31 of each calendar year, between the years 2016 and 2028.

   D. Liability certificates (Series J) were issued in July 2015, and the series was extended in April 2016. The principal will be repaid in a single payment in July 2027, subject to an early redemption right, as specified in section J(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on January 31 and July 31 of each calendar year, between the years 2016 and 2027.

   The liability certificates (Series K) were issued in September 2019, and the series was extended in December 2019, as specified in section F below, as part of an exchange offer. The principal will be repaid in a single payment in March 2033, subject to an early redemption right, as specified in section J(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on March 31 and September 30 of each calendar year, between the years 2020 and 2032, and on March 31, 2033.

   F. In December 2019, NIS 698 million par value of outstanding liability certificates (Series C), which are listed on the stock exchange, were exchanged, by way of an exchange offer, in consideration of the issuance of NIS 806 million par value of liability certificates (Series K), as an extension of an existing series. The liability certificates (Series K) which were issued, as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of the liability certificates (Series C) which were exchanged, and which had been recognized as Tier 2 hybrid capital.

   F. The liability certificates (Series L) were issued in August 2021, in the amount of NIS 400 million par value, and the series was extended in December 2021, as specified in section I below, and in September 2022, as specified in section I below. The principal will be repaid in a single payment on March 31, 2035, subject to an early redemption right, as specified in section J(1) below. The interest on the liability certificates is paid on an annual basis, in two semi-annual payments, on March 31 and September 30 of each calendar year, between the years 2022 and 2034, and on March 31, 2035.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. (Cont.)

H. In December 2021, approximately NIS 103 million par value of outstanding liability certificates (Series G), which are listed on the stock exchange, were exchanged, by way of an exchange offer, in consideration of the issuance of NIS 117 million par value of liability certificates (Series L), as an extension of an existing series. Additionally, on that same date, approximately NIS 206 million par value of outstanding liability certificates (Series H), which are listed on the stock exchange, were exchanged, by way of an exchange offer, in consideration of the issuance of approximately NIS 218 million par value of liability certificates (Series L), as an extension of an existing series. The liability certificates (Series L) which were issued, as stated above, were recognized (subject to restrictions) as Tier 2 capital of Clal Insurance, instead of the liability certificates (Series G and Series H) which were exchanged, and which had been recognized as Tier 2 hybrid capital.

The terms of the liability certificates (Series G) differ from the terms of the liability certificates (Series H), and also differ from the terms of the liability certificates (Series L), and accordingly, were treated as an exchange of debt instruments with significantly different terms, in accordance with the definition provided in the standard, where the cost of their exchange amounted to a total of approximately NIS 17 million in 2021.

I. In September 2022, deferred liability notes (Series L) were issued to the public, as part of an extension of an existing series, in the amount of approximately NIS 495 million (approximately NIS 488 million after deducting issuance costs), the proceeds from which were recognized as additional Tier 2 capital of Clal Insurance Company, subject to restrictions specified in the Commissioner’s directives.

J. <u>Additional terms of the liability certificates</u>

1. <u>Right to early redemption</u>

A. Clalbit Finance will be entitled, without providing the right of choice to the holders of liability certificates and/or to the trustee, to redeem all or some of the liability certificates, upon the fulfillment of the following conditions (if required):

The first date when Clalbit Finance will be entitled to repay, through a full or partial early redemption, the liability certificates (hereinafter, with respect to each series: the “**First Early Redemption Date**”), is as follows:
Series G - On December 31, 2023;
Series I - On July 31, 2025;
Series J - On July 31, 2024;
After the first early redemption date, there is the right to perform an early redemption on the date of each interest payment, with respect to each liability certificate of the relevant series.
Series K - March 31, 2027;
Series L - March 31, 2030.
After that date, Clalbit Finance will be entitled to redeem the liability certificates through full or partial early redemption at any time. The frequency of the early redemptions will not exceed one redemption per quarter. Insofar as prepayment takes place beginning on the first prepayment date, and up to 3 years before the principal repayment date, the payment with respect to prepayment to the holders of the liability certificates will be the higher of either: a. market value, b. book value, c. value before discounting government bond returns, plus interest of 0.8%.

Insofar as the right to early redemption is not exercised with respect to all of the bonds, then beginning from the date of the interest payment with respect to the bonds which is 3 years before the principal repayment date, additional interest will be paid to the holders of the relevant liability certificates, beyond the interest which applies to the liability certificates at that time, with respect to the remainder of the period, at a rate of 50% of the original risk margin which was determined in the issuance regarding the liability certificates of the relevant series.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. (Cont.)

J. Additional terms of the liability certificates (Cont.)

The original risk margin is as follows:

Series G - 1.35%;
Series I - 1.83%;
Series J - 1.76%;
Series K - 1.69%;
Series L - 1.52%;

B. The minimum amount required to perform an early redemption, with respect to each series of liability certificates, is NIS 25 million par value of liability certificates of the relevant series, except for Series K and L, in which this amount is NIS 1 million par value of bonds.

C. A condition for early redemption is:

(1) with respect to Series G, I and J, receipt of advance approval from the Commissioner, in accordance with the conditions which will be determined. In the event that the equity of Clal Insurance, after the early redemption, exceeds 120% of the minimum capital required of it under the Capital Regulations. See section J(3) below.
(2) With respect to Series K and Series L, receipt of advance approval from the Commissioner, in accordance with the conditions which will be determined. In general, early redemption will be possible if the economic equity of Clal Insurance, after the early redemption, exceeds the solvency capital requirement (SCR), as this term is defined in the economic solvency regime circular.
(3) Additionally, early redemption is possible with respect to all of the series even if, in parallel, the Company issues an equity instrument of identical or superior quality;

2. Deferral of principal and/or interest payments in case of suspending circumstances

Upon fulfillment of any of the suspending circumstances described below, the principal payment and/or interest payments with respect to the liability certificates, as relevant, will be deferred:

A. With regard to the deferral of interest payments only - a lack of distributable earnings by Clal Insurance, as defined in the Companies Law, according to the last financial statements (annual or quarterly) prior to the relevant repayment date.

With respect to the deferral of principal and/or interest payments:

B. With respect to Series G, I and J, the recognized capital amount of Clal Insurance has decreased below the minimum capital required of it (see section J(3) below), in accordance with the most recent financial statements (annual or quarterly) which were published before the relevant principal and/or interest repayment date, insofar as Clal Insurance has not performed a capital supplementation as of the publication date of the report (as this term is defined in the Commissioner’s directive regarding “Composition of an insurer’s recognized capital” from August 2011).

With respect to Series K and L, in accordance with the last financial statements of Clal Insurance which were published prior to the payment date, the equity of Clal Insurance is lower than its capital requirement for suspending circumstances, as this term is defined in the economic solvency regime circular, and Clal Insurance has not performed a capital supplementation (as this term is defined in the economic solvency regime circular) as of the publication date of the financial statements.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. (Cont.)

J. Additional terms of the liability certificates (Cont.)

C. The Board of Directors of Clal Insurance instructs a deferral of the principal and/or interest payment in the event that it finds that a near and present concern has arisen with regard to Clal Insurance's ability to meet its capital requirement (as stated in section B above, as applicable), or to repay, on time, liabilities whose priority rating is higher than that of the liability certificates, provided that advance approval for such action has been received from the Insurance Commissioner.

D. With respect to Series G, I and J - The Commissioner instructed a deferral of the principal and/or interest payment, due to significant harm to the recognized capital of Clal Insurance, or in the event that he observes real and near concern regarding Clal Insurance's ability to meet its capital requirement.

With respect to Series K and L - The Commissioner orders the deferral of the interest and/or principal payment, if he believes that it would have an adverse effect on the solvency ratio, or that there is a near and present concern regarding the ability of Clal Insurance to fulfill the solvency capital requirement (as this term is defined in the economic solvency regime circular).

E. Principal and/or interest amounts which have been deferred, as stated above, will accrue linkage differentials, insofar as the original principal is linked, beginning from the date of the deferral until the date of actual payment, according to the known index on the actual payment date, as well as interest beginning from the date of the deferral until the actual payment date,

According to the interest rate specified in the terms of the liability certificates, on the date of the deferral.

3. The Commissioner's position regarding "definition of recognized capital and required capital in hybrid equity instruments"

In light of the entry into effect of the economic solvency regime (see Note 16(e) above), in March 2018, the Capital Market Authority published a position according to which the appropriate interpretation for the terms "required capital" and "recognized capital", which exist in hybrid equity instruments which were issued by insurance companies which received the Commissioner's approval to audit the implementation of the economy solvency regime, with respect to suspending circumstances, will be as follows:

The term "required capital" (including similar terms) will be interpreted in accordance with the definition of the term "minimum capital requirement", in its upper limit (45% of SCR), and calculated without the provisions during the distribution period, and the term "equity" (including similar terms) will be interpreted in accordance with the definition of the term "equity" in the economic solvency regime.

In light of the foregoing, the relevant provisions of the liability certificates which were issued, until the date of entry into effect of the economic solvency regime (G, I and J), will be interpreted in accordance with the aforementioned position paper.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

1. (Cont.)

K. In accordance with the amendment to the agreement between Clalbit Finance and Clal Insurance dated August 2019 (hereinafter: the "**Amendment to the Agreement**"):

1. The deposits which will be deposited in Clal Insurance out of the consideration from issuances of liability certificates and/or warrants for liability certificates (including from the exercise of such warrants), which will be issued after the amendment date of the agreement, and which will be considered as Tier 2 capital of Clal Insurance, and the undertaking of Clal Insurance to comply with the terms of the aforementioned liability certificates, will have the following status:

   - The same status as Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital instruments which were issued by Clal Insurance and/or Clalbit Finance until the date of the amendment to the agreement.
   - An equal status to that of the components and instruments which will be included in the Tier 2 capital of Clal Insurance, which will be issued by Clal Insurance and/or Clalbit Finance, beginning from the date of the amendment to the agreement.
   - A status higher than the components and instruments which will be included in the Tier 1 capital of Clal Insurance, which will be issued by Clal Insurance and/or Clalbit Finance.
   - A status lower than the remaining liabilities of Clal Insurance towards its creditors.

2. The deposits which were deposited in Clal Insurance out of the consideration from issuances of liability certificates which were recognized as Tier 2 hybrid capital of Clal Insurance, and the undertaking of Clal Insurance to comply with the terms of the aforementioned liability certificates, have the same status as the deferred liability notes which were issued by Clal Insurance and/or Clalbit Finance as Tier 2 subordinated capital, Tier 2 hybrid capital and Tier 3 hybrid capital; and a lower status than the remaining liabilities of Clal Insurance towards its creditors.

2. The balance of the liability certificates is after deducting issuance costs in the amount of NIS 23 million, which are amortized using the effective interest method.

3. In October 2020 Clal Insurance issued to Clal Holdings a capital note which constitutes an additional Tier 1 capital instrument, in accordance with the economic solvency regime, in the amount of NIS 450 million, linked to the consumer price index and bearing annual interest at a rate of 4.53%, which will be paid to the owner of the capital note (Clal Holdings) in annual payments, on October 31 of each of the years from 2021 until the final repayment date of the capital note. The amount of the capital note is repayable (principal only) in a single payment, to be paid after 49 years, unless the Company has exercised its right to redeem the amount of the capital note through early redemption, as specified below.

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

3. (Cont.)

Additional terms of the capital note

A. Right to early redemption

The Company will be entitled to redeem the amount of the capital note through full or partial early redemption, at any time beginning on October 31, 2030, provided that it has received advance approval from the Commissioner.

B. Deferral of principal and/or interest payments in case of suspending circumstances

The Company will be entitled to cancel the interest payment and to postpone the payment amount of the capital note (principal), without derogating from the Company's right to pay other payments, with a higher level of priority, in the following cases ("Suspending Circumstances"):

A. Regarding the interest payment, in accordance with the Company's last financial statements which was published before the payment date, the Company has no distributable profits.
B. In accordance with the Company's last financial statements which was published before the payment date, the Company's recognized equity is lower than its SCR;
C. The Company's Board of Directors has ordered the non-payment of interest, or the deferral of payment of the capital note's amount (principal), if it has seen a near and present concern regarding the Company's ability to fulfill the SCR, or to repay on time liabilities with a higher priority than this capital note, provided that it has received the Commissioner's advance approval for this purpose;
D. The Commissioner has ordered the non-payment of interest or the deferral of the amount of the capital note (principal) if he believes that it would have an adverse effect on the solvency ratio, or that there is a near and present concern regarding the Company's ability to fulfill the SCR.

C. Conversion of the amount of the capital note (principal) into ordinary Company shares

1. The remaining amount of the capital note (principal) will be converted into ordinary Company shares in any of the following cases (the "Determining Event"):

   A. In accordance with the financial statements before the last financial statements which were published by the Company, the Company's equity is lower than the SCR, and the Company has not performed a capital supplementation as of the publication date of its last financial report; or
   B. In accordance with the last financial report, which was published by the Company, the Company's economic solvency ratio is lower than 75%, and the Company has not performed a capital supplementation as of the publication date of its last published financial report; or
   C. In the opinion or review report which was attached to the last financial report which was published by the Company before the payment date of the capital note amount (principal), the Company's auditor called attention to notes describing significant doubts regarding the Company's continued existence as a going concern.

2. Notwithstanding the foregoing, in case of a determining event, the Company will be entitled, in its exclusive discretion, to decide to write off the amount of the capital note (principal) (instead of converting the amount of the capital note (principal) into Company shares).

Note 25: Financial Liabilities (Cont.)

B. Deferred liability notes (Cont.)

4. Repayment dates

Presented below are the contractual repayment dates of the deferred liability notes: *)

NIS in thousands	December 31 2022	December 31 (** 2021
First year	**282,132**	263,672
Second year	**959,854**	267,986
Third year	**457,413**	959,854
Fourth year	**-**	434,477
Fifth year and thereafter	**2,969,819**	2,371,049
	4,669,218	4,297,038
After deducting the balance of deferred issuance costs, the balance of deduction, and adding the balance of premium	**(121,198)**	(17,287)
Total	**4,548,020**	4,279,751

*) Assuming early redemption, see section B(1)(j)(1) above.
**) Reclassified.

5. Movement in liabilities from financing activities

	Liability certificates	Loans	Total Liability certificates	interest payable with respect to Deferred liability notes and loans	Total
Balance as of January 1, 2021	3,949,471	111,938	4,061,409	33,572	4,094,981
Changes due to cash flows from financing activities					
Consideration from issue of deferred liability notes	400,000	-	400,000	-	400,000
Repayment and exchange of deferred liability notes	(86,519)	(111,938)	(198,457)	(2,506)	(200,963)
Issuance costs	(6,625)	-	(6,625)	-	(6,625)
Interest paid	-	-	-	(119,540)	(119,540)
Total cash from financing activities	306,856	(111,938)	194,918	(122,046)	72,872
Effect of changes in index	20,528	-	20,528	-	20,528
Changes to the effective interest rate	2,896	-	2,896	125,836	128,732
Balance as of December 31, 2021	**4,279,751**	**-**	**4,279,751**	**37,362**	**4,317,113**
Changes due to cash flows from financing activities					
Consideration from issue of deferred liability notes	**495,183**	**-**	**495,183**	**-**	**495,183**
Repayment of deferred liability notes	**(263,672)**	**-**	**(263,672)**	**-**	**(263,672)**
Issuance costs	**(6,630)**	**-**	**(6,630)**	**-**	**(6,630)**
Interest paid	**-**	**-**	**-**	**(120,574)**	**(120,574)**
Total cash from financing activities	**224,881**	**-**	**224,881**	**(120,574)**	**104,307**
Effect of changes in index	**37,080**	**-**	**37,080**	**-**	**37,080**
Changes to the effective interest rate	**6,308**		**6,308**	**131,484**	**137,792**
Balance as of December 31, 2022	**4,548,020**	**-**	**4,548,020**	**48,272**	**4,596,292**

Note 25: Financial Liabilities (Cont.)

C. Shelf prospectus of the Company and of Clalbit Finance

For details regarding the Company's shelf prospectus. see Note 16(d).
In July 2022, the Company and Clalbit Finance published shelf prospectuses. The Company's shelf prospectuses allow it, *inter alia*, to issue ordinary company shares, preferred shares, bonds (including by way of extension of the companies' existing bond series, if issued), bonds convertible into Company shares, warrants exercisable into Company shares, and warrants exercisable into bonds or into bonds exercisable into Company shares, marketable securities, and any other security which by law may be issued by virtue of the shelf prospectuses on the relevant date. The shelf prospectus in Clalbit Finance allows the Company, *inter alia*, to issue bonds (including by way of extension of the companies' existing bond series, insofar as any will be issued).

D. After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report dated February 9, 2023, which was published by virtue of the Company's shelf prospectus. The issuance costs amounted to a total of approximately NIS 3 million. The net issuance proceeds amounted to approximately NIS 397 million. Presented below are the details of the bonds:

	Bond type	Linkage terms	Interest type	Annual stated interest rate %	Marketable/non-marketable	Par value	Original amount issued	Repayment date
Bonds (Series A)[6]	Straight	Unlinked	Fixed	4.7	Marketable	1,000	249,100	Feb-28
Bonds (Series B)[6]	Convertible bonds	Unlinked	Fixed	2.8	Marketable	1,006	150,900	**Feb-28**
Total bonds							400,000	

E. Rating

Presented below are details regarding the ratings of the Company and the Group's member companies, as well as liability certificates which were issued by them, as of the publication date of the report, and changes during the reporting period:

Rating company	Company name	Rating		Outlook	Date of last update	Date of last ratification
Maalot	Clal Insurance	(IFS)[1] Debt rating - Liability certificates in Tier 2 capital	(AA+) (AA-)	Stable Stable	Jul-22 [2)]	Jul-22 [2)]
Midroog	Clal Insurance	(IFS)[1] Debt rating - Liability certificates in Tier 2 capital	Aa1(hyb) Aa3(hyb)	Stable Stable	Jul-22 [3)]	Jul-22 [3)]
Moody's international rating company	Clal Credit Insurance	(IFSR)	A3	Stable	Mar-22 [4)]	Mar-22 [4)]

1) Financial stability rating of an insurer.
2) In July 2022, Maalot continued the ratings and outlook presented in the above table. In September 2022, Maalot determined the same rating and forecast for the extension of the liability certificates (Series L).
3) In July 2022, Midroog continued the ratings and outlook presented in the above table. In September 2022, Maalot determined the same rating and forecast for the extension of the liability certificates (Series L).
4) Clal Credit Insurance is rated A3 (IFSR) by the international rating company Moody's. In March 2020, the international company's rating became public. In January 2022, the rating was ratified.

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[6] The Company accepted, with respect to the bonds (Series A-B), restrictions pertaining to the dividend distribution, and also undertook to fulfill various financial covenants in accordance with the terms specified in the shelf offering report. For additional details, see the bonds (Series A-B) above.

5) After the reporting date, in January and February 2023, Maalot announced a rating of (AA-), stable rating outlook, for the Company and for the bonds it has issued, up to a total of NIS 400 million. See section C above.

Note 25: Financial Liabilities (Cont.)

F. Fair value of liabilities with respect to derivative financial instruments and short sales

1) Fair value measurement

The fair value of the financial liabilities was determined with reference to their quoted closing asking price, as of the reporting date. In the event that no quoted price exists, the fair value is measured using a valuation technique which includes the discounted future cash flow method with respect to the principal and interest components, which are discounted using market interest rates for similar liabilities as of the calculation date, which are determined by a company supplying interest rate quotes. For additional details, see Note 14(f).

2) Fair value hierarchy

The following table presents the financial liabilities distributed by levels in the fair value hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) above.

	As of December 31, 2022		
NIS in thousands	Level 1	Level 2	Total
Derivatives	**12,853**	**2,452,074**	**2,464,927**
Repo undertaking	**-**	**1,118,149**	**1,118,149**
Total	**12,853**	**3,570,223**	**3,583,076**

	As of December 31, 2021		
NIS in thousands	Level 1	Level 2	Total
Derivatives	15,980	213,275	229,255
Repo undertaking	-	1,257,145	1,257,145
Total	15,980	1,470,420	1,486,400

G. Additional information regarding derivatives

Presented below is the total net exposure to the underlying asset, according to the delta terms of the transaction in derivative instruments made as of the dates of the financial statements by member companies in the Group which are insurance companies in Israel:

	As of December 31	
NIS in thousands	2022	2021
Stocks	**3,549**	4,339
CPI	**-**	1,496,529
Foreign currency	**(5,341,322)**	2,333,470
Fixed interest	**277,943**	-

Note 26: Other Accounts Payable

Composition

NIS in thousands	As of December 31 2022	2021
Employees and other wage and salary commitments	**192,750**	241,527
Expenses payable	**133,139**	135,890
Provisions with respect to legal claims [1)]	**59,040**	82,669
Suppliers and service providers	**51,514**	57,916
Government institutions and authorities	**9,526**	8,858
Reinsurers' share in deferred acquisition costs	**110,638**	98,179
Insurance companies and insurance mediators:		
Deposits of reinsurers	**1,191,859**	1,257,445
Other accounts	**307,832**	177,612
Total insurance companies and insurance mediators	**1,499,691**	1,435,057
Insurance agents	**536,764**	494,248
Policyholders and members	**404,955**	518,695
Provision for profit sharing of policyholders	**50,933**	57,992
Interest payable with respect to deferred liability notes	**48,270**	37,359
Prepaid premiums	**64,446**	63,932
Payables with respect to collateral for non-marketable futures contracts	**8,516**	864,202
Payables with respect to acquisition of securities	**34,919**	113,497
Investee companies accounted by the equity method	**13,138**	12,846
Other accounts payable [2)]	**301,496**	15,944
Total other accounts payable	**3,519,735**	4,238,811

1) Movement in the provisions with respect to legal claims

NIS in thousands	For the year ended December 31 2022	2021
Balance as of January 1	**82,669**	61,356
Provisions realized during the year	**(3,874)**	(38,943)
Provisions created during the year	**4,645**	60,256
Classification under actuarial reserves	**(24,400)**	-
Balance as of December 31	**59,040**	82,669

2) The increase was mostly due to liability certificates (Series H), which were repaid on January 1, 2023. See Note 25 above.

Note 27: Leases

A. Leases in which the Group is the lessee

1. Disclosure regarding right-of-use assets

NIS in thousands	Buildings	Sites	Vehicles	Total
Cost				
Impact of the initial adoption as of January 1, 2021	516,606	23,131	54,379	594,116
Additions to right-of-use assets with respect to leases new leases during the period	-	-	28,146	28,146
Updates to right-of-use assets with respect to linkage to the index	12,532	401	671	13,604
Initial consolidation	2,631	-	1,191	3,822
Write-offs	(2,631)	-	(18,446)	(21,077)
Balance as of December 31, 2021	529,138	23,532	65,941	618,611
Additions to right-of-use assets with respect to leases new leases during the period	**-**	**-**	**24,924**	**24,924**
Updates to right-of-use assets with respect to linkage to the index	**26,811**	**925**	**1,774**	**29,510**
Write-offs	**-**	**-**	**(22,790)**	**(22,790)**
Balance as of December 31, 2022	**555,949**	**24,457**	**69,849**	**650,255**
Accumulated depreciation				
Balance as of January 1, 2021	61,954	4,021	26,098	92,073
Initial consolidation	1,438	-	837	2,275
Amortization for the period	31,602	2,016	22,243	55,861
Write-offs from right-of-use assets	(1,867)	-	(17,419)	(19,286)
Balance as of December 31, 2021	93,127	6,037	31,759	130,923
Amortization for the period	**31,262**	**2,019**	**22,893**	**56,174**
Write-offs from right-of-use assets	**-**	**-**	**(20,032)**	**(20,032)**
Balance as of December 31, 2022	**124,389**	**8,056**	**34,620**	**167,065**
Balance of amortized cost as of December 31, 2021	436,011	17,495	34,182	487,688
Balance of amortized cost as of December 31, 2022	431,560	16,401	35,229	483,190

2. Disclosure regarding lease liabilities

NIS in thousands	Buildings	Sites	Vehicles	Total
Balance as of January 1, 2021	530,643	21,699	28,225	580,567
Additions to new lease liabilities during the period	-	-	28,146	28,146
Initial consolidation	1,091	-	859	1,950
Updates to lease liabilities with respect to linkage to the index	12,532	401	671	13,604
Financing expenses	18,767	638	482	19,887
Payment of lease liability	(31,083)	(2,447)	(23,324)	(56,854)
Write-offs of lease liabilities	(1,091)	-	(1,016)	(2,107)
Balance as of December 31, 2021	530,859	20,291	34,043	585,193
Additions to new lease liabilities during the period	**-**	**-**	**24,924**	**24,924**
Updates to lease liabilities with respect to linkage to the index	**26,811**	**926**	**1,759**	**29,496**
Financing expenses	**18,101**	**609**	**621**	**19,331**
Payment of lease liability	**(48,232)**	**(2,510)**	**(24,020)**	**(74,762)**
Write-offs of lease liabilities	**-**	**-**	**(2,666)**	**(2,666)**
As of December 31, 2022	**527,539**	**19,316**	**34,661**	**581,516**

Analysis of lease liability repayment dates

NIS in thousands	As of December 31, 2022	As of December 31, 2021
Up to one year	**54,004**	49,858
One to five years	**146,746**	141,506
Over five years	**380,766**	393,829
Total	**581,516**	585,193

Note 27: Leases (Cont.)

B. Leases in which the Group is the lessor

The Group leases, through operating leases, several commercial buildings and office buildings (which are classified as investment property) to external entities. The leasing agreements are for varying periods (up to approximately 38 years), and are non-terminable, in consideration of the lessees' options to renew the contracts at the end of the period.

The following are the minimum lease payments which are expected to be received with respect to lease agreements, including with respect to the optional contract renewal periods, whose disposal was considered likely as of the date of engagement in the agreement:

	As of December 31	
NIS in thousands	2022	2021
Up to one year	**287,048**	250,171
One year to five years	**953,089**	851,428
Over five years	**2,197,514**	1,686,060
Total	**3,437,651**	2,787,659
Of which, receivable future minimum lease payments attributed to properties in which the Company is the lessee under a finance lease	**931,727**	864,641

For additional information regarding leasing agreements in connection with investment property, see Note 10.

Note 28: Premiums Earned

	For the year ended December 31, 2022		
NIS in thousands	Gross	Reinsurance	Retention
Premiums in life insurance	**6,844,447**	**161,811**	**6,682,636**
Premiums in health insurance	**1,603,494**	**83,644**	**1,519,850**
Premiums in non-life insurance	**3,275,030**	**1,503,093**	**1,771,937**
Total premiums	**11,722,971**	**1,748,548**	**9,974,423**
Change in unearned premium balance and other changes *)	**(213,728)**	**(83,474)**	**(130,254)**
Total premiums earned	**11,509,243**	**1,665,074**	**9,844,169**

	For the year ended December 31, 2021		
NIS in thousands	Gross	Reinsurance	Retention
Premiums in life insurance	6,387,066	146,810	6,240,256
Premiums in health insurance	1,407,792	72,332	1,335,460
Premiums in non-life insurance	2,941,759	1,394,610	1,547,149
Total premiums	10,736,617	1,613,752	9,122,865
Change in unearned premium balance and other changes *)	(136,407)	(26,041)	(110,366)
Total premiums earned	10,600,210	1,587,711	9,012,499

	For the year ended December 31, 2020		
NIS in thousands	Gross	Reinsurance	Retention
Premiums in life insurance	5,731,150	146,775	5,584,375
Premiums in health insurance	1,292,743	65,602	1,227,141
Premiums in non-life insurance	2,592,369	1,309,193	1,283,176
Total premiums	9,616,262	1,521,570	8,094,692
Change in unearned premium balance and other changes *)	(121,962)	(55,056)	(66,906)
Total premiums earned	9,494,300	1,466,514	8,027,786

*) For details regarding changes in unearned premiums in non-life insurance, see Note 19.
There are also changes which are due to a deduction with respect to amounts deposited in the Company within the framework of a defined benefit plan for the Group's employees.

Note 29: Income (Loss) From Investments, Net, and Financing Income

NIS in thousands	For the year ended December 31 2022	2021	2020
Income (loss) from assets held against investment-linked liabilities			
Investment property	**349,028**	360,799	65,339
Financial investments			
Marketable debt assets	**(1,648,682)**	844,578	442,735
Non-marketable debt assets	**(196,388)**	465,247	81,462
Stocks	**(4,356,080)**	7,498,123	2,458,955
Other	**(634,626)**	1,933,565	872,745
Cash and cash equivalents	**177,544**	(23,699)	(20,901)
Other	**(11,763)**	289	(20,520)
Total income (loss) from assets held against investment-linked liabilities, net	**(6,320,967)**	11,078,902	3,879,815
Income (loss) from assets held against non-investment-linked liabilities, capital and others			
Income from investment property			
Revaluation of investment property	**46,682**	90,658	(17,271)
Current income with respect to investment property	**70,539**	49,626	57,858
Total income from investment property	**117,221**	140,284	40,587
Profit (loss) from financial investments, excluding interest, linkage differentials, foreign currency differences and dividends with respect to:			
Available for sale assets [(a)]	**230,823**	853,003	123,926
Assets presented at fair value through profit or loss [(b)]	**(509,130)**	195,292	44,308
Assets presented as loans and receivables [(c)]	**18,817**	33,633	11,766
Total	**(259,490)**	1,081,928	180,000
Interest income[1)] and linkage differentials from financial assets not at fair value through profit and loss	**2,266,184**	1,590,664	953,918
Interest income and linkage differentials from financial assets at fair value through profit and loss	**610**	1,295	3,025
Profit (loss) from foreign currency differences with respect to investments which are not measured at fair value through profit or loss and from other assets [2)]	**47,401**	(13,690)	(54,493)
Income from dividends	**52,441**	51,941	47,890
Total income (loss) from investments, net, and financing income	**(4,096,600)**	13,931,324	5,050,742
1) The aforementioned income includes interest with respect to impaired financial assets which are not measured at fair value through profit or loss	**1,457**	2,470	11,408

2) For details regarding foreign currency differences with respect to financial liabilities, see Note 36.

Note 29: Income (Loss) from Investments, Net, and Financing Income (Cont.)

A. Net profits from investments with respect to available for sale financial assets

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Net profit from realized securities	**392,448**	938,758	344,942
Net impairment charged to profit and loss	**(161,625)**	(85,755)	(221,016)
Total income from investments with respect to available for sale financial assets	**230,823**	853,003	123,926

B. Income (loss) from investments with respect to assets presented at fair value through profit and loss

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Net changes in fair value, including profit from disposal			
With respect to assets designated upon initial recognition	**36,819**	(21,241)	(49,402)
With respect to assets held for trading	**(545,949)**	216,533	93,710
Total income (loss) from investments with respect to assets presented at fair value through profit and loss	**(509,130)**	195,292	44,308

C. Income (loss) from investments with respect to assets presented as loans and receivables

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Income (loss) from disposal of assets presented as loans and receivables	**15,553**	33,150	15,465
Reversal of impairment (impairment) charged to profit and loss	**3,264**	483	(3,699)
Total gains from investments with respect to assets presented as loans and receivables	**18,817**	33,633	11,766

Note 30: Income from Management Fees

NIS in thousands	For the year ended December 31 2022	2021	2020
Management fees in the pension and provident fund branches	**592,570**	514,061	456,489
Variable management fees with respect to life insurance contracts	**- *)**	688,619	304,866
Fixed management fees with respect to life insurance contracts	**518,539**	520,000	456,746
Management fees with respect to investment contracts	**86,652**	52,806	28,580
Total income from management fees	**1,197,761**	1,775,486	1,246,681

*) As of the reporting date, an obligation arose for Clal Insurance towards policyholders, not to collect variable management fees in the portfolio of profit-sharing policies in life insurance in the amount of approximately NIS 753 million. Until it has achieved investment gains in that amount in the above portfolio, Clal Insurance will not collect variable management fees in that portfolio.

Note 31: Income from Commissions

NIS in thousands	For the year ended December 31 2022	2021	2020
Insurance agency commissions	**111,110**	87,627	64,741
Reinsurance commissions, less change in deferred acquisition costs with respect to reinsurance	**271,896**	249,196	246,527
Total income from commissions	**383,006**	336,823	311,268

Note 32: Payments and Changes in Liabilities with Respect to Insurance Contracts and Investment Contracts on Retention

NIS in thousands	For the year ended December 31 2022	2021	2020
Total payments and change in liabilities on retention with respect to insurance contracts and investment contracts in long term savings			
With respect to life insurance contracts			
Paid and outstanding claims			
Death, disability and other events	**785,153**	853,832	747,332
Less reinsurance	**(89,486)**	(98,791)	(90,140)
	695,667	755,041	657,192
Redeemed policies	**4,382,082**	3,775,009	3,036,063
Expired policies	**121,147**	89,429	102,632
Retirement	**845,536**	724,591	597,066
Claim settlement costs	**72,037**	73,773	57,280
Total claims	**6,116,469**	5,417,843	4,450,233
Increase (decrease) in liabilities with respect to life insurance contracts (excluding changes in contingencies) on retention	**(3,691,312)**	11,844,352	5,025,818
Increase in liabilities with respect to life insurance investment contracts due to the yield component	**(794,342)**	705,038	157,974
Increase in liabilities with respect to a contract for the management of a guaranteed return provident fund	**249,158**	183,961	113,061
Total payments and change in liabilities on retention with respect to insurance contracts and investment contracts in long term savings	**1,879,973**	18,151,194	9,747,086
Total payments and change in liabilities with respect to non-life insurance contracts			
Gross	**2,013,150**	2,777,631	1,500,422
Reinsurance	**(793,156)**	(1,626,363)	(721,604)
On retention	**1,219,994**	1,151,268	778,818
Total payments and change in liabilities with respect to health insurance contracts			
Gross	**746,229**	1,049,595	619,989
Reinsurance	**(105,174)**	(79,119)	(130,345)
On retention	**641,055**	970,476	489,644
Total payments and change in liabilities with respect to insurance contracts and investment contracts on retention	**3,741,022**	20,272,938	11,015,548

Note 33: Commissions, Marketing Expenses and Other Acquisition Costs

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Acquisition costs:			
Acquisition fees	**965,668**	836,695	642,249
Other acquisition costs	**554,970**	531,700	516,311
Change in deferred acquisition costs	**(260,490)**	(194,394)	24,560
Total acquisition costs	**1,260,148**	1,174,001	1,183,120
Other current fees	**709,435**	623,540	561,033
Other marketing expenses	**226,394**	210,806	187,136
Total commissions, marketing expenses and other acquisition costs	**2,195,977**	2,008,347	1,931,289

Note 34: General and Administrative Expenses

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Payroll and associated expenses 2)	**1,148,472**	1,175,092	1,109,731
Depreciation and amortization	**314,146**	317,330	315,873
Office maintenance and telecommunication	**73,277**	71,662	74,430
Marketing and advertising	**45,156**	47,736	41,142
Legal and professional consulting	**53,608**	42,449	39,885
Operating expenses of provident funds in banks	**11,753**	10,592	9,611
Others 3)	**257,586**	232,206	211,990
Total 1)	**1,903,998**	1,897,067	1,802,662
Less:			
Amounts classified under the item for liabilities and payments with respect to insurance contracts	**181,376**	181,461	165,312
Amounts classified under the item for commissions, marketing expenses and other acquisition costs	**781,364**	742,506	703,447
General and administrative expenses	**941,258**	973,100	933,903
1) General and administrative expenses include expenses with respect to automation in the amount of	**489,895**	475,908	463,117

2. Payroll and associated expenses include share-based payment. For additional details regarding see Note 40. For additional details regarding provisions with respect to employee benefits, including bonuses with respect to the fulfillment of targets and the implications of a collective agreement, see Note 24(d).
3. The amount was primarily due to automation expenses which are not depreciation and amortization.

Note 35: Other Expenses

	For the year ended December 31		
NIS in thousands	2022	2021	2020
Amortization of intangible assets (Note 6 above)	**8,307**	6,856	3,986
Provision for claims	**(677)**	425	447
Onerous contract	-	(422)	(83)
Clearing fees	**9,720**	3,553	4,700
Others	**285**	150	12
Total other expenses	**17,635**	10,562	9,062

Note 36: Financing Expenses

NIS in thousands	For the year ended December 31 2022	2021	2020
Interest expenses and linkage differentials with respect to deferred liability notes	**174,873**	(* 166,313	123,943
Interest expenses to reinsurers	**18,547**	49,571	17,444
Foreign currency differences, net, with respect to liabilities 1) 2)	**20,043**	(5,303)	(6,367)
Financing expenses with respect to leases 3)	**19,331**	19,887	19,285
Commissions and other financing costs	**1,789**	1,374	394
Total financing expenses	**234,583**	231,842	154,699

*) In 2021, the expenses include a prepayment penalty in the amount of approximately NIS 17 million, see Note 25 above.
1) Primarily due to foreign currency differences with respect to the settling of accounts vis-à-vis reinsurers.
2) For details regarding foreign currency differences with respect to financial investments, see Note 29 above.
3) See Note 27 above.

Note 37: Earnings Per Share

A. Earnings attributable to holders of ordinary shares of the Company (basic and diluted)

In thousands	For the year ended December 31 2022	2021	2020
Earnings (loss) attributed to holders of ordinary shares	**120,528**	1,081,773	438,676

B. Weighted average of the number of ordinary shares (basic)

In thousands	For the year ended December 31 2022	2021	2020
	Shares of NIS 1 par value		
Balance as of January 1	**67,649,151**	67,644,867	67,644,867
Impact of shares which were issued during the year 1)	**6,146,523**	-	-
Impact of warrants exercised into shares	**557**	543	-
Weighted average of the number of ordinary shares used to calculate basic earnings (loss) per share	**73,796,231**	67,645,410	67,644,867

C. Weighted average of the number of ordinary shares (diluted) 2)

NIS in thousands	For the year ended December 31 2022	2021	2020
	Shares of NIS 1 par value		
Weighted average of the number of ordinary shares used to calculate basic earnings per share	**73,796,231**	67,645,410	67,644,867
Impact of shares which were issued during the year 1)	**264,177**	-	-
Impact of share warrants	**266,961**	97,236	-
Weighted average of the number of ordinary shares used to calculate diluted earnings (loss) per share	**74,327,369**	67,742,646	67,644,867

1) For additional details regarding the Company's issuance of shares during the reporting period, see Note 16 above.
2) The average market value of the Company's stock, for the purpose of calculating the dilution effect of warrants based on quoted market prices for the period when the warrants were outstanding.

Note 38: Risk Management

A. General

The Group's activities expose it to the following primary risks: market risks, liquidity risks, insurance risks, credit risks and operational risks.

This note provides information with regard to the Group's exposure to these risks, and regarding the Group's goals, policies and procedures with regard to the measurement and management of each risk. An additional quantitative disclosure was included throughout the entire financial statements.

A1. Description of procedures and methods for the management, measurement and control of risks

The main risks to which the Company is exposed include risks which are associated with insurance operations (see section A2 below). The main principles of the financial risk management policy are determined by the appropriate organs of each of the Group's member companies, which convene from time to time. The Board of Directors receives ongoing reports and updates, and periodically holds discussions with respect to these exposures.

The risk management unit in the Group is responsible for risk management in the institutional entities in the Group, and periodically concentrates the Group's financial exposures.

The Group periodically convenes professional forums led by the CEO, which include discussions, *inter alia*, regarding risk aspects in the Group's operating segments.

The Company invests its liquid balances in short term, low risk investments.

For subsidiaries that invest in financial assets, a specific investment policy is determined that is relevant to the nature and activities of each subsidiary. This policy was determined and is supervised by the subsidiary's Board of Directors.

The Company is subject to a minimum capital requirement by virtue of the permit for control of Clal Insurance, which was issued to it by the Commissioner (for details, see Note 16(e)(3)). For details regarding the changes in the control of the Company, and the implications thereof on the control permits, see Note 1 above. The Board of Directors evaluates, from time to time, the capital cushion, which is required beyond the above minimum capital requirements, with respect to unexpected developments which may occur in capital and in the capital requirements, as a result of changes in the central risk factors to which the Group is exposed.

A2. Description of management processes and methods, and measurement of risks in the consolidated insurance companies

The risk management policy of the consolidated insurance companies in Israel, and of the investee companies held by them (hereinafter: "**Clal Insurance Group**"), which was approved by the boards of directors, is intended to ensure controlled exposure to the risks to which Clal Insurance Group is exposed, while meeting Clal Insurance Group's regulatory requirements, and maintaining its business goals and financial stability.

Risk management in the Clal Insurance Group is based on three "lines of defense":

- The business entities which are responsible for the identification, assessment, monitoring, mitigation and reporting of risks inherent in products, activities, processes and systems which are subject to their responsibility and control. This responsibility includes, *inter alia* the definition of processes, internal policies and decision making. The business entities enlist the assistance of supportive departments, including the actuarial, comptrollership, regulatory and legal consulting, reinsurance and information system departments.
- The risk management, control and enforcement unit supplements the risk management activities of the business entities, and is responsible for formulating the framework for risk management in the Group, challenging the activities of the first line, developing tools and methods of risk assessment, and assessing the total risk to which it is exposed. The risk management unit is independently engaged in the formulation of recommendations to management and Board of Directors regarding the overall risk level and capital adequacy, for the analysis and reporting of the risk exposure level, for the approval of products, analysis of business engagements which are material terms of risk, and for the implementation of the Commissioner's directives regarding risk management. As an important part of its function, the risk management unit challenges, as stated above, the identification and assessment of risks associated with the business entities, and the actions taken by them to address the risk, and helps to reinforce the ability of business entities to identify, assess, manage and control risks. The risk management unit works in cooperation with the actuarial division, the comptrollership division and the SOX department, which also constitute a part of the second line of defense.
- The internal audit unit, which uses independent means to audit and challenge the internal processes,

controls and systems which are used, *inter alia*, for risk management, and follows up on the correction of deficiencies which it identified.

Note 38: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Clal Insurance Group endeavors to implement a framework for enterprise risk management, with the aim of creating risk awareness in all of its activities, creating the ability to asses various risks, implementing risk measurement in business processes, and adjusting the total exposure to the Group's ability to bear risks over time. This includes taking actions towards building an automational and procedural infrastructure, in order to address the risks to which Clal Insurance Group is exposed, as well as the identification, mapping, assessment and quantification of material financial and insurance risks to the rights of members and policyholders and to the stability of the institutional entities in the Group, and evaluating the controls which are in place for these risks, across the entire scope of activities performed by Clal Insurance Group, and while continuously improving the tools available to quantify the various risks.

As part of the implementation of the provisions of the Solvency II-based economic solvency regime (see Note 16(e) above), Clal Insurance Group estimates the economic equity, which is required for its operations, in accordance with these provisions. As part of risk management, the Company is working to control and assess significant business operations also in terms of capital aspects and the integration of economic equity considerations into decision making processes. The Board of Directors of Clal Insurance determined a target range for the solvency ratio which the Company will aim to maintain during and after the distribution period. The Board of Directors also determined a stability ratio for the solvency ratio (for additional details, see Note 16(e)(7) above).

Clal Insurance is also evaluating its capital adequacy in relation to overall risk, including with respect to the impact of changes in risk factors on its capital adequacy from an accounting perspective. This evaluation is performed based on risk factor scenarios, and on assessments made regarding the correlations existing between them, including their impact on profit at risk, and provides Clal Insurance with an indication regarding the adequacy of accounting capital relative to the risks.

The boards of directors in the Clal Insurance Group established policies with regard to risk exposure, measurement methods used in this regard, restrictions for various risks, and control and reporting methods used for these risks, while monitoring the fulfillment of the established restrictions by means of the reports submitted to them. The Board of Directors of Clal Insurance appointed a Risk Management and Information Technology Committee in order to deepen the control over these areas. The routine monitoring and control of investment management is performed by separate Investment Committees for the nostro funds, monies managed in pension funds and provident funds, and investment-linked policies.

<u>Processes and methods for the management and measurement of various risks:</u>

1. Market and liquidity risks

The market risks in the managed portfolios of the Clal Insurance Group are managed by Canaf, the investment company of the Clal Insurance Group, under the supervision of separate Investment Committees for the various portfolios.

The Clal Insurance Group operates with respect to its investments in accordance with legal provisions and the investment policies, credit policies and risk policies set forth by the boards of directors, including in accordance with the restrictions set forth by them.

The financial risks are mitigated by maintaining distribution between investment channels, branches, issuers, and between assets in Israel and assets abroad, evaluating and analyzing the stability of the entities to which Clal Insurance Group is exposed, and their solvency prior to performance of the investment and during the investment's lifetime, evaluating the profile of the assets relative to the profile of the liabilities against which they are held, including in terms of liquidity and compliance with the exposure restrictions regarding credit risks and market risks, as determined by the boards of directors and the investment committees, from time to time.

Note 38: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

The investment committees and boards of directors monitor the exposure to the various investment channels, as well as the results of scenarios, sensitivity tests and other risk indicators, in order to ensure that the exposure to market risks corresponds to the risk appetite and restrictions of Clal Insurance Group. The calculation and analysis of risk indices and scenarios is performed by the risk management unit using a designated system. Information regarding the risk indicators and exposures, relative to the established restrictions, is presented to the Investment Committees and boards of directors on an ongoing basis, and supports the decision making and investment management processes.

These periodic analyses constitute a major tool for the quantification and management of market risk in Clal Insurance Group's asset portfolios. In parallel, routine monitoring is conducted by the investment control unit of Canaf, which manages the investments in terms of the fulfillment of the investment regulations and investment and credit policies in place for the various investment portfolios and operational controls with respect to the activity.

For details regarding the exposure to market risks, see section C below. For details regarding the exposure to liquidity risks, see section D below.

2. Insurance risks

The insurance risks are managed subject to the risk policy approved by the Board of Directors, by the business managers of the various insurance areas, *inter alia*, by determining guidelines for underwriting, receipt of business and hierarchies, as well as by transferring risks to reinsurers within the framework of contracts, or through facultative insurance, according to the retention policy approved by the Board of Directors.

The insurance risks are mitigated by distributing the insurance contracts, and are also reduced by selecting and implementing underwriting strategies and creating distribution by branches, geographical areas, risk types, coverage limits, etc.

As part of the process of launching new products, and before engaging in material transactions, a comprehensive process of identifying and evaluating the risks associated with the product or the transaction takes place, and the methods used to manage and monitor them are determined. In the event that a concern has arisen regarding a deterioration in the underwriting results which is not due to random fluctuations, in-depth tests are conducted, *inter alia*, to assess the embodied risk, and if necessary, the assessment of insurance liabilities is updated accordingly, and the underwriting policy is evaluated.

Additionally, in order to reduce the exposure to risks, Clal Insurance implements a stringent evaluation policy for claims, including ongoing evaluation of claims handling processes, and conducts investigations in order to identify cases of fraud. Clal Insurance also employs an active management policy for ongoing claims, in order to reduce the exposure to unexpected developments which may adversely affect it.

Clal Insurance Group employs a policy of limiting the exposure to catastrophic risks by stipulating maximum coverage amounts in certain contracts, and also by acquiring appropriate reinsurance coverage. One of the purposes of the underwriting policy and reinsurance policy is to restrict the exposure to catastrophes to a predetermined maximum loss amount, with reference to a given probability, based on models and/or studies, and in accordance with the risk appetite of the Clal Insurance Group, as determined by the Board of Directors.

The overall quantitative estimate of the exposure to insurance risks is performed based on the provisions of the economic solvency regime, which includes an evaluation of extreme scenarios for various risk categories, and an evaluation of overall risk, in consideration of the factors between them. The Group works to perform internal estimates based on the same methodology, and using various parameters, as needed.

The actuarial department conduct studies, exposure analyses, and periodic evaluations of risk factors, including profitability tests for the operation branches, for specific products and for collective businesses, mortality and morbidity studies, deficiency reserves and exposure to earthquakes. These analyses serve both as the basis for risk assessment, while using statistical indicators and sensitivity tests, in collaboration with the risk management unit, and as part of the system used to control insurance activities.

Note 38: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

Clal Insurance Group uses an automated system to calculate the best estimate of insurance liabilities in life insurance, health insurance and pension, and life insurance, for profitability analysis and for the performance of sensitivity tests with respect to the primary risk factors in these areas. Within this framework, the profitability of new business sold throughout the year is also evaluated.

The estimated exposure of Clal Insurance Group to earthquake risk in Israel, which is the primary catastrophic event to which it is exposed, is performed using international models, and Clal Insurance acquires protection against this risk based on this estimate. The assessment of the exposure to other catastrophic risks is primarily performed by means of internal studies.

The risk estimates are brought for review on a periodic basis to the managements and boards of directors of the insurers in the Group.

For additional details regarding insurance risks, see section E below.

3. <u>Credit risks</u>

With regard to credit risks in the investment assets, Clal Insurance Group operates in the various credit areas by means of specialized units. The boards of directors and Investment Committees of the Group's institutional entities have established a detailed credit policy which provide guidelines and restrictions regarding the credit types, credit ratings, exposure to market branches, geographical exposure, exposure to groups of borrowers and individual borrowers, to the various portfolios managed according to their characteristics, and according to the regulations which are applicable to them. This operation is supported by a procedural, organizational and automational infrastructure which is used to estimate the credit risks and to monitor and handle activities for early identification of problematic debts. A credit approval hierarchy was established in the institutional entities, in addition to ongoing reports which are submitted to senior management, to the Investment Committees, to credit committees and to the boards of directors, regarding credit exposures in the portfolios.

The work procedures include, *inter alia*, tests and analyses which are performed upon provision of credit, and routine monitoring of the composition and quality of the credit exposures, including by means of automated systems which track the exposures by various cross-sections, and against the restrictions which have been established, on the level of the individual portfolio, of the Group's various member companies, and of the Clal Insurance Group. Before engaging in material transactions, a comprehensive process of risk identification and assessment takes place, while challenging the risk management unit.

For the assessment of credit risks in certain transactions, the Clal Insurance Group also used an internal rating model which was developed by it and approved by the Commissioner.

Credit transactions in a scope exceeding the determined limit are presented for discussion and advance approval in the relevant credit committee and/or investment committee, as applicable, in accordance with the hierarchy of authorities which was determined for the approval of credit transactions.
Clal Insurance Group implements a routine process for the identification of sensitive and troubled debts, which is also evaluated by the risk management unit. The Group has a troubled debt forum, which includes a team of relevant senior position holders, which is responsible for ongoing evaluation of the debt position of institutional entities in the Group.

The investment control department in Canaf monitors the credit exposures with respect to investments performed by Canaf in the various portfolios, as well as their fulfillment of the credit policies determined for these portfolios. This monitoring is based on the individual exposure data for each borrower, including data pertaining to the group of borrowers, rating and branch classification. The control unit in Canaf applies operational controls to the credit activities as part of the activity of the organizational control unit.

Note 38: Risk Management (Cont.)

A. General (Cont.)

A2. Description of procedures and practices for the management and measurement of risks in the consolidated insurance companies (Cont.)

Processes and methods for the management and measurement of various risks: (Cont.)

In addition to the restrictions which were determined with respect to credit risk in investing activities, the Board of Directors of Clal Insurance determined restrictions with respect to the total exposure to counterparties in all of the Group's operations. The risk management unit evaluates the aggregation of the various exposures to counterparties which are due to all of the Group's activities, with the assistance of automated systems which allow monitoring of the exposures on the level of the single portfolio, on the level of the various companies in the Group, and on the level of the Clal Insurance Group, by various types of segmentation, and evaluates the fulfillment of the determined restrictions. Based on this information, the risk management unit evaluates and analyzes the exposure to counterparties, with reference to the quantitative data regarding the exposure, such as: portfolio distribution by branches and ratings, and concentration indicators which monitor changes in the portfolio's risk level.

For details regarding the exposure to credit risks, including the policy regarding exposure to reinsurers, see section F below.

4. <u>Operational risks</u>

The management and control of operational risks is implemented as part of the organizational work routine, under the responsibility of the business managers, and with the professional support of the risk management unit. The organizational system for the management and control of operational risks includes the following entities:

- The operational risks and control managers in the business units and their subordinate employees (hereinafter: "Controllers").
- The manager of the operational risks and control department in the risk management unit, and his employees.
- The "regulatory bodies", which include designated bodies specializing in specific categories of operational risks, including the supervisor of enforcement, the SOX division, the cybersecurity protection and business continuity division, and the ombudsman.

The internal audit unit also performs audits in various operating segments, which also include identification of operational risks and estimation of exposure and the effectiveness of controls.

The controllers are subordinate to the managers of the business units. Their responsibilities include identifying operational exposures in their units, and working to reduce them, while handling the adequacy of processes, with reference to a variety of aspects, including preventing embezzlement and fraud, compliance with regulations and policies, compliance with procedure, and the adequacy of financial reporting. The controllers receive professional guidance, by means of a matrix, issued by the manager of the operational risks and control unit in the risk management unit, who, as part of his position, is responsible for issuing professional instructions to the controllers, coordinating between the regulatory bodies and the controllers and challenging their activity, monitoring the findings, concentrating the overall picture, and reporting on it.

The quantitative estimate of the exposure to operational risks is also performed as part of the calculation of the solvency ratio in accordance with the provisions of the economic solvency regime.

The risk management policy which determined by the boards of directors in the Clal Insurance Group also addresses the management of operational risks. Additionally, a specific policy was determined for various categories of operational risks, including prevention of embezzlement and fraud, cybersecurity risks, business continuity, outsourcing and compliance, including with respect to the regulatory requirements on these subjects.

Note 38: Risk Management (Cont.)

A. General (Cont.)

A3. Control of risks

Clal Insurance Group considers effective control an important component of its risk management system.
As described extensively above, the Group operates an organizational monitoring unit. This unit is responsible for implementing control over the entire array of aspects involving the operations of the Clal Insurance Group, including control of risks of various types.

Additionally, the independent activity of the risk management unit, actuarial unit, comptrollership unit and SOX unit provide an additional layer of control over risks.

In particular, the risk management unit quantifies, monitors and controls the overall exposure to risks in the activities of Clal Insurance Group, and implements controls of financial and insurance risks, including control of its fulfillment of the restrictions regarding market risks in the nostro activities of Clal Insurance Group, in restrictions on the exposure to reinsurers, and in restrictions on the exposure to counterparties, which were determined in the policy regarding risk management and monitoring of risks in members' portfolios. The risk management unit also assesses the quality of risk identification and assessment, with reference to certain transactions which are performed in Canaf.

The Company's Internal Auditor also conducts periodic reviews which are based, *inter alia*, on risk surveys.

B. Legal requirements for institutional entities

Institutional entities are legally obliged to appoint a chief risk officer, whose principal responsibilities are as follows:

- Ensuring the existence of high-quality processes to identify material insurance and financial risks inherent in assets which are held against savings of members and policyholders and in other assets of the insurance company, and inherent in the liabilities of the insurance company or pension fund, as applicable, which may materially affect the rights of members and policyholders, and the financial stability of the institutional entity.

- Quantification of exposure and estimation of the potential impact of the significant risks which were identified, in accordance with tools and criteria which will be defined by the insurer, and assessment of the methods used to manage the identified risks.

- Periodic reporting to the CEO, the Board of Directors, the Investment Committees and the credit committees regarding the risks.

- Addressing the risks which are inherent in new products, regulatory changes, entry into new investment segments and entry into transactions which, as determined by the Board of Directors, have the potential to significantly affect the business results of the institutional entity or the funds of its customers.

The Group appointed a risk manager who acts, *inter alia*, to implement the regulatory requirements in this area.

Note 38: Risk Management (Cont.)

B. Legal requirements for institutional entities (Cont.)

Various regulatory requirements regarding risk management apply to the institutional entities in the Group, of which the primary requirements include the following:

- The provisions of the consolidated circular regarding the appointment of a risk manager, as well as his authorities, functions and methods of activity.
- A requirement to establish of a risk exposure policy, exposure limits and procedures and tools for the measurement and control of risks.
- Provisions regarding the management, assessment and control of credit risks.
- Provisions regarding the management of exposure to reinsurers.
- Provisions regarding the handling of specific categories of operational risks: embezzlement and fraud, cybersecurity risks, outsourcing, compliance, prevention of money laundering and monitoring of financial reporting (SOX).

The Company is also subject to the provisions of the economic solvency regime (for additional details, see Note 16(e) above).
For details regarding legal requirements and capital management policies, see Note 16(e) above.

C. Market risks

Market risk is the risk that the reported value, fair value or future cash flows of financial assets, financial liabilities or insurance liabilities will change as a result of changes in market prices. Market risks include, *inter alia*, risks arising from changes in interest rates, stock prices, the CPI and foreign currency.

1. <u>Investment-linked contracts</u>
Most of Clal Insurance's investment-linked liabilities are liabilities with respect to contracts where the insurance benefits which the beneficiary is entitled to receive are contingent upon returns produced by certain investments of Clal Insurance, less management fees, as described below:

A. Regarding policies which were issued until 2004 - fixed management fees and variable management fees at a rate of 15% of real returns, after deducting fixed management fees.
B. Regarding policies which were issued in 2004 and thereafter - fixed management fees.

In general, with respect to those products, Clal Insurance is not directly exposed to market risks through their impact on the fair value of the investments. However, Clal Insurance is indirectly exposed to market risks through their potential impact on the variable management fees, in accordance with the volatility in returns charged to policyholders, only with regard to investment-linked policies issued until 2004, and on the total amount of the liability from which the fixed management fees of Clal Insurance are derived, with respect to all investment-linked products. Additionally, in certain conditions, exposure may be created for the Company to changes in the interest rates and in the margins which affect the discount rate which is used by the Company in the calculation of the liabilities, including the effect on the K factor and on the deferred pension liabilities (for details, see Note 38(e)). Additionally, with respect to those products, Clal Insurance has indirect exposure to changes in the consumer price index, which will affect the real returns that were achieved, and accordingly, on the variable management fees which will be collected.
In light of the above, the sensitivity tests and maturity dates of the liabilities specified in the following sections do not include investment-linked contracts, except through the effect of interest on the K factor and on the deferred pension liabilities with respect to those contracts.

The scope of liabilities in investment-linked contracts with respect to policies which were issued until 2004, as of December 31, 2022, amounted to approximately NIS 48.4 billion (last year - approximately NIS 52 billion). Any change of 1% in the scope of accrual would affect fixed management fees in the amount of approximately NIS 3 million. Any change of 1% in the real returns in that portfolio would affect variable management fees in the amount of approximately NIS 68 million.

For details regarding the non-collection of management fees during the reporting period, see Note 30.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

2. Sensitivity tests to market risks

The following is a sensitivity analysis performed with regard to the impact on the change in variables on income for the period and on comprehensive income.

The sensitivity analysis was prepared in reference to the financial assets, financial liabilities and liabilities with respect to insurance contracts and investment contracts, with reference to the relevant risk variable as of each reporting date, and assuming that all other variables remain constant. Thus, for instance, the change in interest rate includes the assumption that all other parameters remain unchanged. The sensitivity analysis does not include, as stated above, their impact on investment-linked contracts, and particularly, does not take into account the indirect effects for assets with respect to investment-linked liabilities, through their effect on the management fees which will be collected. It was also assumed that the above changes do not reflect impairment of assets presented at amortized cost, or of available for sale financial assets, and therefore, the above sensitivity analysis did not take into account impairment losses with respect to these assets. The sensitivity analysis only reflects direct impacts, without secondary impacts.

It should also be noted that the sensitivities are not necessarily linear, such that very large or small changes with regard to the changes described below are not necessarily a simple extrapolation of the impact of those changes.

As of December 31, 2022

	Interest rate		Investments in equity instruments		Rate of change in the consumer price index		Rate of change in the foreign currency exchange rate	
NIS in thousands	+1%	1%-	+10%	10%-	+1%	1%-	+10%	10%-
Profit and loss	**261,786**	(594,002)	**26,284**	**(25,937)**	**(23,199)**	**23,199**	**(254,300)**	**254,300**
Comprehensive income (equity)	**(84,108)**	(217,120)	**440,913**	**(440,566)**	**(23,199)**	**23,199**	**57,421**	**(57,421)**

As of December 31, 2021

	Interest rate		Investments in equity instruments		Rate of change in the consumer price index		Rate of change in the foreign currency exchange rate	
NIS in thousands	+1%	1%-	+10%	10%-	+1%	1%-	+10%	10%-
Profit and loss	672,743	(506,864)	25,164	(24,829)	(26,582)	26,582	(232,966)	232,966
Comprehensive income (equity)	437,233	(214,520)	415,508	(415,173)	(26,582)	26,582	45,598	(45,598)

1) The sensitivity analysis to interest changes reflects the impact of corresponding movement throughout the entire yield curve, and pertains both to fixed interest instruments, and to variable interest instruments. Relative to fixed interest instruments, the exposure is proportional to the instrument's book value. The exposure with regard to variable interest instruments is calculated in relation to the cash flow derived from the financial instrument.

   The sensitivity analyses are based on book values, rather than on economic value. Therefore, the sensitivity tests did not include taking into account, out of the assets and liabilities with direct interest rate risk and at fixed interest, the non-marketable debt assets, which are classified as loans and receivables (totaling approximately NIS 17 billion), cash and cash equivalents, reinsurance assets, liabilities with respect to insurance contracts and investment contracts, except as stated below, financial liabilities and reinsurance deposits and balances. Additionally, the rate of assets to which the interest sensitivity analysis was applied amounted to approximately 26% of total assets for non-investment-linked contracts. The rate of liabilities to which the sensitivity analysis was applied, out of the total liabilities with respect to non-investment-linked insurance contracts, amounted to approximately 0%.

   The sensitivity analysis includes the impact on the insurance liabilities, due to the low interest rate environment in which the Company has operated in recent years, which affects the amount of insurance liabilities. The impact of a 1% decrease on comprehensive income before tax is estimated as loss of approximately NIS 932 million (last year - loss of approximately NIS 763 million). The impact of a 1% increase on comprehensive income before tax is estimated as income of approximately NIS 373 million (last year - income of approximately NIS 1,030 million).

   For additional details regarding the update of insurance reserves, in light of the low interest rate environment and its impact on the discount rates during the reporting year, see section e(e1)(d) below.
2) Investments in instruments with no fixed flows, or alternatively, regarding which the Company does not have information regarding such flows, in accordance with the definition in IFRS 7, not including investments in investee companies accounted by the equity method.
3) One primary foreign currency is the US Dollar, as specified in the details regarding assets and liabilities, segmented by linkage bases, in section 4 below.
4) The sensitivity analyses performed with regard to comprehensive income also reflect the impact on income for the period.
5) The sensitivity analyses were performed with regard to income for the period after tax, and with regard to comprehensive income after tax.
6) The sensitivity tests to foreign currency, as presented above, include sensitivity with respect to non-monetary items denominated in foreign currency, in the amount of approximately NIS 4,968 million (NIS 4,212 million last year), with respect to an increase of 10% in foreign currency exchange rates, including income in the amount of approximately 23 million and comprehensive income in the amount of approximately NIS 327 million (2021: approximately NIS 17 million and approximately NIS 260 million, respectively). The primary currency in these instruments is the US Dollar.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

3. Direct interest rate risk

Direct interest rate risk is the risk that a change in market interest will cause a change in the fair value or in the cash flow arising from an asset or liability. This risk relates to assets settled in cash. The addition of the word “direct” emphasizes the fact that the change in interest rate may also affect other asset types, though not directly, such as the impact of the change in interest rate on stock prices. It is emphasized that changes in fair value are not necessarily reflected in the book value of the financial instruments (see Note 3(f)).

The following are details regarding assets and liabilities by exposure to interest rate risk:

	As of December 31, 2022		
NIS in thousands	Non-investment-linked	Investment-linked	Total
Assets with direct interest rate risk			
Marketable debt assets	**6,998,742**	**25,379,620**	**32,378,362**
Non-marketable debt assets			
HETZ bonds and treasury deposits	**16,416,546**	**119,802**	**16,536,348**
Other	**6,607,905**	**9,472,388**	**16,080,293**
Other financial investments	**554,328**	**4,729,447**	**5,283,775**
Cash and cash equivalents	**3,591,274**	**8,458,337**	**12,049,611**
Reinsurance assets	**4,188,697**	**335,411**	**4,524,108**
Total assets with direct interest rate risk	**38,357,492**	**48,495,005**	**86,852,497**
Assets without direct interest rate risk *)	**13,794,706**	**43,968,311**	**57,763,017**
Total assets	**52,152,198**	**92,463,316**	**144,615,514**
Liabilities with direct interest rate risk			
Financial liabilities	**5,879,536**	**2,251,560**	**8,131,096**
Liabilities with respect to insurance contracts and investment contracts	**33,814,469**	**89,852,889**	**123,667,358**
Others	**1,463,835**	**262,724**	**1,726,559**
Total liabilities with direct interest rate risk *)	**41,157,840**	**92,367,173**	**133,525,013**
Liabilities without direct interest rate risk	**2,936,249**	**93,619**	**3,029,868**
Capital	**8,060,633**	**-**	**8,060,633**
Total capital and liabilities	**52,154,722**	**92,460,792**	**144,615,514**
Total assets, less liabilities	**8,058,109**	**2,524**	**8,060,633**
Off-balance sheet risk	**1,190,655**	**1,022,680**	**2,213,335**

*) Assets and liabilities without direct interest rate risk - Include stocks, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as balance-sheet groups of property, plant and equipment (other accounts receivable, outstanding premiums, and current balances of insurance companies) whose average lifetime is up to one year, and therefore the interest rate risk with respect to which is relatively low.

Notes:

1) Regarding non-investment-linked life insurance - the life insurance portfolio is primarily comprised of investment-linked policies, which are primarily backed by designated (HETZ) bonds issued by the Bank of Israel throughout the entire lifetime of the policy. The Company therefore has financial coverage which overlaps with the main financial liabilities, in terms of interest and linkage over the lifetime of the policies. As of December 31, 2022 and 2021, the designated bonds covered approximately 74% and approximately 73%, respectively, of total insurance liabilities in life insurance in these plans.

2) With respect to the remaining investments of Clal Insurance, as part of its life and health insurance activities, exposure exists to the interest rates which will be in force upon the refinancing of investments the lifetime of which may be shorter than the average lifetime of the insurance liabilities. With respect to these products, including with respect to ongoing payment claims in long-term care insurance and loss of working capacity insurance, the calculation of the insurance liabilities is based on the nominal interest rate in the policy, subject to an evaluation of the discount rate in some of the pension reserves and to a liability adequacy test (LAT) which is calculated based on the risk-free interest rate curve. For additional details regarding the discount rates of insurance liabilities, see section e(e1)(d) and e(e2)(4)(a) below.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

3. Direct interest rate risk (Cont.)

	As of December 31, 2021		
NIS in thousands	Non-investment-linked	Investment-linked	Total
Assets with direct interest rate risk			
Marketable debt assets	6,469,715	24,016,563	30,486,278
Non-marketable debt assets			
HETZ bonds and treasury deposits	15,760,524	-	15,760,524
Other	6,320,438	8,676,233	14,996,671
Other financial investments	686,373	7,078,350	7,764,723
Cash and cash equivalents	4,123,919	9,992,795	14,116,714
Reinsurance assets	4,102,743	315,463	4,418,206
Total assets with direct interest rate risk	37,463,712	50,079,404	87,543,116
Assets without direct interest rate risk 1)	12,594,395	45,377,117	57,971,512
Total assets	50,058,107	95,456,521	145,514,628
Liabilities with direct interest rate risk			
Financial liabilities	5,292,021	474,130	5,766,151
Liabilities with respect to insurance contracts and investment contracts	32,775,786	93,453,683	126,229,469
Others	1,727,357	261,143	1,988,500
Total liabilities with direct interest rate risk 1)	39,795,164	94,188,956	133,984,120
Liabilities without direct interest rate risk	2,916,963	826,372	3,743,335
Capital	7,787,173	-	7,787,173
Total capital and liabilities	50,499,300	95,015,328	145,514,628
Total assets, less liabilities	7,345,980	441,193	7,787,173
Off-balance sheet risk	1,105,066	926,777	2,031,843

1) Assets and liabilities without direct interest rate risk - Including stocks, property, plant and equipment and investment property, deferred acquisition costs and intangible assets, as well as balance-sheet groups of financial assets (other accounts receivable, outstanding premiums, and current balances of insurance companies) whose average lifetime is up to one year, and therefore the interest rate risk with respect to which is relatively low.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details regarding assets and liabilities, distributed by linkage bases

As of December 31, 2022

	Israeli currency		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts 1)	Total
Intangible assets	-	-	-	-	-	-	1,240,737	-	1,240,737
Deferred tax assets	-	-	-	-	-	-	17,106	-	17,106
Deferred acquisition costs	-	-	-	-	-	-	2,450,062	5,485	2,455,547
Property, plant and equipment	-	-	-	-	-	-	191,781	-	191,781
Right-of-use asset	-	-	-	-	-	-	483,190	-	483,190
Investments in investee companies accounted by the equity method	-	-	-	-	-	-	167,641	-	167,641
Investment property for investment-linked contracts 2)	-	-	-	-	-	-	-	3,778,012	3,778,012
Other investment property	-	-	-	-	-	-	1,475,111	-	1,475,111
Reinsurance assets	9,335	4,171,591	5,117	2,576	78	-	-	335,411	4,524,108
Current tax assets	-	293,431	-	-	-	-	-	-	293,431
Other accounts receivable	132,931	100,001	398,103	4,847	-	-	61,522	2,596,347	3,293,751
Outstanding premiums	4,925	615,469	73,058	980	-	-	-	158,446	852,878
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	77,131,278	77,131,278
Other financial investments:									
Marketable debt assets	1,576,713	5,306,183	89,445	18,681	7,720	-	-	-	6,998,742
Non-marketable debt assets	2,014,673	20,787,467	78,644	27,387	116,280	-	-	-	23,024,451
Stocks	-	-	-	-	-	-	1,852,197	-	1,852,197
Other	217,857	78,188	252,363	-	1,026	430	4,236,078	-	4,785,942
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	8,458,337	8,458,337
Other cash and cash equivalents	3,202,192	-	365,987	14,068	8,293	734	-	-	3,591,274
Total assets	7,158,626	31,352,330	1,262,717	68,539	133,397	1,164	12,175,425	92,463,316	144,615,514

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.
2) See Note 38(g) below.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2022 (Cont.):

NIS in thousands	NIS		Foreign currency						
	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts [1)]	Total
Total capital	-	-	-	-	-	-	8,060,633	-	8,060,633
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	31,457	33,723,289	55,923	3,800	-	-	-	-	33,814,469
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	89,852,889	89,852,889
Deferred tax liabilities	-	-	-	-	-	-	572,506	-	572,506
Liabilities with respect to employee benefits, net	65,229	-	-	-	-	-	-	-	65,229
Other accounts payable	2,454,924	529,846	127,119	2,384	496	-	48,623	356,343	3,519,735
Lease liability	-	581,516	-	-	-	-	-	-	581,516
Current tax liabilities	-	17,441	-	-	-	-	-	-	17,441
Financial liabilities	3,837,508	1,602,011	413,498	23,087	-	3,432	-	2,251,560	8,131,096
Total liabilities	6,389,118	36,454,103	596,540	29,271	496	3,432	621,129	92,460,792	136,554,881
Total capital and liabilities	6,389,118	36,454,103	596,540	29,271	496	3,432	8,681,762	92,460,792	144,615,514
Total balance sheet exposure	769,508	(5,101,773)	666,177	173,829	(496)	(3,432)	3,493,663	2,524	-
Exposure to underlying assets via derivatives, in delta terms	3,220,327	1,574,913	(4,222,044)	(359,278)	(302,957)	(47,009)	136,048	-	-
Total exposure	3,989,835	(3,526,860)	(3,555,867)	(185,449)	(303,453)	(50,441)	3,629,711	2,524	-

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2021
Assets

	NIS		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts 1)	Total
Intangible assets	-	-	-	-	-	-	1,289,881	-	1,289,881
Deferred tax assets	-	-	-	-	-	-	14,738	-	14,738
Deferred acquisition costs	-	-	-	-	-	-	2,187,504	6,632	2,194,136
Property, plant and equipment	-	-	-	-	-	-	204,594	-	204,594
Right-of-use asset	-	-	-	-	-	-	487,688	-	487,688
Investments in investee companies accounted by the equity method	-	-	-	-	-	-	171,563	-	171,563
Investment property for investment-linked contracts 2)	-	-	-	-	-	-	-	3,140,825	3,140,825
Other investment property	-	-	-	-	-	-	1,250,884	-	1,250,884
Reinsurance assets	3,064	4,090,810	4,878	3,902	89	-	-	315,463	4,418,206
Current tax assets	-	1,359	-	-	-	-	-	-	1,359
Other accounts receivable	104,817	232,381	46,279	5,036	-	-	49,232	91,611	529,356
Outstanding premiums	3,479	514,486	66,197	455	-	-	-	163,638	748,255
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	81,745,557	81,745,557
Other financial investments:									
Marketable debt assets	1,844,476	4,535,669	75,576	13,994	-	-	-	-	6,469,715
Non-marketable debt assets	1,881,954	19,953,111	106,774	27,303	111,820	-	-	-	22,080,962
Stocks	-	-	-	-	-	-	2,073,677	-	2,073,677
Other	277,164	51,254	351,467	-	5,188	832	3,890,613	-	4,576,518
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	9,992,795	9,992,795
Other cash and cash equivalents	3,732,349	-	356,061	12,959	16,952	5,598	-	-	4,123,919
Total assets	7,847,303	29,379,070	1,007,232	63,649	134,049	6,430	11,620,374	95,456,521	145,514,628

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

2) See Note 38(g) below.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

4. Details of assets and liabilities by linkage bases (Cont.)

As of December 31, 2021 (Cont.):

Liabilities

	NIS		Foreign currency						
NIS in thousands	Unlinked	CPI-linked	USD	EUR	GBP	Other	Non-monetary items	Liabilities with respect to investment-linked contracts 1)	Total
Total capital	-	-	-	-	-	-	7,787,173	-	7,787,173
Liabilities									
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	16,566	32,719,021	34,646	5,553	-	-	-	-	32,775,786
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	93,453,683	93,453,683
Deferred tax liabilities	-	-	-	-	-	-	766,572	-	766,572
Liabilities with respect to employee benefits, net	80,007	-	-	-	-	-	-	-	80,007
Other accounts payable	1,828,878	928,000	342,071	722	140	-	51,485	1,087,515	4,238,811
Lease liability	-	585,193	-	-	-	-	-	-	585,193
Current tax liabilities	-	61,252	-	-	-	-	-	-	61,252
Financial liabilities	4,033,255	1,028,904	229,405	457	-	-	-	474,130	5,766,151
Total liabilities	5,958,706	35,322,370	606,122	6,732	140	-	818,057	95,015,328	137,727,455
Total capital and liabilities	5,958,706	35,322,370	606,122	6,732	140	-	8,605,230	95,015,328	145,514,628
Total balance sheet exposure	1,888,597	(5,943,300)	401,110	56,917	133,909	6,430	3,015,144	441,193	-
Exposure to underlying assets via derivatives, in delta terms	2,373,519	1,904,069	(3,759,364)	(203,688)	(294,182)	(57,785)	37,431	-	-
Total exposure	4,262,116	(4,039,231)	(3,358,254)	(146,771)	(160,273)	(51,355)	3,052,575	441,193	-

1) The majority of insurance contracts issued by the consolidated insurance companies in Israel are denominated in NIS, and their exposure to changes in exchange rates is immaterial. In cases where exposure to exchange rates exists, it primarily results from exposure to the USD and to the EUR.

Note 38: Risk Management (Cont.)

C. Market risks (Cont.)

5. Details regarding exposure to market branches with respect to equity instruments

	As of December 31, 2022					
NIS in thousands	Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	abroad	Total	% of total
Industry	**64,319**	**-**	**10,054**	**8,513**	**82,886**	**4%**
Construction, real estate and infrastructure	**88,192**	**53,187**	**107,313**	**419,908**	**668,600**	**36%**
Electricity and water	**69,578**	**2,338**	**6,983**	**49,260**	**128,159**	**7%**
Trading	**4,342**	**-**	**-**	**-**	**4,342**	**0%**
Telecommunications and IT services	**124,652**	**10**	**168,192**	**225,934**	**518,788**	**28%**
Banks	**212,267**	**11,024**	**-**	**7,384**	**230,675**	**13%**
Financial services	**46,092**	**5**	**16,923**	**-**	**63,020**	**3%**
Other business services	**-**	**10,210**	**-**	**3,813**	**14,023**	**1%**
Drugs and medical services	**-**	**-**	**83,046**	**58,658**	**141,704**	**8%**
Total	**609,442**	**76,774**	**392,511**	**773,470**	**1,852,197**	**100%**

	As of December 31, 2021					
NIS in thousands	Listed on the Tel Aviv 125 Index	Listed on the Yeter stock index	Non-marketable	abroad	Total	% of total
Industry	95,881	-	-	5,166	101,047	5%
Construction, real estate and infrastructure	269,005	53,480	108,815	289,803	721,103	35%
Electricity and water	20,169	13,057	6,425	27,488	67,139	3%
Trading	49,236	13,365	-	-	62,601	3%
Telecommunications and IT services	157,594	1,071	325,359	182,643	666,667	33%
Banks	237,802	23	-	22,598	260,423	13%
Financial services	14,731	7,471	-	-	22,202	1%
Other business services	1,394	1,787	-	401	3,582	0%
Drugs and medical services	8,027	5,419	74,270	44,800	132,516	7%
Total	853,839	95,673	514,869	572,899	2,037,280	100%

Note 38: Risk Management (Cont.)

D. Liquidity risks

1. General

The Company's policy is to verify the existence of the cash balances which it requires in order to service its financial liabilities, *inter alia*, through dividend distributions from investee companies.

Clal Insurance Group is exposed to risks arising from uncertainty associated with the date when it will be required to pay claims and other benefits to policyholders, relative to the total amount of funds available for this purpose at that time. It is noted that the possible need to raise sources in an unexpected manner, and within a short time, may require significant and rapid disposal of assets, and the sale of such assets at prices that may not necessarily reflect their market value.

A significant part of the insurance liabilities of Clal Insurance in the long term savings segment and the health segment is not exposed to liquidity risk, due to the characteristics of the various insurance contracts, as described below:

A. Investment-linked contracts - Under the contractual terms, the owners are entitled to receive only the value of the aforementioned investments. Therefore, if the value of the investments declines for any reason, a corresponding decline will take place in Clal Insurance's amount of liabilities. The total liabilities in these contracts as of December 31, 2022 and 2021 amounted to approximately NIS 89.9 billion and approximately NIS 93.5 billion, respectively.

B. Approximately 74% of the liabilities with respect to non-investment-linked insurance contracts and investment contracts in the life insurance branch which were issued until 1990 are backed by designated (HETZ) bonds, which are issued by the Bank of Israel. Clal Insurance is entitled to realize these bonds when the redemption of the aforementioned policies is required. The scope of HETZ bonds as of December 31, 2022 and 2021 amounted to a total of approximately NIS 14.3 billion and approximately NIS 13.6 billion, respectively.

C. Deposits with the Accountant General are held with respect to approximately 89% of the liabilities to members of the guaranteed-return provident fund "Bar A Keren Gemulim Ltd." (hereinafter: "**Bar A**"), which Bar A is entitled to withdraw upon demand for redemption of member funds. The scope of these deposits as of December 31, 2022 and 2021 amounted to a total of approximately NIS 2.2 billion.

The Group's potential liquidity risk therefore primarily arises from the Group's balance of assets held against liabilities which are non-investment-linked and which are also not designated (HETZ) bonds or deposits with the Accountant General. These assets totaled approximately NIS 27.8 billion (last year - approximately NIS 26.6 billion), and constitute approximately 19% (last year - approximately 18%) of the total assets in the statement of financial position.

Out of assets which are not held against investment-linked liabilities, a total of approximately NIS 12.6 billion (last year - approximately NIS 13.2 billion) constitutes marketable assets and balances of cash and cash equivalents.

It is noted that in accordance with the Investment Rules Regulations, the consolidated insurance companies are required to hold liquid assets against liabilities due to insurance business in an amount which will not fall below 30% of part of the minimum equity required of them. In this regard, liquid assets, as defined in the Ways of Investment Regulations include, *inter alia*, government bonds, cash and cash equivalents, corporate bonds and short term deposits with high ratings, stocks which are included in major indices, ETF's and mutual funds.

The institutional entities in Israel manage their assets and liabilities in accordance with the relevant requirements set forth in the Control Regulations, including the amendments enacted pursuant thereto.

2. Estimated maturity dates of liability amounts

The following tables present the estimated maturity dates of the Company's non-discounted insurance and financial liability amounts. Due to the fact that the amounts in question are not discounted, they do not correspond to the balances of financial and insurance liabilities in the statement of financial position.

Note 38: Risk Management (Cont.)

D. Liquidity risks

2. Estimated maturity dates of liability amounts (Cont.)

A. The estimated repayment dates of the liabilities in the long term savings segment and in the health segment were included in the tables as follows:

Savings funds - On the basis of contractual repayment dates, i.e., retirement age, without cancellation discounts, and assuming that the entire savings will continue in the capital track, and not the annuity track.
Paid retirement, paid loss of working capacity, and paid long-term care - Based on an actuarial estimate.
Outstanding claims and risk reserves - Reported under the item for "Without defined maturity date".

B. The liabilities in non-life insurance, for the purpose of this note, also include net surplus revenues - see Note 3(d)(2)(b)(4)(4.3), the unexpected deviations reserve, and the reserve for unearned premiums, and are net of deferred acquisition costs.

The estimated maturity dates of the aforementioned undertakings were included in the tables as follows:

Liabilities in statistical branches which are estimated by an actuary - are reported in the columns on the basis of an actuarial estimate which assigns an estimated date to the amount of non-discounted liabilities, based on past claims payment experience.

Insurance liabilities in non-statistical debt branches and net surplus revenues - are reported in a column without a defined repayment date.

Insurance liabilities in property and others branches, which are not statistical or on whose estimates the actuaries do not sign - are reported in the column representing a repayment period of up to 3 years.

The liabilities are exposed to reserve risks, as described in Section E below. The actuarial models are based on the assumption that the pattern of past behavior and claims will also continue in the future. The estimated flow is exposed to model risk and to parameter risk, which includes the risk that the amount that paid to settle the insurance liabilities will be different than expected.

C. The maturity dates of the financial liabilities and liabilities with respect to investment contracts were included on the basis of the contractual maturity dates. In contracts where the counterparty is entitled to choose the timing of the payment, the liability is included on the basis of the earliest date when the Company may potentially be required to pay the liability.
The repayment dates of liabilities with respect to investment contracts in Bar A were calculated based on the average abandonment rate and the redemption rate.

Liabilities in the long term savings segment and health segment *)

NIS in thousands	Up to one year **)	One year to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2022	**2,310,210**	**7,529,551**	**4,430,843**	**3,081,661**	**3,546,426**	**2,829,588**	**23,728,279**
As of December 31, 2021	2,365,947	6,818,185	3,968,857	2,782,358	3,106,036	2,974,893	22,016,276

*) Excluding liabilities with respect to investment-linked contracts.
**) The liabilities up to one year include a total of NIS 32,875 thousand (as of December 31, 2021 - approximately NIS 49,114 thousand), repayable on demand. These liabilities were classified as required for repayment in up to one year, despite the fact that the actual repayment dates may be in later years.

Liabilities with respect to insurance contracts

NIS in thousands	Up to 3 years	Over 3 years to 5 years	5 years	No defined repayment date	Total
Balance as of December 31,	**3,789,125**	**1,144,866**	**1,293,964**	**764,244**	**6,992,199**
As of December 31, 2021	3,789,125	1,144,866	1,293,964	764,244	6,992,199

Note 38: Risk Management (Cont.)

D. Liquidity risks

2. Estimated maturity dates of liability amounts (Cont.)

Financial liabilities and liabilities with respect to investment contracts

NIS in thousands	Book value	Up to one year	1 to 5 years	5 years to 10 years	10 years to 15 years	Over 15 years	No defined repayment date	Total
As of December 31, 2022								
Liabilities with respect to investment contracts	**2,440,828**	**218,101**	**698,609**	**573,110**	**357,605**	**593,403**	**-**	**2,440,828**
Liabilities with respect to investment-linked investment contracts	**11,265,717**	**-**	**-**	**-**	**-**	**-**	**11,265,717**	**11,265,717**
Deferred liability notes	**4,548,020**	**44,377**	**134,229**	**90,399**	**-**	**-**	**-**	**269,005**
Other accounts payable	**3,471,112**	**3,471,112**	**-**	**-**	**-**	**-**	**-**	**3,471,112**
Lease liability	**581,516**	**72,422**	**211,237**	**239,096**	**207,774**	**-**	**-**	**730,528**
Total	**22,307,193**	**3,806,012**	**1,044,075**	**902,605**	**565,379**	**593,403**	**11,265,717**	**18,177,190**
As of December 31, 2021								
Liabilities with respect to investment contracts	2,055,901	166,619	558,528	505,986	353,062	471,464	242	2,055,901
Liabilities with respect to investment-linked investment contracts	9,870,167	-	-	-	-	-	9,870,167	9,870,167
Deferred liability notes	4,279,751	392,510	1,960,812	2,684,844	-	-	-	5,038,166
Other accounts payable	4,187,326	4,187,326	-	-	-	-	-	4,187,326
Lease liability	585,193	68,414	206,718	226,893	207,326	35,422	-	744,772
Total	20,978,338	4,814,869	2,726,058	3,417,723	560,388	506,886	9,870,409	21,896,332

E. Insurance risks

Insurance risks include the following, *inter alia*:

Underwriting risks: The risk that erroneous costing will be used as a result of deficiencies in the underwriting process, and of the gap between the risk at the time of pricing and the determination of premium, and the actual occurrence, such that the collected premiums are not sufficient to cover future claims and expenses. The gaps may result from incidental changes in business results, and from changes in average claims costs and/or in the prevalence of claims as a result of various factors.

Reserve risks: The risk of an incorrect estimation of insurance liabilities, which may result in the actuarial reserves being insufficient to cover all of the liabilities and claims. The actuarial models which are used by the insurance companies in the Group, *inter alia*, to estimate their insurance liabilities, are mostly based on the assumption that the pattern of past behavior and claims represent what will happen in the future. The exposure of the Group's insurance companies is comprised of the following risks:

Model risk - The risk that the wrong model will be chosen for pricing and/or for the evaluation of insurance liabilities;

Parameter risk - The risk that incorrect parameters will be used, which may result in a situation wherein, *inter alia*, the amount paid to settle the insurance liabilities of Clal Insurance, or the settlement date of the insurance liabilities, is different than expected.

The total maximum expected loss in non-life insurance business operations, due to the exposure to a large single damage event or to the accumulation of damages with respect to a particularly large event, with an MPL (according to a weighted MPL of 2.05%) of approximately NIS 10 billion gross, and approximately NIS 49 million on self-retention, as of December 31, 2022 (last tear - approximately NIS 9 billion and approximately NIS 40 million, respectively).

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

For details regarding the various insurance products with respect to which insurance risk is created for the insurer, see details regarding insurance liabilities by insurance risks in Notes 5, 19, 20(a) and 21.

E1. Insurance risk in life and health insurance contracts
General

The following describes the various insurance products and the assumptions used to calculate the liabilities in respect thereto, by product type.

In general, according to instructions issued by the Commissioner, the insurance liabilities are calculated by an actuary, using generally accepted actuarial methods in Israel, and in a manner that is consistent with the previous year. The liabilities are calculated using the relevant coverage data, including the policyholder's age and gender, the insurance period, the insurance commencement date, insurance type, periodic premium and insurance amount.

A. Actuarial methods used to calculate insurance liabilities

1. Insurance plans of the "Preferred" and "Investment tracks" types

Insurance plans of the "Preferred" type and "Investment Tracks" type include an identified savings component. The basic and main reserve is equal to the cumulative savings amount, with the addition of returns under the policy terms, as follows:

- Fund linked to investment portfolio returns (investment-linked contracts).
- CPI-linked fund with the addition of fixed interest is guaranteed or credited with guaranteed returns against adjusted assets (guaranteed-return contracts).

A separate insurance liability is calculated with respect to the insurance components which are attached to these policies (loss of working capacity, death, long-term care, etc.), as described below.

2. Insurance plan of the "Traditional" type, with fixed premiums

There are insurance plans of the "Traditional" type with fixed premiums, such as the "Combined" insurance plan, etc., which combine a savings amount component, in case the policyholder remains alive at the end of the plan period, with an insurance component involving risk of death during the plan period, as well as pure savings plans (primarily loss of working capacity and long-term care) with fixed premiums.

The insurance liability with respect to these products is calculated for each coverage as a discount of cash flows with respect to expected claims, including payment upon conclusion of the period, less projected future claims. This calculation is based on the assumptions used to price the products and/or on discounts derived from claims experience, including the interest rates (hereinafter: the "**Nominal Interest**"), mortality table or morbidity table. The calculation is performed using a method known as "Net Premium Reserve", which does not include, in the projected flow of receipts, the component loaded on the premium rate to cover fees and expenses, while also not deducting the expected expenses and fees.

With respect to investment-linked insurance plans of the "Traditional" type, the reserve also includes a provision in the amount of the balance of the actual accumulated bonus. The bonus reflects the difference between the actual return less management fees, and the nominal interest rate.

3. Paid pension liabilities and liabilities to supplement annuity reserves:

Paid pension liabilities are calculated in accordance with the guidelines specified in the consolidated circular, section 5, part 2, chapter 1(c), in accordance with life expectancy, based on mortality tables which were created based on the tables which were published in 2022 (hereinafter: the "**Annuity**

Reserves Circular").

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

A. Actuarial methods used to calculate insurance liabilities (Cont.)

3. Paid pension liabilities and liabilities to supplement annuity reserves (Cont.)

Liabilities to supplement annuity reserves are calculated for policies which are in effect (paid and settled), which allow lifetime annuity payouts, and which have not yet reached the annuity realization stage, or whose policyholders who reached retirement age but have not yet begun actually receiving an annuity (the "**Policies**").

A. Calculation of the liability to supplement the annuity reserve

Liabilities to supplement annuity reserves are calculated, *inter alia*, in accordance with the probability of annuity withdrawal upon retirement (realization of eligibility for annuity), in accordance with the annuity tracks which policyholders are expected to choose, and based on life expectancy in accordance with mortality tables, which were published in the annuity reserves circular.

Insofar as the probability of annuity withdrawal is higher, the liabilities required to supplement the annuity reserve are also higher. Additionally, insofar as the difference between the updated mortality tables in the annuity reserves circular (which indicate increased life expectancy) and the mortality tables which were used to price the guaranteed annuity factors in the policies is greater, the paid pension liability and the liability to supplement annuity reserves are also higher.

From time to time, the Company conducts studies in which it evaluates the rate of policyholders who are expected to realize their eligibility to receive annuities, the mix of annuity tracks that retiring policyholders choose to receive, which were used to estimate the annuity payment period, as well as other parameters which affect the amount of the liability to supplement the annuity reserve. The realization rates and annuity tracks are adjusted to the various insurance plans and savings types.

B. Gradual provision to supplement the annuity reserve using the K factor

Additionally, in accordance with the annuity reserves circular, the provision to supplement the annuity reserve was made gradually, with respect to funds which accrued in the policies until the end of the reporting period, using the K factor, which was determined, upon the initial adoption of the annuity reserves circular, in order to secure a reserve for the payment of a full annuity in accordance with the policyholders' expected annuity withdrawal date (hereinafter: "Basic K", 0.2% for guaranteed-return policies and 0.96% for investment-linked policies).

On a quarterly basis, the Company evaluates whether the K factor results in adequate distribution of the annuity payment reserve, based on an analysis which is based on conservative financial and actuarial assumptions, indicating that the expected profitability from management fees and/or financial margin which are investments held against the reserve with respect to the policy and the premium payments for the policy, may generate future income beyond the basic K, which suffice to cover all of the expenses, and insofar as a gap exists, the reserves for supplementation of the annuity reserve are updated by updating the K factor. The greater the K factor, the lower the liability for supplementation of the annuity reserve which will be recognized in the financial statements, and the greater the amount which will be deferred and recorded in the future.

In general, the K factor which is used to distribute the reserves for supplementation of the annuity reserve will not exceed the basic K factor.

During the reporting period, the forecasted profitability from the management fees forecast and/or financial margin increased, due to the increase in the risk-free interest rate curve, which was offset by on the scope of managed assets (see section D below), the effects of the update to life expectancy (see section D(2) below), and the projected pension realization rate, in accordance with retirement age (see section D(3) below).

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

A. Actuarial methods used to calculate insurance liabilities (Cont.)

As a result, the K factor was updated, as specified in the following table:

As of December 31	2022	2021	2020
For guaranteed-return policies	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.85%**	0.66%	0.68%

The total estimated cost of the increase in life expectancy may change due to several factors, including, *inter alia*, changes in life expectancy and in the rate of policyholders who exercise their eligibility to receive annuities, change in the reasons of policyholders for choosing the annuity tracks upon retirement, increase in the savings funds of policyholders, due to future premium payments and/or an increase in investment income, and due to changes in discount interest rate assumptions, and other assumptions.
For additional details regarding the amount of the provision and the total cost, see Note 20A.

For details regarding the discount interest rate for liabilities in the supplementation of annuity reserves, see b(1) below.

4. Other life insurance plans include a pure risk products with fixed premiums (loss of working capacity, death, long term care, etc.) which are sold as independent policies or are attached to policies with a basic plan of the “preferred”, “investment tracks” or “traditional” types. An actuarial liability is calculated with respect to these plans. The calculation was performed using the net premium reserve method. In the other plans, the reserve is calculated in accordance with the amount of outstanding and IBNR claims.

5. Insurance plans for medical expenses, critical illness and personal accidents

Medical expenses insurance plans primarily include coverages for surgery abroad, and for transplants and special treatments abroad, selection of a private surgeon in private hospitals, drugs which are not included in the basket, and additional ambulatory covers.

The illness and hospitalization branch includes the following basic insurance coverages:

- Insurance coverage that provides the policyholder the right to finance private medical services. Within this framework, the insurant is given the right to choose the date of receiving the medical service, the identity of the attending physician and the medical institution. The aforementioned insurance coverage provides a refund for medical expenses or compensation, *inter alia*, in connection with surgery, transplants and/or special treatment overseas etc.
- Insurance coverage in case of diagnosis of a critical illness, in which the policyholder is entitled to receive compensation in the amount which was determined upon joining the insurance.
- Insurance coverage for purchasing medication which is not included in the national health basket.
- Additionally, it is possible to acquire additional coverage, as a rider to the policy, or as a chapter in the basic policy, such as ambulatory services (medical services given not at the time of hospitalization, including consultation with specialized physicians, tests, and physiotherapy treatments).
  The personal accidents branch is sold in the Company as an independent policy or as a rider to health policies in the illness and hospitalization branch. The insurance coverages include:
- Accidental death
- Accidental disability and/or loss/reduction of working capacity
- Fractures due to accidents
- Burns due to accidents
- Daily compensation due to hospitalization as a result of an accident
- Compensation due to long-term care situation as a result of an accident

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

With respect to these plans, which are sold as individual policies, the reserve is calculated using the gross premium reserve method, which includes the total expected flow of receipts, including all premium components, and deducts the cost of the liability, and the expected expenses and commissions, and the expected reinsurance payments (if a sub-arrangement for coverage exists). The calculation assumptions regarding parameters pertaining to morbidity assumptions, demographic assumptions and economic assumptions were made on a stringent basis as compared with the pricing basis, which is a commonly accepted practice for the pricing of reserves.

The international travel branch is comprised of a basket of insurance coverages which are intended for policyholders in connection with their time spent abroad, which includes, *inter alia*, coverage with respect to illness, personal accidents, reduction of travel period, location, extraction and cargo. The insurance period in an international travel policy is specified in days, according to the period of the policyholder's residence abroad, or for the duration of all travel days in a single calendar year.

In the international travel branch, outstanding claims are calculated based on reports submitted by the claims department of Clal Insurance, and on an actuarial valuation performed on the basis of accumulated experience in the portfolio.

Outstanding claims are calculated based on the report submitted by the claims department, and on a statistical model of claim payments based on past experience. The calculation is performed by based on the triangle methods (Bornhuetter-Ferguson, Chain Ladder) for paid claim amounts, for outstanding claims, and for claim amounts by damage months, including a discounting and confidence range for the personal accidents for students branch.

6. With respect to ongoing payment claims, in long-term care insurance and in loss of working capacity insurance, an insurance liability is calculated according to the expected payment period, and is discounted according to the product's nominal interest rate.
7. Insurance liabilities with respect to collective insurance are comprised of liabilities with respect to unearned premiums, ongoing claims reserve, outstanding claims, continuity reserve and the provision for future losses, as required. Additionally, the provision for participation in profits is presented under the item for payables, as relevant.
8. Liabilities with respect to outstanding claims in life insurance primarily include provisions for outstanding claims with respect to death and disability cases.

B. Main assumptions used to calculate insurance liabilities

1. Discount rate

A. With respect to insurance plans and pure savings products with fixed premiums, the interest rate used for discounting is as follows:

In insurance plans of the "traditional" and "preferred" types, which are non-investment-linked, and which are primarily backed by designated bonds, an official real interest rate of 3.5% to 4.8% is used.

With respect to investment-linked products which were issued in 1991 or later, an official real interest rate of 2.5% is used. Under the policy terms, changes will be charged to policyholders.

With respect to long term, non-investment-linked individual long-term care and health products, a real nominal interest rate of 2.5% is applied.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

B. With respect to paid pension liabilities and liabilities to supplement guaranteed-return annuity reserves, the discount rate was calculated for each fund separately by weighing the estimated market returns on the mix of free assets (4.25%-4.50%; last year - 2.65%-3.57%), and the HETZ bond gross interest rate for the fund. The weighting process is implemented based on the weight of free assets and the weight of HETZ bonds in the fund backing up those reserves.

with respect to liabilities for paid pensions, and the supplementation of the profit sharing annuity reserve, in accordance with the estimated market returns on the mix of assets, including with respect to the investment tracks where the funds are intended for investment (3.35% - 3.54%, last year: 3.38% - 3.54%).

The Company may decide to implement a change to the discount rate as a result changes in the risk-free interest rate and/or in the estimated rate of return in the portfolio of assets held against insurance liabilities. For details regarding the impact of the update to the interest rates which are used to discount the liabilities to supplement annuity and paid pension reserves, see section D below.

2. Mortality and morbidity rates

A. The mortality rates used to calculate insurance liabilities with respect to the mortality of policyholders before reaching retirement age (in other words, not including the mortality of policyholders receiving pension annuities, and those receiving monthly benefits with respect to loss of working capacity or long-term care) are generally identical to the rates used to determine the rate which was approved by the Commissioner.

B. The liabilities for lifetime payout annuities are calculated in accordance with mortality tables which were published by the actuary of the Ministry of Finance in the annuity reserves circular.
An increase in assumed mortality rates, due to an increase in the actual mortality rate above the current assumption level, will result in an increase in insurance liabilities with respect to policyholder mortality before retirement age, and in a reduction of liabilities for lifetime payout annuities.
It should be noted that in recent decades an opposite trend has occurred, which involved increased life expectancy and a decreased mortality rate. The mortality assumption which is used to calculate the liability annuity takes into account the assumption regarding the future increase in life expectancy.
For details regarding the impact of the update to mortality tables in 2022, see section D(2) below.

C. The morbidity rates refer to the prevalence of claim events with respect to critical illness, loss of working capacity, long-term care, surgeries and hospitalization, accidental disability, etc. These rates were determined based on the experience of Clal Insurance and/or data from reinsurer studies. In the long-term care and loss of working capacity branches, the annuity payment period used by the Company to calculate the liabilities is determined according to the experience of Clal Insurance or information obtained from reinsurer studies.
The higher the increase in the assumption regarding the morbidity rate and/or annuity payment period, the higher the insurance liability with respect to morbidity from critical illness, loss of working capacity, long-term care, surgeries and hospitalization, and accident disability.
For details regarding the impact of the prevalence update, the duration of the long-term care claims payment period, and the duration of the loss of working capacity claims payment period last year, see section d(4) below.

3. Annuity realization rates upon retirement and selection of annuity tracks upon retirement

Life insurance contracts which include a savings component, with respect to funds which were deposited until 2008, allowed two tracks for the withdrawal of funds: a capital (one time) track or an annuity-paying track with a guaranteed annuity conversion factor, which can also be chosen through different tracks (such as entire lifetime, couple, 10 year guarantee, and others). In some of the contracts, the policyholder is entitled to choose the way in which they will receive the funds upon withdrawal. Due to the fact that the amount of the insurance liability is different in each of these tracks, the Company estimates, from time to time, the annuity eligibility realization rate upon retirement, and the chosen track. Beginning in 2008, new deposits for all plans are for annuities. For details regarding the impact of the update to the annuity withdrawal rate, and the forecast of policyholder preferences upon retirement, see section D(3) below.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

B. Main assumptions used to calculate insurance liabilities (Cont.)

4. Cancellation rates

The cancellation rate affects insurance liabilities with respect to some types of health insurance, as well as lifetime payout annuities in the period prior to commencement of the payments. Insurance contract cancellations may arise due to policy cancellations initiated by Clal Insurance due to discontinuation of premium payments, or redemption of policies at the request of their owners. The assumptions regarding cancellation rates are based on the experience of Clal Insurance, and also on the product type, product lifetime and sale trends.

5. Continuity rates

Certain types of collective life insurance, health insurance and long-term care insurance allow policyholders to remain insured under the same terms, even in the event that the collective contract is not resumed. The Company has a liability with respect to this policyholder option, which is based on assumptions regarding the continuity rates of collective insurance types, and on the continuity rates of contracts with the policyholders after the termination of the collective contract. See section E1(a)7 for details regarding the actuarial methods used to calculate the aforementioned insurance liabilities.
The higher the probability that the collective contract will not be renewed (therefore meaning a higher continuity rate), the higher the insurance liability with respect to continued insurance under the previous conditions, without adjusting the underwriting to the change in the policyholder's health condition.

C. Sensitivity tests in life and health insurance

As of December 31, 2022

	Cancellation rate (redemptions, settlements and reductions)		Morbidity rate		Mortality rate		Pension realization rate	
NIS in thousands	+10%	10%-	+10%	10%-	+10%	10%-	+10%	10%-
Income (loss)	**15,115**	**(15,144)**	**(162,982)**	**72,963**	**634,164**	**(912,945)**	**(180,284)**	**180,284**

*) For the total supplementary pension reserve, see Note 20(a).

As of December 31, 2021

	Cancellation rate (redemptions, settlements and reductions)		Morbidity rate		Mortality rate		Pension realization rate	
NIS in thousands	+10%	10%-	+10%	10%-	+10%	10%-	+10%	10%-
Income (loss)	19,464	(20,536)	(305,785)	277,801	1,028,363	(1,185,058)	(176,054)	176,054

*) For the total supplementary pension reserve, see Note 20(a).

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

D. Changes in main estimates and assumptions which were used to calculate insurance liabilities

The impact of the update to the assumptions in the life and long-term care insurance branch of the financial results is specified below:

	For the year ended December 31		
NIS in millions	2022	2021	2020
Life insurance			
Change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves	505	83	144
Change in pension reserves following the decreased forecast of future income due to change in interest rate (K factor) *)	637	28	(32)
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	1,142	111	112
Change in mortality assumptions used in the calculation of paid pension liabilities and liabilities to supplement annuity reserves (see section 2)	(627)	-	-
Change in other assumptions used in the calculation of liabilities to supplement annuity reserves (see section 3)	(155)	(28)	(9)
Change in estimated period of loss of working capacity claims (see section 4(B))	-	(59)	-
Total life insurance	360	24	103
Long-term care in the health segment			
Change in actuarial assumptions in the liability adequacy test (LAT) (see section 4(a))	-	(76)	-
Financial impact in the liability adequacy test (LAT) (see section 1(A) and 4)	279	42	292
Total long-term care in the health segment	279	(34)	292
Total income (loss) before tax	639	(10)	395

* Last year, including the impact in the amount of approximately NIS 58 million, in light of the update to the method used to adjust the interest rate according to the illiquid nature of the liability (see section 1(a) below).

1. Strengthening of insurance reserves in the interest rate environment, and its effect on discount rates in life and long-term care insurance and the Commissioner's directives with respect to the liability adequacy test (LAT) The risk-free interest rate curve decreased during the reporting year.

A. The Commissioner's directives regarding the liability adequacy test (LAT)

Further to that stated in Note 3(d)1(d), the Company periodically evaluates the liability adequacy test (LAT) in accordance with the LAT circular.

With respect to non-marketable debt assets which constitute non-marketable bonds other than HETZ bonds, loans and deposits in banks, the balance of surplus (deficit) fair value in Clal Insurance Company Ltd. amounted to approximately NIS 131 million (last year: NIS 986 million). The total surplus (deficit) fair value which was attributed to the long-term care liability amounts to approximately NIS 144 million (last year: NIS 835 million); to the life insurance liability in the amount of approximately NIS (5) million (last year: NIS 13 million); and to the non-life insurance liability in the amount of approximately NIS (8) million (last year: NIS 138 million). It is clarified that, in the liability adequacy test (LAT), the Company does not address assets with a fair value deficit.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

It is noted that in the corresponding period last year, the Commissioner a LAT update was published regarding the method for estimating the illiquidity premium which is added to the risk-free interest rate, in accordance with the type of liability, for the calculation of the liability adequacy test (LAT), since a significant period has passed since determination of the current formula, as part of the preparation for the adoption of IFRS 17 (see Note 4(1) above), and in light of the accumulation of additional potential methods and indicators of attribution. In accordance with the instructions issued by the Capital Market Authority, the change is being implemented through a prospective change in accounting estimate, and resulted in the illiquidity premium as of December 31, 2021 being 0.54%, as compared with 0.26%. This update resulted in a decrease in the amount of approximately NIS 235 million, during the reporting period, of the provision with respect to the liability adequacy test (LAT) in long-term care insurance liabilities.

B. Update to insurance reserves in light of the interest rate environment

Further to that stated in section B(1) above, the discount rates which are used to calculate the liabilities to supplement the annuity and paid pension reserves may change as a result of changes in the risk-free interest rate and/or the estimated rate of return in the portfolio of assets held against insurance liabilities.

C. Investment policy with respect to managed assets against equity and insurance liabilities

From time to time, the Company's investment committee and Board of Directors approved and updated the investment policy, and the corresponding allocation of managed assets against capital and insurance liabilities in the life, health and non-life insurance segments, in consideration of the returns and lifetimes of the liabilities, and the required liquidity. An update could lead to changes to the liability adequacy test (LAT) or discount rates which are used to calculate liabilities to supplement annuity and paid pension reserves, as stated above, or as part of the implementation of the Commissioner's position in connection with best practices for calculating insurance reserves in non-life insurance, as explained below.

D. Changes in main estimates and assumptions which were used to calculate insurance liabilities

2. Change in provisions pertaining to life insurance plans combined with savings, which include "annuity factors representing a life expectancy guarantee"

In June 2022, the Commissioner published an "amendment to the provisions of the consolidated circular regarding the measurement of liabilities - update to the set of demographic assumptions in life insurance, and update to the mortality improvement model for insurance companies and for pension funds (hereinafter: the "Circular"). The circular includes an update to the default assumptions regarding mortality and mortality improvement, which will be used as the basis for the insurance companies' calculation of liabilities with respect to life insurance policies, which allow the receipt of annuities based on guaranteed conversion factors, based on updated demographic assumptions. Additionally, the managing companies of pension funds, which operate in a framework of mutual insurance, will use these assumptions to calculate the actuarial balance of the funds which they manage, and will determine accordingly the factors which are included in their regulations, beginning from future periods.

The circular addresses, *inter alia*, the changes in life expectancy, including future improvements, and the associated effects on the amount of reserves, and the methods used to create them. The circular includes expansion of the use of the new mortality table for retirees of insurance companies, which is based, *inter alia*, on the mortality experience of retirees of the insurance companies.

Further to that stated in Note 38(e)(e1)(a)3 above, the undertakings to supplement annuity reserves and paid pension reserves are calculated according to the mortality tables which are included in the annuity reserves circular, and the Company therefore increased, in the financial statements as of June 30, 2022, its estimates regarding the liabilities with respect to insurance contracts in the amount of approximately NIS 627 million, of which a total of approximately NIS 149 million with respect to the paid pension liabilities and a total of approximately NIS 478 million with respect to liabilities for supplementation of the annuity reserve, in light of the trends arising from the circular.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E1. Insurance risk in life insurance and long-term care insurance contracts (Cont.)

3. Change in other assumptions used in the calculation of liabilities to supplement annuity reserves

   Further to that stated in Note 38(e)(e1)(b)(3), regarding the periodic estimation of the annuity withdrawal rate upon retirement, during the reporting period the Company updated various assumptions, including, *inter alia*, regarding the annuity withdrawal rate upon retirement, which resulted in an increase of the reserve in the amount of approximately NIS 142 million, and the projected preferences of policyholders in the selection of annuity tracks upon retirement, which resulted in an increase of the reserve in the amount of NIS 13million, and as a result, the Company increased its estimates regarding the liabilities in the amount of approximately NIS 155 million (last year: NIS 28 million).

4. Change in actuarial assumptions in loss of working capacity and long-term care

   A. Further to that stated in Note 3(d)1(d) regarding the liability adequacy test (LAT), the assumptions which are used in the evaluation are determined by actuaries in accordance with evaluations, past experience and relevant studies. Last year, various assumptions of long-term care policies were updated, including, *inter alia*, regarding the prevalence and duration of long-term care claims, which resulted in an increase of approximately NIS 76 million in the liability.

   B. Last year the Company evaluated the duration of loss of working capacity claims, and projected an increase. In light of the above, it increased its liabilities in the amount of approximately NIS 59 million.

E2. Insurance risk in non-life insurance contracts

(1) Summary description of the main insurance branches in which the Group operates

The Group issues non-life insurance contracts primarily in the compulsory motor, liabilities, motor property and property insurance branches.

Compulsory motor insurance policies cover the policyholder and the driver for all liabilities which they may incur under the Compensation for Victims of Road Accidents Law, 1975, due to physical injury caused as a result of the use of a motor vehicle, to the vehicle driver, to passengers in the vehicle, or to pedestrians injured by the vehicle. Claims in the compulsory motor branch are characterized as “long-tail” claims, meaning that a long period of time passes from the actual occurrence of the event until the final settlement of the claim.

Liability insurance is intended to cover the policyholder’s liability for any damages which it may cause to third parties. The main types of insurance include: third party liability insurance, employers’ liability insurance and other liability insurance such as professional liability, product liability and directors and officers liability insurance. The timing of the filing and settlement of claims is affected by a number of factors, including coverage type, policy terms and legal precedents. In general, claims in the liabilities branch are characterized as “long-tail” claims, meaning that a long period of time passes from the actual occurrence of the event until the final settlement of the claim.

Insurance policies covering motor property damage and third party motor property damage grant the policyholder coverage for property damages. The coverage is generally limited to the value of the damaged vehicle and/or to the third party liability limit in the policy. The Insurance Commissioner’s approval is required for the motor property insurance rate, as well as for the entire policy. This rate is a statistical rate, and is in part also differential (not uniform to all policyholders, and adjusted for risk). The above rate is based on several parameters, including those related to the policyholder’s vehicle (such as vehicle type, production year, etc.) and those related to the policyholder’s characteristics (driver age, claims experience, etc.). The underwriting process is partly performed using the rate itself, and partly using a series of policies, which are intended to evaluate the policyholder‘s claims experience, including presentation of an approval regarding lack of claims from previous insurers during the preceding three years, presentation of an updated protection approval, etc., and are combined in an automated manner into the policy production process. In most cases, the motor property insurance policies are issued for a period of one year. Additionally, in most cases, claims with respect to these policies are settled near the date of the insurance event, and are characterized as “short tail” claims.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

The various types of property insurance are intended to give the policyholder coverage against physical damage to their property, and loss of income due to the damage to their property. The primary risks covered in property policies include risks of fire, explosion, break-in, earthquake and natural disasters. Property insurance branches sometimes include coverage for loss of income damages due to physical damage to property. Property insurance types constitute an important component of apartment insurance, business insurance, engineering insurance, cargo transportation (land, air, and sea) insurance, etc. In most cases, claims with respect to these policies are evaluated proximate to the date of the occurrence of the insurance event, and characterized as “short tail”.

(2) Principles used in the calculation of the actuarial estimate in non-life insurance

General

A. The liabilities with respect to non-life insurance contracts include the following main components: unearned premium reserve; premium deficiency; outstanding claims; and net surplus revenues, depending on the relevant branch. The provisions for unearned premiums and net surplus revenues are calculated using a method than is independent of any assumptions, and therefore they are not directly exposed to reserve risk. For details regarding the method used to calculate these provisions, see Note 3(d)(2).

B. In accordance with instructions issued by the Commissioner, outstanding claims are calculated by an actuary, using commonly accepted actuarial methods, and in a manner that is consistent with the previous year. The selection of the appropriate actuarial method for each insurance branch and for each event/underwriting year is determined based on judgment, according to the degree of correspondence between the method and the branch. At times, a combination of the various methods is employed. The estimates are primarily based on past experience of the development in claim payments and/or the development of payment amounts and individual estimates. The estimates include assumptions with regard to the average claim cost, claims handling costs and frequency of claims. Other assumptions may refer to changes in interest rates, in exchange rates and in the timing of payments. The claim payments include direct and indirect expenses for the settlement of claims, less subrogation claims and deductibles.

C. The use of actuarial methods which are based on the development of claims, is for the most part appropriate when stable and sufficient information exists regarding claim payments and/or individual estimates in order to estimate the total projected cost of claims. When the available information regarding actual claims experience is insufficient, the actuary will at times use a calculation that weighs a known approximation (in the Company and/or in the branch), such as the loss ratio, against the actual development of claims. A greater weight is given to an estimate based on claims experience as time passes, and as additional information regarding the claims is accumulated.

D. Additionally, qualitative estimates and judgments are prepared with respect to the degree to which past trends will not continue in the future. For example: due to a one-time event, internal changes such as a change in the portfolio mix, in the underwriting policy, in the claims handling policies, and with respect to the impact of external factors, such as legal ruling, legislation, etc. When changes as above are not fully reflected in past experience, the actuary updates the models and/or performs specific provisions based on statistical and/or legal estimates, as relevant.

E. In a number of large claims with non-statistical characteristics, the reserve is determined (gross and retention) based on the opinion of experts in Clal Insurance, and in accordance with the recommendations of their legal counsel.

F. The share of reinsurers in outstanding claims is estimated in consideration of the agreement type (relative / non-relative), actual claims experience and premiums transferred to reinsurers.

G. The estimate of outstanding claims for Clal Insurance’s share in the Pool, in incoming business and in joint insurances which are received from other insurance companies (leading insurers), was based on a calculation performed by the Pool or by the leading insurers, or on a separate calculation in the Company.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(3) Details of actuarial methods in the main insurance branches in non-life insurance

For the purpose of evaluating outstanding claims, use was made of the following actuarial models, in combination with the various assumptions:

A. Chain ladder- This method is based on the historical development of claims (development of payments and/or development of the payment amounts and individual claim estimates, development of claim amounts, etc.) in order to estimate the projected development of current and future claims. The use of this method is primarily appropriate after passage of a sufficient period from the event or the policy underwriting, when sufficient information exists from past claims to estimate the amount of projected claims.

B. Bornhuetter-Ferguson- This method combines an a priori estimate which is known among the consolidated insurance companies or in the branch, and an additional estimate, which is based on the claims themselves. The preliminary estimate is used in premiums and damage rates to estimate the total amount of all claims. The second estimate uses actual claims experience, based on other methods (such as Chain Ladder). The integrated claims estimate weighs both estimated figures, with a greater weight given to the estimate that is based on past claims experience as time passes, and as additional information regarding the claims is accumulated. The used of this method is for the most part suitable in cases where insufficient claims information exists, or where the business in question is new, or does not have sufficient historical information.

C. Average method - At times, similarly to the Bornhuetter-Ferguson method, when the claims experience in past periods is insufficient, use is made of the historical average method. When using this method, the cost of claims is determined based on the claim cost per policy in earlier years, and on the amount of policies in the later years. Similarly, the cost of claims is calculated based on the forecasted amount of claims (the chain ladder method) and on the historical average of claims.

D. Other - For professional illness type claims in employers' liability insurance, which are claims based on continuing damages, a provision is calculated based on projected future cost. Such claims include no specific date in which the worker was injured, and the formation of the damage is as a result of prolonged exposure to risk factors. Claims of this kind are characterized by a very long period following the exposure to the risk factors (the insurer's exposure) until reporting of the claim (long-tail claims). This pattern of the rate of reporting and of the insurer's exposure to continuing damages requires a provision for each exposure year in employers' liability insurance, even if no claims were reported, or if the policy expired many years ago.

In the motor property, comprehensive apartment and personal accidents branches, a payment development model was used for payments and gross contingencies. For periods which have not yet reached maturity, the averages method and the Bornhuetter-Ferguson method were used. The model is calculated in terms of gross claims. The estimate of the share of reinsurers, insofar as it is relevant, is done in accordance with the estimate of specific claims plus IBNR, according to the gross IBNR rate which was determined in the actuarial model.

In the compulsory motor and liabilities branches, semi-annual models were used for the development of payments, and the development of payments and contingencies. For periods which have not reached maturity, the Bornhuetter-Ferguson and/or the Expected Loss Ratio methods are used. The claims development model in the liabilities branches is based on net claims from facultative reinsurance. The estimated share of reinsurers in the non-relative contract is obtained based on an estimation of individual outstanding claims for old years, and according to the loss ratio for recent years.

In the loss of property and engineering branches, an annual development model was prepared based on payments and contingencies.

In branches for which no actuarial valuation was performed, including the branches for cargo shipping insurance, marine insurance, aviation insurance, guarantees, credit risks and incoming business, outstanding claims were included according to expert estimates, as described in Note 3(d)(2)(d), in section 4.2.

In the investment insurance branch for apartment buyers, in accordance with the Reserve Calculation

Regulations, and in accordance with an evaluation which was conducted by the Company through an independent expert, the reserve for net surplus revenues is calculated cumulatively over 3 years. which, according to the Company's estimate, represents the required degree of conservatism according to best practices.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(4) Main assumptions used for the purpose of the actuarial estimate

A. The reserves for outstanding claims in the compulsory motor, liabilities and personal accidents branches are discounted according to the annual real interest rate determined by the chief actuary. As part of the process of preparing the financial statements, the actuary evaluates, on a quarterly basis, the discount rate for the indicators, including:

- Returns in the portfolio of assets held against insurance liabilities, following an amortization with respect to expected credit defaults;

- Market returns - as reflected in the "deposit yield curve", in accordance with average lifetime and the investments' rating in the portfolio.

These indicators are also evaluated in combination with the evaluation of macro-economic assessments with respect to long term developments in the interest rate environment, and with respect to the average lifetime of the relevant liabilities.
The Company may decide to change the discount rate as part of the overall evaluation of the adequacy of the insurance liabilities, as a result of material and ongoing changes in the risk-free interest rate and/or in the rate of return of the portfolio of assets held against liabilities in non-life insurance and/or changes in market returns.

Further to the above, in light of the interest rate environment, the Company updated the estimated discount rate in accordance with the best practice (see section (e)1 below), based on the adjusted risk-free interest rate curve, according to the illiquid nature of the liability, and in consideration of the method for revaluation of assets held against these liabilities (as of December 31, 2022 - NIS 25 million). The total impact of the change resulted in a decrease of insurance reserves on retention in the amount of approximately NIS 219 million during the reporting year. Last year, there was an increase in insurance reserves on retention in the amount of approximately NIS 59 million, after offsetting a total of approximately NIS 24 million due to the update to the method used to estimate the interest rate adjustment to the illiquid nature of the liability (see e1(d)1(a)1 above).

The amortization with respect to discounting on retention in Clal Insurance, as of the date of the update to the actuarial model, amounted to approximately NIS 181 million during the reporting year (last year - increase of approximately NIS 151 million).

B. In the compulsory motor, liabilities and student personal accidents branches, an addition was included with respect to the risk margin (standard deviation) which underlies the reserve.
The total addition on retention in Clal Insurance, as of the date of the update to the various actuarial models, amounted to approximately NIS 144 million (last year - approximately NIS 146 million).

C. When necessary, Clal Insurance adds a claim tail to the analysis of payment developments. In the analysis of the development of payment amounts and outstanding individual claims, actuarial judgment for the most part does not allow negative IBNR on the level of each underwriting year.

D. See also Note 19(c).

E. Implementation of the Commissioner's position was implemented in connection with best practices in the calculation of insurance reserves in non-life insurance (hereinafter: the "Practice"), which serves as the basis for determining a minimum amount for the required reserves.

Note 38: Risk Management (Cont.)

E. Insurance risks (Cont.)

E2. Insurance risk in non-life insurance contracts (Cont.)

(4) Main assumptions used for the purpose of creating the actuarial valuation (Cont.)

The policy includes, *inter alia*, the following determinations:

1. "Applying caution" means, with respect to a reserve which was calculated by an actuary, that an "adequate reserve to cover the insurer's liabilities" signifies that it is fairly likely that the determined insurance liability will suffice to cover the insurer's liabilities. Regarding outstanding claims in compulsory and liabilities branches, the evaluation of "fairly likely" will mean an estimated likelihood of at least 75%.

   However, insofar as there are restrictions in the statistical analysis, the actuary will exercise judgment, and will take into account, for example, the following considerations:

   A. Random risk (risk of random deviation from the results of the actuarial model)

   B. Systemic risk (risks which are not included in the model, such as risk of use of an incorrect model or incorrect parameters, or external changes which are not reflected in the model).

      The appropriate discount interest rate used to evaluate caution is in accordance with the risk free interest curve which is adjusted to the illiquid nature of the liabilities. This evaluation also requires taking into account the revaluation method used in the financial statements for assets held against liabilities.

2. Selection of a discount rate for the flow of liabilities.

3. Grouping - for the purpose of the principle of caution in non-grouped branches (as defined in the circular - non-grouped branches), it is necessary to address each branch separately, although it is possible to group together all of the underwriting (or damage) years in the branch. In grouped (grouped) branches, all can be addressed as a single unit. Additionally, it is possible to take into account the absence of a complete correspondence between the various branches for the purpose of reducing the total margin.

4. The determination of the amount of insurance liabilities with respect to policies which were sold in time frames proximate to the balance sheet date and the risks which have not yet passed.

It is noted that in accordance with the LAT circular, the implementation of the principle of caution, as stated above, constitutes sufficient calculation for the purpose of the liability adequacy test in non-life insurance.

F. Arrangement with National Insurance regarding compensation by virtue of the National Insurance Law:

An agreement was signed between the Company and the National Insurance Institute (similarly to the agreement which was signed with other insurance companies in the market) in July 2021 (hereinafter, respectively: the "National Insurance" and the "Arrangement"), which regulated the method for implementing the National Insurance's right to claim, from insurance companies by virtue of the National Insurance Law, the repayment of pensions which it paid, in cases where there are also grounds for requiring the insurance companies to pay compensation by virtue of the Road Accident Victims Compensation Law, 1975 (hereinafter: the "RAVC Law"). According to the arrangement, with respect to events which occurred from January 1, 2014 to December 31, 2022, the parties will continue applying the litigation and account settlement mechanism which existed between them, and which required the Company to pay compensation pursuant to the RAVC law. As part of the foregoing, the Company transferred to National Insurance an advance payment on account of the foregoing cases. Claims of National Insurance pertaining to the periods referenced in the arrangement were offset from the advance amount.

Note 38: Risk Management (Cont.)

Additionally, in November 2021, the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for Budget Years 2021 and 2022), 2021, was published in the Official Gazette, regarding the cancellation of the obligation to pay a global sum, as determined in the Economic Efficiency Law (Legislative Amendments to Achieve Budgetary Goals for Budget Year 2019), 2018, with respect to events which occurred during the years 2014 to 2018.

The law also prescribes a fixed rate out of the insurance companies which the insurance companies are required to transfer to National Insurance with respect to road accidents, for the period from 2023 onwards, instead of specific subrogation of the claims. The law prescribes that the rates will be transferred to National Insurance will be as follows: In 2023 and 2024 - 10% of the premiums which will be collected by the Company each year; and from 2025 onwards, 10.95% of the premiums.

The Company believes that the foregoing arrangement is not expected to significantly affect the Company's financial results.

(5) Sensitivity analysis

The actuarial estimate is subject to significant uncertainty. The actuarial estimates used in forecasting outstanding claims pertain to the mean value of the claims. Due to the stochastic nature of claim payments, deviations from the mean are possible. The statistical estimate is also based on various assumptions, which will not necessarily materialize. In case of a change in the claim settlement method, or alternatively, in the scope of reported claims, a gap between the actuarial estimate and the actual results may materialize. Changes in the amount of returns may also cause gaps between the estimates and the actual results.

Due to the fact that the actuarial model is based on past experience, an unexpected change in the model's assumptions or in the behavior of claims could cause changes in the reserve.

It is noted that these risks were taken into account in accordance with the requirements in the Commissioner's position regarding estimates for systematic risks.

F. Credit risks

1. Distribution of debt assets by location

	Balance as of December 31, 2022		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	**6,909,230**	**22,881,627**	**29,790,857**
International	**89,512**	**142,824**	**232,336**
Total debt assets	**6,998,742**	**23,024,451**	**30,023,193**

	As of December 31, 2021		
NIS in thousands	Marketable *)	Non-marketable	Total
In Israel	6,408,895	21,945,661	28,354,556
International	60,820	135,301	196,121
Total debt assets	6,469,715	22,080,962	28,550,677

*) For additional details regarding marketable debt assets, see Note 14(a).
See also section 2 below for details regarding assets distributed by ratings.
It is noted that the data presented above are not with respect to debt assets for investment-linked contracts. For details regarding financial investments for investment-linked contracts, see section G below.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating

A.1. Debt assets

	Local rating 1)				
	As of December 31, 2022				
NIS in thousands	AA and higher	A to BBB	Lower than BBB	Unrated	Total
Debt assets in Israel					
Marketable debt assets					
Government bonds	4,206,452	-	-	-	4,206,452
Corporate bonds	2,085,548	526,458	-	90,772	2,702,778
Total marketable debt assets in Israel	6,292,000	526,458	-	90,772	6,909,230
Non-marketable debt assets					
Government bonds	16,416,546	-	-	-	16,416,546
Corporate bonds	271,142	55,556	-	5,495	332,193
Deposits in banks and financial institutions	652,773	-	-	-	652,773
Other debt assets by type of collateral:					
Mortgages	-	-	-	3,403,999	3,403,999
Loans on policies	-	-	-	9,341	9,341
Loans secured by real estate	95,390	185,913	-	605,872	887,175
Secured by bank guarantee	173,025	-	-	-	173,025
Loans secured by control shares	8,660	12,405	-	8,078	29,143
Other collateral	501,343	416,869	-	58,500	976,712
Unsecured	-	-	-	720	720
Total non-marketable debt assets in Israel	18,118,879	670,743	-	4,092,005	22,881,627
Total debt assets in Israel	24,410,879	1,197,201	-	4,182,777	29,790,857
Of which - internally rated debt assets	108,855	121,956	-	-	230,811
Of which - debt assets which fulfill the principal and interest test only 2)	24,315,220	1,170,796	-	4,163,123	29,649,139

1. The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. For details regarding debt assets which fulfill the principal and interest test, see Note 14(g) above.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

	International rating [1]				
	As of December 31, 2022				
NIS in thousands	A and higher	BBB	Lower than	Unrated	Total
Foreign debt assets					
Marketable debt assets					
Corporate bonds	-	17,466	64,326	7,720	89,512
Total marketable debt assets abroad	-	17,466	64,326	7,720	89,512
Non-marketable debt assets					
Loans secured by real estate	-	-	-	49,555	49,555
Other debt assets	-	-	-	93,269	93,269
Total non-marketable debt assets	-	-	-	142,824	142,824
Total foreign debt assets [2]	-	17,466	64,326	150,544	232,336
Of which - debt assets which fulfill the principal and interest test only [3]	-	17,466	64,326	150,544	232,336

1. All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. The Group has no financial guarantees which are not treated as insurance contracts.
3. For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

	Local rating [1]				
	As of December 31, 2021				
NIS in thousands	AA and	A to BBB	Lower than	Unrated	Total
Debt assets in Israel					
Marketable debt assets					
Government bonds	3,539,530	-	-	-	3,539,530
Corporate bonds	2,005,799	703,694	-	159,872	2,869,365
Total marketable debt assets in Israel	5,545,329	703,694	-	159,872	6,408,895
Non-marketable debt assets					
Government bonds	15,760,524	-	-	-	15,760,524
Corporate bonds	396,711	119,303	-	2,952	518,966
Deposits in banks and financial	1,005,031	-	-	-	1,005,031
Other debt assets by type of collateral:					
Mortgages	-	-	-	2,769,560	2,769,560
Loans on policies	-	-	-	10,422	10,422
Loans secured by real estate	-	252,041	-	437,964	690,005
Secured by bank guarantee	150,969	-	-	-	150,969
Loans secured by control shares	12,961	24,152	-	11,916	49,029
Other collateral	460,967	347,776	-	175,353	984,096
Unsecured	3,980	-	-	3,079	7,059
Total non-marketable debt assets in	17,791,143	743,272	-	3,411,246	21,945,661
Total debt assets in Israel	23,336,472	1,446,966	-	3,571,118	28,354,556
Of which - internally rated debt assets	125,802	167,872	-	-	293,674
Of which - debt assets which fulfill the principal and interest test only [2]	23,319,841	1,414,594	-	3,558,316	28,292,751

1. The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.1. Debt assets (Cont.)

	International rating [1]				
	As of December 31, 2021				
NIS in thousands	A and	BBB	Lower than	Unrated	Total
Foreign debt assets					
Marketable debt assets					
Government bonds	4,990	-	-	-	4,990
Corporate bonds	-	20,111	35,719	-	55,830
Total marketable debt assets abroad	4,990	20,111	35,719	-	60,820
Non-marketable debt assets					
Loans secured by real estate	-	-	-	48,377	48,377
Other debt assets	-	-	-	86,924	86,924
Total non-marketable debt assets	-	-	-	135,301	135,301
Total foreign debt assets [2]	4,990	20,111	35,719	135,301	196,121
Of which - debt assets which fulfill the principal and interest test only [3]	4,990	20,111	35,719	135,301	196,121

1. All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. The Group has no financial guarantees which are not treated as insurance contracts.
3. For details regarding debt assets which fulfill the principal and interest test, see Note 14(g).

The following table presents a comparison between the fair value and the book value of the assets which fulfill the principal and interest test, which do not have a low credit risk. Book value is measured in accordance with IAS 39, but before the provision for impairment.

NIS in thousands	Balance as of December 31, 2022		Balance as of December 31, 2021	
	Book value	Fair value	Book value	Fair value
Marketable debt assets	**64,326**	**64,326**	35,719	35,719
Non-marketable debt assets	**45,074**	**6,168**	53,820	6,031

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.2. Credit risks with respect to other assets (in Israel)

	Local rating 1)			
	As of December 31, 2022			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	**177,798**	**243,397**	**253,228**	**674,423**
Deferred tax assets	**-**	**-**	**17,106**	**17,106**
Other financial investments	**36,980**	**4,756**	**255,682**	**297,418**
Cash and cash equivalents	**3,316,673**	**142,566**	**1,782**	**3,461,021**
Total	**3,531,451**	**390,719**	**527,798**	**4,449,968**

	Local rating 1)			
	As of December 31, 2021			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	19,100	-	198,733	217,833
Deferred tax assets	-	-	14,738	14,738
Other financial investments	111,272	3,311	39,322	153,905
Cash and cash equivalents	3,959,895	42,245	-	4,002,140
Total	4,090,267	45,556	252,793	4,388,616

1. The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.

A.3. Credit risks with respect to off-balance sheet instruments (in Israel) 2)

	Local rating 1)			
	As of December 31, 2022			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Unused credit lines	**26,520**	**364,196**	**789,483**	**1,180,199**

	Local rating 1)			
	As of December 31, 2021			
NIS in thousands	AA and higher	A to BBB	Unrated	Total
Unused credit lines	46,217	178,815	879,725	1,104,757

1. The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. The Group has no financial guarantees which were given in Israel and which are not treated as insurance contracts.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

2. Details of assets by rating (Cont.)

A.4. Credit risks with respect to other assets (foreign)

	International rating [1]				
	As of December 31, 2022				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	**26,403**	**-**	**-**	**-**	**26,403**
Other financial investments	**253,137**	**-**	**-**	**3,773**	**256,910**
Cash and cash equivalents	**130,253**	**-**	**-**	**-**	**130,253**
Total	**409,793**	**-**	**-**	**3,773**	**413,566**

	International rating [1]				
	As of December 31, 2021				
NIS in thousands	A and higher	BBB	Lower than BBB	Unrated	Total
Other accounts receivable, excluding reinsurer balances	219,912	-	-	-	219,912
Other financial investments	410,441	117,838	-	4,189	532,468
Cash and cash equivalents	118,881	2,898	-	-	121,779
Total	749,234	120,736	-	4,189	874,159

1. All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.

A.5. Credit risks with respect to off-balance sheet instruments (foreign) [2]

	International rating [1]				
	As of December 31, 2022				
NIS in thousands	AA and	A to BBB	Lower than	Unrated	Total
Unused credit lines	**-**	**-**	**-**	**10,456**	**10,456**

	International rating [1]				
	As of December 31, 2021				
NIS in thousands	AA and	A to BBB	Lower than	Unrated	Total
Unused credit lines	-	-	-	309	309

1. All foreign rated debt assets were rated by recognized foreign rating agencies. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. The Group has no financial guarantees which were given abroad, and which are not treated as insurance contracts.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

3. Additional information regarding the rating of debt assets

Internal credit rating is based on a model formulated by Clal Insurance. Clal Insurance periodically conducts validation of the internal model against the ratings of external rating agencies, and other credit rating models. These tests showed a good correlation between the internal rating and the external criteria.

4. The information presented in this note regarding credit risks does not include assets for investment-linked contracts, which are presented in section G below.

5. For details regarding balances of outstanding premiums, see Note 12.

6. For details regarding the aging of investments in non-marketable financial debt assets, see Note 14(b)(2).

7. Details regarding the exposure to industry branches with respect to investments in marketable and non-marketable financial debt assets

	As of December 31, 2022		
NIS in thousands	**Amount**	**% of total**	**Off-balance sheet risk**
Market branch			
Industry	**19,004**	**0%**	**-**
Construction and real estate	**3,018,054**	**10%**	**1,028,556**
Electricity and water	**1,000,900**	**3%**	**29,992**
Trading	**35,872**	**0%**	**-**
Telecommunications and IT services	**67,100**	**0%**	**-**
Banks	**1,215,880**	**4%**	**-**
Financial services	**111,835**	**0%**	**-**
Other business services	**259,388**	**1%**	**-**
Public services	**86,285**	**0%**	**-**
Private individuals	**3,585,877**	**12%**	**132,107**
Government bonds	**20,622,998**	**70%**	**-**
Total	**30,023,193**	**100%**	**1,190,655**

	As of December 31, 2021		
NIS in thousands	**Amount**	**% of total**	**Off-balance**
Market branch			
Industry	22,021	0%	-
Construction and real estate	2,490,948	9%	781,672
Electricity and water	1,061,023	4%	34,063
Trading	1,523	0%	-
Telecommunications and IT services	151,766	1%	-
Banks	1,940,696	7%	-
Financial services	235,197	1%	153,640
Other business services	321,948	1%	-
Public services	86,949	0%	16,400
Private individuals	2,933,562	10%	119,291
Government bonds	19,305,044	67%	-
Total	28,550,677	100%	1,105,066

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance

A. Policy of Clal Insurance regarding the management of credit risks in connection with reinsurers

Clal Insurance Group covers some of its business through reinsurance, most of which is implemented through foreign reinsurers. However, the reinsurance does not release the consolidated insurance companies from their obligation towards their policyholders according to the insurance policies.

The Group is exposed to risks arising from uncertainty regarding the ability of reinsurers to pay their share in liabilities with respect to insurance contracts (reinsurance assets), and their debts with respect to claims paid. This exposure is managed via ongoing monitoring of the reinsurer's position in the global market, and of its fulfillment of its financial liabilities.

In accordance with the instructions issued by the Commissioner, the boards of directors of the consolidated insurance companies determine, once per year, maximum exposure frameworks to specific reinsurers and to groups of reinsurers, with which Clal Insurance Group has entered / will enter into contractual agreements, based on their international ratings. These exposures are managed by means of case-by-case evaluations of the reinsurers to which exposure is material, and by monitoring indicators of the risk level relative to all reinsurers with which Clal Insurance is engaged. The risk management unit conducts quarterly monitoring of the exposures to reinsurers which are reported to it, monitors the financial position of the large reinsurers based on various data, including from international capital markets, and conducts credit monitoring of analyses which were performed with respect to specific reinsurers. The risk management unit submits quarterly reports to the boards of directors regarding the exposure relative to the defined limits.

The exposures of these companies are also distributed between different reinsurers, with the primary ones being to reinsurers with high international ratings.

As a result of the implementation of the policy described above, the concentration of exposure to any single reinsurer is not high, however, the Company may be exposed to concentrated credit risk with respect to a single reinsurer in case of a catastrophic event.

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers

As of December 31, 2022

			Reinsurance assets less reinsurers' share of deferred acquisition costs							Debts in arrears	
NIS in thousands	Total premiums for reinsurers in 2022	Net debit (credit) balances 2)	In life insurance	In health insurance	In property insurance	In liabilities insurance	Total reinsurance assets	Deposits of reinsurers	Total letters of credit received from reinsurers	Total exposure 1)	Six months to one year	One year
Rating group AA and higher												
Swiss Re	300,672	(102,856)	200,788	54,897	199,132	85,336	540,153	190,778	43,466	203,053	-	-
Others	584,766	(89,291)	129,915	65,230	377,923	1,186,322	1,759,390	543,730	4,584	1,121,785	964	258
Total	885,438	(192,147)	330,703	120,127	577,055	1,271,658	2,299,543	734,508	48,050	1,324,838	964	258
A												
Lloyd's	104,176	(15,089)	-	-	49,403	298,113	347,516	64	-	332,363	-	-
Others	674,109	(48,163)	480	35,606	459,078	988,862	1,484,026	304,287	18,995	1,112,581	1,975	1,288
Total	778,285	(63,252)	480	35,606	508,481	1,286,975	1,831,542	304,351	18,995	1,444,944	1,975	1,288
BBB	71.648	(186)	-	-	13.970	197.488	211.458	153.000	-	58.272	-	-
Lower than BBB- or	13,177	(3,986)	387	-	8,641	61,899	70,927	-	-	66,941	9	64
Total	1,748,548	(259,571)	331,570	155,733	1,108,14	2,818,020	4,413,470	1,191,859	67,045	2,894,995	2,948	1,610

Note 38: Risk Management (Cont.)

F. Credit risks (Cont.)

8. Reinsurance (Cont.)

B. Information regarding exposure to credit risks of reinsurers (Cont.)

As of December 31, 2021

NIS in thousands	Total premiums for reinsurers in 2021	Net debit (credit) balances 2)	Reinsurance assets less reinsurers' share of deferred acquisition costs: In life insurance	In health insurance	In property insurance	In liabilities insurance	Total reinsurance assets	Deposits of reinsurers	Total letters of credit received from reinsurers	Total exposure 1)	Debts in arrears: Six months to one year	Over one year 9)
Rating group AA and higher												
Scor	78,725	182,888	-	142,931	17,193	212,098	372,222	244,022	-	311,088	47,952	127,601
Swiss Re	266,745	(45,213)	187,020	38,266	157,766	110,701	493,753	178,888	36,488	233,164	-	-
Others	507,610	(39,122)	124,355	42,361	240,159	978,444	1,385,319	424,066	4,190	917,941	4,269	264
Total	853,080	98,553	311,375	223,558	415,118	1,301,243	2,251,294	846,976	40,678	1,462,193	52,221	127,865
A												
Lloyd's	106,225	(12,148)	-	-	47,948	300,561	348,509	52	-	336,309	-	-
Others	574,970	(33,659)	481	77,972	396,887	985,466	1,460,806	298,556	18,871	1,109,720	737	332
Total	681,195	(45,807)	481	77,972	444,835	1,286,027	1,809,315	298,608	18,871	1,446,029	737	332
BBB	62,093	(466)	-	-	13,761	172,557	186,318	111,861	-	73,991	57	13
Lower than BBB- or unrated	17,384	1,440	641	-	8,439	64,020	73,100	-	-	74,540	42	146
Total	1,613,752	53,720	312,497	301,530	882,153	2,823,847	4,320,027	1,257,445	59,549	3,056,753	53,057	128,356

(1) The total exposure to reinsurers equals total insurance assets (share of reinsurers in liabilities with respect to insurance contracts, less deferred acquisition costs for reinsurance), less deposits and less the sum of letters of credit received from reinsurers as collateral to secure their liabilities, plus (less) current net debit (credit) balances.

(2) Following an amortization of the provision for doubtful debts in the amount of approximately NIS 6,345 thousand (last year: NIS 5,607 thousand). The balances do not include balances of insurance companies with respect to co-insurance.

(3) Total provisions for doubtful debts, plus the reduction of the share of reinsurers in liabilities with respect to insurance contracts, amounted to a total of approximately NIS 7,494 thousand (last year: NIS 6,631 thousand), which constitutes 0.3% (last year: 0.2%) of the overall exposure.

(4) The rating was primarily determined by the rating company S&P. In cases where a rating has not been given by S&P, the rating is determined by another rating company, and the rating was converted according to the index prescribed in the Ways of Investment Regulations.

(5) The total exposure of reinsurers to an earthquake event with an MPL of 2.05% of the insurance amount, according to the insurance branches and the characteristics of the insured property, is NIS 11,277 million (last year: MPL of 1.08% to 2.5% of the insurance amount, according to the insurance branches and the characteristics of the insured property, in the amount of NIS 9,940 million) of which the reinsurer's most material share in the exposure is 15.8% (last year: 15.8%).

(6) There are no additional reinsurers beyond those specified above, the exposure to which exceeds 10% of the total exposure of reinsurers, or where the premiums with respect to them exceeds 10% of the total premiums for reinsurance for 2022.

(7) The unrated group includes balances with respect to outstanding claims through brokers up to and including 2003, the exposure to which amounted to approximately NIS 207 thousand (last year: NIS 308 thousand).

(8) The data includes balances of companies in Israel which were included in accordance with the rating conversion table as specified in section D above, in the amount of NIS (9,982) thousand (last year: NIS (2,189) thousand).

(9) During 2022, accounts were settled between Clal Insurance and a reinsurer in connection with the reinsurance arrangements with respect to long-term care insurance for health fund members.

Note 38: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts

1. Details regarding the composition of investments by linkage bases

	As of December 31, 2022				
NIS in thousands	Unlinked	CPI-linked	In foreign currency or linked thereto 1)	Non-monetary items and others	Total
Cash and cash equivalents	**6,884,273**	**-**	**1,574,064**	**-**	**8,458,337**
Marketable assets	**8,104,434**	**12,844,071**	**8,955,857**	**25,323,799**	**55,228,161**
Non-marketable assets	**5,337,398**	**3,639,910**	**749,364**	**12,176,445**	**21,903,117**
Total assets	**20,326,105**	**16,483,981**	**11,279,285**	**37,500,244**	**85,589,615**

	As of December 31, 2021				
NIS in thousands	Unlinked	CPI-linked	In foreign currency or linked thereto 1)	Non-monetary items and others	Total
Cash and cash equivalents	9,064,093	-	928,702	-	9,992,795
Marketable assets	8,301,124	13,180,188	8,561,127	32,420,429	62,462,868
Non-marketable assets	4,571,989	4,136,943	867,253	9,706,504	19,282,689
Total assets	21,937,206	17,317,131	10,357,082	42,126,933	91,738,352

1) The USD is a major foreign currency.

2. Credit risk for assets in Israel

As of December 31, 2022

	Local rating 1)				
NIS in thousands	AA and higher	A to BBB	Lower than	Unrated	Total 2)
Debt assets in Israel:					
Government bonds	**9,091,816**	**-**	**-**	**-**	**9,091,816**
Other debt assets - marketable	**8,875,217**	**2,169,234**	**-**	**447,553**	**11,492,004**
Other debt assets - non-marketable	**2,394,227**	**1,732,387**	**-**	**4,923,128**	**9,049,742**
Total debt assets in Israel	**20,361,260**	**3,901,621**	**-**	**5,370,681**	**29,633,562**
Of which - internally rated debt	**180,895**	**404,310**	**-**	**-**	**585,205**

As of December 31, 2021

	Local rating 1)				
NIS in thousands	AA and higher	A to BBB	Lower than	Unrated	Total 2)
Debt assets in Israel:					
Government bonds	9,165,117	-	-	-	9,165,117
Other debt assets - marketable	9,021,272	2,338,844	-	342,750	11,702,866
Other debt assets - non-marketable	2,599,404	2,005,784	-	3,502,383	8,107,571
Total debt assets in Israel	20,785,793	4,344,628	-	3,845,133	28,975,554
Of which - internally rated debt	684,766	537,960	-	-	1,222,726

1. The sources for rating levels in Israel are Maalot, Midroog and internal ratings. The Midroog data was converted to rating symbols using commonly accepted conversion ratios. Each rating includes all ranges, for example, the A rating includes A- to A+.
2. The book value constitutes an approximation of the maximum credit risk. Therefore, the total column represents maximum credit risk.

Note 38: Risk Management (Cont.)

G. Information regarding financial investments for investment-linked contracts (Cont.)

3. Credit risk for foreign assets

As of December 31, 2022

	International rating [1]				
NIS in thousands	AA and higher	A to BBB	Lower than	Unrated	Total [2]
Total foreign debt assets	**206,719**	**2,003,678**	**2,007,822**	**1,120,029**	**5,338,248**

As of December 31, 2021

	International rating [1]				
NIS in thousands	AA and higher	A to BBB	Lower than	Unrated	Total [2]
Total foreign debt assets	11,281	962,014	2,023,264	720,683	3,717,242

1. All foreign rated debt assets were rated by recognized international rating agencies. Each rating includes all ranges, for example: an A rating includes A- to A+.
2. The book value constitutes an approximation of the maximum credit risk. Therefore, the total column represents maximum credit risk.

Note 38: Risk Management (Cont.)

H. Geographical risks

NIS in thousands	Government bonds	Corporate bonds	Stocks	ETF's / ETN's *)	Mutual funds	Investment property	Other investments	Total balance sheet	Derivatives in delta terms	Total
	As of December 31, 2022									
Israel	**20,622,998**	**3,117,074**	**1,095,545**	**65,919**	**206,576**	**1,290,001**	**10,722,521**	**37,120,634**	**16,302**	**37,136,936**
United States	**-**	**-**	**543,209**	**483,173**	**251,840**	**98,321**	**2,536,822**	**3,913,365**	**112,408**	**4,025,773**
Great Britain	**-**	**-**	**-**	**-**	**-**	**-**	**730,233**	**730,233**	**-**	**730,233**
Germany	**-**	**-**	**-**	**-**	**-**	**-**	**1,095,079**	**1,095,079**	**-**	**1,095,079**
Switzerland	**-**	**-**	**-**	**-**	**-**	**-**	**629,407**	**629,407**	**-**	**629,407**
Emerging markets	**-**	**-**	**-**	**-**	**-**	**-**	**239,146**	**239,146**	**-**	**239,146**
Others	**-**	**7,720**	**213,443**	**21,125**	**1,025**	**86,789**	**2,026,089**	**2,356,191**	**7,338**	**2,363,529**
Total assets	**20,622,998**	**3,124,794**	**1,852,197**	**570,217**	**459,441**	**1,475,111**	**17,979,297**	**46,084,055**	**136,048**	**46,220,103**

NIS in thousands	Government bonds	Corporate bonds	Stocks	ETF's / ETN's *)	Mutual funds	Investment property	Other investments	Total balance sheet	Derivatives in delta terms	Total
	As of December 31, 2021									
Israel	19,305,044	3,442,694	1,634,221	92,555	-	1,075,827	10,765,408	36,315,749	37,431	36,353,180
United States	-	-	334,563	957,821	335,696	100,372	2,203,434	3,931,886	-	3,931,886
Great Britain	-	-	-	-	-	-	702,767	702,767	-	702,767
Germany	-	-	-	-	-	-	1,058,815	1,058,815	-	1,058,815
Switzerland	-	-	-	-	-	-	501,790	501,790	-	501,790
Emerging markets	-	-	-	-	-	-	255,912	255,912	-	255,912
Others	-	-	104,893	19,897	5,188	74,685	1,878,399	2,083,062	-	2,083,062
Total assets	19,305,044	3,442,694	2,073,677	1,070,273	340,884	1,250,884	17,366,525	44,849,981	37,431	44,887,412

*) Including foreign ETF's

Note 39: Related Parties and Interested Parties

A. Parent company, controlling shareholder and subsidiaries

(1) Further to that stated in Note 1, as of the publication date of the report, the Company is a company without a control core.

During the years 2013 to 2019, as a precaution, the Company considered IDB Development Corporation Ltd. ("IDB Development") as the Company's controlling shareholder.

On December 8, 2019, the Company received a letter from the Commissioner, in which the Commissioner announced, *inter alia*, that in light of the changes which have occurred in IDB Development's holding rate in the Company, the Commissioner evaluated the issue of the control of the Company, and found that, as of the present date, there is no entity which holds (directly or indirectly) the Company's means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Insurance Law, and therefore, the Company is required to receive a permit for the control of Clal Insurance from the Commissioner.

Following the Commissioner's letter, beginning on December 9, 2019, IDB Development is no longer considered the Company's controlling shareholder, including for the purpose of controlling shareholder transactions.

Further to the foregoing, on October 19, 2020 the Company received a letter from the Commissioner entitled "update regarding the outline for exercising the means of control of Clal Insurance" (which replaced the Commissioner's letter on the subject dated July 21, 2020), specifying, *inter alia*, the Commissioner's reference to the arrangements which will apply to exercising the Company's means of control in Clal Insurance, the appointment of directors in the Company and in Clal Insurance, and participation in the general meeting of Clal Insurance (the "**Outline for Exercising the Means of Control**").

On November 30, 2020, a clarification letter was received from the Commissioner, in connection with the outline for exercising the means of control and control permit, as stated above. On December 25, 2022, another clarification letter in connection with the tenure of directors in Clal Insurance.

On March 27, 2023, the Company received a letter from the Commissioner which included, *inter alia*, an update to the insurer license of the institutional entities which are controlled by the Company, and conditions which will apply to the Company in connection with the holding of the means of control of Clal Insurance; It was determined that the outline which was created for exercising the means of control of Clal Insurance, as stated below, will remain in effect, and reference was given to aspects of the Company's financial stability, and its obligation towards Clal Insurance, due to the transaction to acquire Max IT Finance Ltd. ("Max"). For additional details, see Note 16 below.

For additional information, see Note 1 above.

As of the present date, permits for holding the Company's means of control have been received for several entities. The Company's interested parties (i.e., shareholders who hold over 5% of the Company's shares) as of the present date include Phoenix Group, Harel Group, Dona Engineering and Construction Company, and Alrov Properties and Lodgings Ltd.

(2) For details regarding investee companies, see Note 9.

(3) In the ordinary course of business, the Group performed transactions with interested parties of the Company, or entities in which interested parties have a personal interest (hereinafter: "**Interested Party Transactions**"), including transactions with companies in which interested parties have an interest, as well as undertakings to perform transactions under ordinary commercial conditions, as part of the provision of the Group's services to interested parties and to companies held by them (such as insurance policies, insurance agency services, management services with respect to provident funds and/or pension funds, including loans based on the accrued savings in the provident funds or in the insurance funds, and various financial and/or economic services, and rental of properties) and/or as part of the acquisition of services and products from the Company's interested parties and/or from companies which are held by them and/or as part of the Group's investments (including investments in securities, credit, real estate and funds). Insofar as these transactions constitute non-extraordinary and insignificant transactions, according to the guidelines and rules specified in the policy which was adopted by the Group as specified in regulation 41(a3)(1) of the Securities Regulations (Annual Financial Statements), 2010, they are not separately described in these reports.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors)

The Group's CEO and senior executives, are also entitled, in addition to their salaries, to receive non-cash benefits (such as a vehicle, etc.). The Group also deposits, on their behalf, funds as part of a post-employment defined benefit plan and a defined deposit plan. The Chairman of the Board is entitled to management fees.

Executives also participate in the plan involving warrants for Company shares which were granted in years preceding the reporting year and during the reporting year (see Note 40).

1. Employment benefits for key management personnel (including the Chairman of the Board) include [1)]:

	For the year ended December 31					
	2022		2021		2020	
	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Short term employee benefits	**15**	**26,275**	16	28,022	19	36,250
Post-employment benefits	**14**	**560**	14	903	18	1,395
Share-based payments [2)]	**13**	**4,573**	13	7,503	-	-
		31,408		**36,428**		37,645

1) The benefits include benefits for key management personnel until the conclusion of their employment, and benefits with respect to key management personnel, beginning on the date of their appointment.
2) This amount is determined based on the value of the warrants as of the date of their allocation, such that the fair value of each tranche is spread over its vesting period.

2. Benefits with respect to the employment of key management personnel who are directors not employed in the Company:

	For the year ended December 31					
	2022		2021		2020	
NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands	No. of people	NIS in thousands
Directors compensation [1)]	**9**	**3,814**	9	3,433	5	2,752

1) The compensation provided to directors in the Company, except for the Chairman of the Board, and directors who are among the controlling shareholders, if any, is based on the Company's rating, and is the max compensation for an in accordance with the Companies Regulations expert outside director in accordance with the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director), 2000. It is noted that Clal Insurance bears 80% of the compensation for a joint director, insofar as they are paid compensation by both companies. The aforementioned amount is after the participation of Clal Insurance. For details regarding the compensation terms of the Chairman of the Board, see section 4 below.

3. The Company acquires (on its behalf and on behalf of the Group's member companies) directors and officers liability insurance. See section 6 below. Amount paid on behalf of the Company and on behalf of the Group's member companies:

	For the year ended December 31		
NIS in thousands	2022	2021	2020
With respect to directors and officers liability insurance	**5,223**	4,102	2,432

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

4. Chairman of the Board

A. On February 3, 2021, the Company's Board of Directors approved the appointment of Mr. Haim Samet ("**Mr. Samet**" or the "**Chairman of the Board**") as the Company's Chairman of the Board. On April 11, 13 and 20, 2021, the Company's Compensation Committee and Board of Directors, respectively, approved Mr. Samet's terms of tenure as the Acting Chairman in a 50% position, as specified below (the "**Terms Of Tenure**"). The terms of tenure were approved by the general meeting on June 17, 2021, retroactively, beginning from the commencement date of Mr. Samet's tenure as the Chairman of the Board.

The approved annual consideration with respect to the Chairman's tenure will amount to a total of 50% of the cap specified in section 2(B) of the Executive Compensation Law, plus duly payable VAT, i.e., an amount equal to 50% of the lowest employment cost of an employee in the Company (including contract workers hired directly by the Company, or hired by service providers which are hired by the Company), times 35 (the "**Annual Consideration**"), plus duly calculated VAT.

Accordingly, the Chairman of the Board will be entitled to annual consideration in the total amount of approximately NIS 1.6 million. The foregoing amount is linked to the rate of increase in the lowest compensation paid in the Company, in accordance with the Executive Compensation Law, and in case it is found that additional components are not included in the compensation cap which was determined in the Executive Compensation Law (including compensation for overtime); however, in any case, it will not exceed a total cost of NIS 1.75 million (including due to the update to the annual consideration, as described above).

The terms of tenure comply with the provisions of the Executive Compensation Law, and in accordance with the Company's compensation policy, which was determined, *inter alia*, in consideration of the provisions of institutional entities circular 2019-9-6 (amendment to the provisions of the consolidated circular, Part 1, Volume 5, Chapter 5, entitled "compensation", dated July 11, 2019 (hereinafter: the "**Compensation Circular**"), as specified below.

B. On October 13, 2021, Mr. Samet was appointed as a director in Clal Insurance, and on November 2, 2021, the Board of Directors of Clal Insurance approved Mr. Samet's appointment as the Chairman of the Board of Clal Insurance. This appointment entered into effect on December 23, 2021, with December.

On November 4 and 11, 2021, the Compensation Committees and Boards of Directors of the Company and of Clal Insurance, respectively, approved Mr. Samet's terms of tenure as the Acting Chairman in a 80% position, beginning from the commencement date of Mr. Samet's tenure as the Chairman of the Board of Clal Insurance, which will remain in effect so long as Mr. Samet continues serving as the Chairman of the Board of those companies. The terms of tenure were approved by the general meeting on December 27, 2021, retroactively, beginning from the commencement date of Mr. Samet's tenure as Clal Insurance's Chairman of the Board.

The annual consideration with respect to the Chairman's tenure will amount to a total of 80% of the cap specified in section 2(B) of the Executive Compensation Law, plus duly payable VAT, i.e., an amount equal to 80% of the lowest employment cost of an employee in the Company (including contract workers hired directly by the Company, or hired by service providers which are hired by the Company), times 35 (the "**Annual Consideration**"), plus duly calculated VAT. So long as Mr. Samet continues serving as the Joint Chairman of the companies, the companies will divide the cost of payments such that Clal Insurance will bear 80% of the compensation, and the Company will bear 20% of the compensation.

In light of the foregoing, as of the present date, the Chairman of the Board is entitled to annual consideration in the total amount of approximately NIS 2.56 million. The foregoing amount is linked to the rate of increase in the lowest compensation paid in the Company, in accordance with the Executive Compensation Law, and in case it is found that additional components are not included in the compensation cap which was determined in the Executive Compensation Law (including compensation for overtime). Once per year, an update will be given to the Compensation Committee and to the Board of Directors regarding the updating of the annual consideration, as stated above (if any). It is hereby clarified, in any case, that the annual consideration will be no less than NIS 2.56 million, and no more than a total cost in the amount of approximately NIS 2.8 million (including due to the update to the annual consideration, as stated above). As stated above, Chairman's the annual consideration with respect to the reporting year amounted to approximately

NIS 2.56 million.

Note 39: Related Parties and Interested Parties (Cont.)

The foregoing terms of tenure apply from the commencement date of Mr. Samet's tenure as the Chairman of the Board of Clal Insurance, and will remain in effect so long as Mr. Samet continues serving as the Chairman of the Board of the Company and of Clal Insurance. It is hereby clarified that the foregoing does not derogate from the decision of the Company's meeting regarding Mr. Samet's employment terms as the Company's Chairman of the Board; in other words, if he serves as the Chairman of the Company only, he will continue serving in a 50% position, and will be entitled to a salary of NIS 1.6 million, and no more than NIS 1.75 million.

The terms of tenure include additional immaterial cost with respect to "excess expense costs" pursuant to the Executive Compensation Law, due to the fact that the multiple of the aforementioned expense will not be tax deductible for the Company.

In accordance with the Company's compensation policy, which was determined, *inter alia*, in consideration of the provisions of the compensation circular, the Chairman of the Board will not be entitled to any variable component whatsoever (whether cash or equity).

The Chairman of the Board is entitled to reimbursement of expenses in connection with the fulfillment of his duties, in accordance with the Company's standard practice, and in accordance with the Company's policies.

The Chairman will be entitled to request that the Company provide him with an appropriate vehicle, which will be entirely maintained by the Company, or reimbursement of expenses with respect to the use of the Chairman's private vehicle, and/or a cellphone which will be provided to him, and/or benefits, reimbursement of expenses and additional conditions, in consideration of his position as the Chairman of the Board, and in accordance with the Company's standard practice, provided that the total annual cost for the Company, with respect to the terms of tenure, does not exceed the annual consideration.

The annual consideration also includes payment to the Chairman of the Board with respect to ordinary absence days and absence due to a health condition, in accordance with the Company's standard practice.

The engagement with hte Chairman of the Board is not time-limited, and each of the parties is entitled to announce the termination of the engagement at any time, and for any reason whatsoever, subject to written notice 6 months in advance (the "**Advance Notice Period**"). The advance notice period will also apply at the end of the tenure period, insofar as it has not been renewed and/or extended. The Board of Directors will be entitled to waive all or part of the Chairman's services during the advance notice period.

Notwithstanding all of the foregoing, in case the employment of the Chairman of the Board has been terminated in extraordinary circumstances (e.g., in circumstances involving the revocation of the employee's entitlement to severance pay), the Company will be entitled to terminate this agreement immediately, without providing advance notice compensation.

During the period of the agreement, the Chairman of the Board will be entitled to work, either as an employee or as a service provider, in other position/s, subject to the aforementioned scope of employment which will be dedicated to the Company and to the Group, subject to restrictions regarding avoidance of conflicts of interest and/or competition with the business of the Company and the Group and/or the Commissioner's directives.

During the Chairman of the Board's period of tenure, Mr. Samet may be required to served as a director in additional member companies of the Group, and he will do so without any additional consideration whatsoever (except with respect to Clal Insurance, as stated above). Insofar as Mr. Samet is required to serve as the Chairman of the Board of additional companies of the Group, as stated above, Mr. Samet may be entitled to the payment of additional consideration, subject to the legally required approvals, if any. It is noted that Mr. Samet was not entitled to additional directors' compensation from Clal Insurance with respect to his tenure as a director, and accordingly, before his appointment as the Chairman of the Board of Clal Insurance, he did not receive additional compensation with respect to that tenure.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

Mr. Samet provides his services as an independent Chairman of the Board, and accordingly, it was agreed that there will be no employer - employee relationship between the Company and Mr. Samet. Mr. Samet will bear all tax payments and mandatory payments as required by law, with respect to any payment or benefit which he receives with respect to his terms of tenure.

The Chairman of the Board is subject to the arrangements regarding insurance, exemption and indemnification which apply to the Company's directors and corporate officers.

5. CEO employment agreement

On June 17, 2018, the boards of directors of the Company and of Clal Insurance approved the appointment of Mr. Yoram Naveh as the CEO of the Company and of Clal Insurance, beginning on July 1, 2018.
On July 5 and 8, 2018, the Compensation Committees of the Company and of Clal Insurance, respectively, approved the terms of engagement with Mr. Yoram Naveh in the employment agreement, for an unspecified period, beginning on July 1, 2018, whereby each of the parties is entitled to terminate the engagement by giving notice 6 months in advance (the "**Agreement**"). On August 14, 2018, the general meeting of the Company's shareholders approved the terms of the agreement.

Presented below are the main terms of the employment agreement of Mr. Naveh (hereinafter: the "**CEO**"):

The CEO's salary will be calculated subject to the provisions of the Executive Compensation Law, in a manner whereby the projected expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, in accordance with generally accepted accounting principles, will be in accordance with section 2 of the Executive Compensation Law, according to the higher of either: (1) Two million and a half Shekels (NIS 2.5 million) per year[7] (hereinafter: the "**Compensation Limit**"); or (2) A multiple of the expense with respect to the lowest compensation, according to a full time 100% position, which was paid by the Company to an employee, directly or indirectly (including to a contract employee who is employed directly by the Company, or to an employee who is employed by a service provider who is employed by the Company), times 35 (hereinafter, respectively: the "**Minimum Salary**" or the "**Minimum Salary Limit**").
"Compensation limit" - The higher of either minimum salary limit and the amount limit.

The fixed salary may change from time to time in accordance with the mechanism described above, and an update of the Compensation Committee and the Board of Directors, and furthermore, the fixed salary may change in accordance with and subject to the decision of the Compensation Committee and the Board of Directors, in case it is found that additional components (beyond the provision for compensation and the provision for severance pay as required by law), are not included in the amount limit or the minimum salary limit prescribed in the Executive Compensation Law.

It is hereby clarified that the aforementioned decision is binding towards the Company even if the Company is found to bear additional cost with respect to "excess employment cost", as defined in the Executive Compensation Law (e.g., as a result of an interpretation of the provisions of the Executive Compensation Law), i.e., due to the fact that the aforementioned expense will not be deductible from the Company's taxable income.

The CEO will be entitled to convert components of fringe compensation benefits (e.g., vehicle and social benefits above the relevant maximum limits) into a monthly salary, provided that such conversion does not increase employment cost beyond the compensation limit.

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[7] Linked to the index, beginning from the publication date of the Executive Compensation Law (April 12, 2016). The calculation of the compensation limit, as stated above, will not include taking into account the provision for compensation, including loss of working capacity, and the provision for severance pay pursuant to the law, which can be provided on account of the compensation components.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

5. CEO Employment Agreement (Cont.)

Notwithstanding all of the foregoing, it is hereby clarified that the CEO's total compensation, as defined in the Executive Compensation Law, will not exceed, in any case, three and half million Shekels (NIS 3.5 million) per year (hereinafter: the "**Compensation Mechanism**").

In accordance with the above, the monthly salary of the Company's CEO, since January 2022, has amounted to a total of approximately NIS 205 thousand (plus vehicle value), and beginning from January 2023, is expected to amount to a total of approximately NIS 211 thousand, plus social benefits, whereby the expense with respect to the CEO's compensation, according to the total cost of the compensation components, per year, amounted to a total of approximately NIS 3.1 million. A "tax penalty" may arise in respect of the aforementioned expense, in accordance with the provisions of the Executive Compensation Law.

The CEO is also entitled to reimbursement of expenses in connection with the fulfillment of his position, a cellphone, newspaper subscription, and an appropriate vehicle (subject to periodic replacement of the vehicle, in accordance with the Company's standard practice), including expenses associated with the maintenance thereof, and including grossing-up the credit for the vehicle and telephone benefit for tax purposes, as well as additional fringe benefits, as specified in the Company's compensation policy, subject to the compensation limit.

The agreement sets forth non-competition restrictions during the agreement period. The aforementioned restrictions will apply to the CEO with respect to the insurance and finance segments also for the nine month period, beginning from the date of provision of advance notice. During the 6 month advance notice period, the CEO will receive the full linked monthly salary, as well as all social benefits and fringe benefits. The Company will be entitled to waive the CEO's actual work during this period, without derogating from his rights to the aforementioned benefits during the advance notice period.

The agreement includes various provisions and other conventional arrangements. It was further determined that in case of termination of the employer - employee relationship, for any reason whatsoever (excluding extraordinary circumstances in which the CEO will not be entitled to severance pay in accordance with the provisions of the law, with respect to his period of employment in the Company), the CEO will be entitled to release and/or transfer to his ownership all of the funds which have accrued in his favor in directors' insurance and in the study fund, including the profits thereof. Additionally, if and inasmuch as the amount accumulated in the severance pay component of the managers' insurance policy does not reach the severance pay amount to which the CEO would be entitled by law in the event that of dismissal, the Company will supplement the difference owed to the CEO.

The CEO is not entitled to a variable annual bonus with respect to his tenure as CEO.

It is noted that, in accordance with the compensation policy, the compensation policy does not detract from rights which have accrued or were created with respect to previous periods, and therefore, the provisions of the compensation circular will not apply to the adjustment bonus which was provided for Mr. Naveh before the circular's entry into effect.

The CEO remains entitled to receive an adjustment bonus in accordance with the provisions of his previous employment agreement, in which it was determined that he will be entitled to 6 months' employment without social benefits and fringe benefits. The provisions of the compensation circular with respect to severance packages apply to the supplementation of the adjustment bonus, as stated above.

The CEO will continue being subject to the arrangements regarding insurance, exemption and indemnification which apply to the Company's directors and corporate officers[8].

The CEO also privately acquired, on July 3, 2018, 3,934 shares of the Company.

During his tenure, the CEO may be requested by the Company to serve as a director in various members of the Company's group, without payment of any additional consideration beyond the consideration that it paid to him by virtue of and in accordance with the provisions of the agreement.

[8] The CEO has received from the Company a letter of exemption and letter of indemnity, similarly to the Company's corporate officers and directors.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

6. Exemption, insurance or indemnity undertakings towards corporate officers which are in effect as of the end of the reporting period

   A. The following is a description of the arrangement that applies with respect to liability insurance for directors and corporate officers in the Company:

      (1) Beginning on December 1, 2014, the Company buys corporate officers' liability insurance policies for a period of one year. Each of the aforementioned policies is shared by the Company and member companies of the Group, including Clal Finance. Clal Insurance is not the insurer in the aforementioned policies. On December 18, 2016, the general meeting of the Company's shareholders approved the compensation policy for the first time, which includes a clause regarding exemption, indemnification and insurance for corporate officers. The compensation policy determines that the Company will be entitled to purchase officers' liability insurance for the Group's officers, in insurance amounts which will not exceed USD 400 million. On January 3, 2021 the compensation policy was updated, and it was determined that the annual premium cost, and the deductible amount with respect to the policy, will be according to market conditions on the date when the policy was made, and at a cost which is immaterial to the Company. The Company will also be entitled to purchase run off officers' liability insurance in case of the transfer of the control of the Company and/or of a subsidiary.
      In accordance with the aforementioned resolution, the Company engaged in an insurance policy which was issued by an insurer which is a non-related party, for the period from December 1, 2021 to November 30, 2022, and later from December 1, 2022 to November 30, 2023 (the "**Policies for 2022 and 2023**"), in which the Company acquired insurance coverage for the Company and its investee companies, including Clal Finance Ltd. and its investee companies. The overall liability limit of each of the insurance policies for 2022 and 2023 is up to USD 130 million with respect to a single claim or cumulatively, respectively (the coverage above USD 100 million will not apply to past activities). The total annual premium is within the amount and/or mechanism which was approved in the general meeting, as stated above.

   B. The following is a description of the arrangement which applies to the indemnification of directors and senior officers in the Company:

      (1) On October 10, 2002, the general meeting of the Company's shareholders approved an undertaking to indemnify directors and corporate officers in the Company and in additional member companies of the Group, up to a rate of 25% of the Company's equity on the indemnification date. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.
      (2) On April 16, 2008, the Company's Audit Committee and Board of Directors approved the provision of updated letters of indemnity to corporate officers in certain member companies of the Group, including the Company, which are materially similar to the letters of indemnity which were approved, as stated above.
      (3) On May 3, 2012, in light of Amendment 16 to the Companies Law, and in accordance with the provisions of the Efficiency of Enforcement Procedures Law (Legislative Amendments), 2011, and the Law to Increase Enforcement in the Capital Market (Legislative Amendments), 2011, the general meeting of the Company's shareholders approved the provision of new letters of indemnity by the Company to directors and corporate officers in the Company and/or in additional member companies of the Group (hereinafter: the "**New Letter Of Indemnity**"), up to a rate of 25% of the capital attributed to the Company's shareholders on the date of indemnification. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.

Note 39: Related Parties and Interested Parties (Cont.)

B. Benefits to key management personnel (including directors) (Cont.)

6. Exemption, insurance or indemnity undertakings towards corporate officers which are in effect as of the end of the reporting period (Cont.)

B. The following is a description of the arrangement which applies to the indemnification of directors and senior officers in the Company: (Cont.)

The provisions of the new letter of indemnity take precedence over any previous obligation or agreement (prior to the signing of the new letter of indemnity), whether verbal or in writing, between the Company and a corporate officer on the subjects specified in the new letter of indemnity, including with regard to events which took place prior to the signing of the new letter of indemnity. The above is subject to the condition that a previous letter of indemnity which has been provided to a corporate officer, if any, will continue to apply and will remain valid with respect to any events which occurred prior to the signing of the new letter of indemnity (including in the event that legal proceedings with respect to the above have been filed against a corporate officer after the signing of the new letter of indemnity), in the event that the terms of the new letter of indemnity worsen the reimbursement terms for the corporate officer with respect to the above event, subject to all laws.

On July 28, 2013, the general meeting of the Company's shareholders approved a correction of omissions in the definitions of "administrative procedure" and "payment to injured party" in the new letter of indemnity, which is not in accordance with the definitions which appear in the Company's bylaws. Accordingly, the definitions of "administrative procedure" and "payment to injured party" in the new letter of indemnity were adjusted in accordance with the definitions which appear in the Company's bylaws.

(4) Beginning in 2017, the Company's compensation policy, as approved from time to time in the Company's general shareholders' meeting, includes, as stated above, a section regarding exemption, indemnification and insurance for officers.
Within the framework of the Company's compensation policy, it was determined that the Company will be entitled to grant letters of indemnity, according to a wording which will be decided by the Company, and which has been approved and/or will be approved by the general meeting of the Company's shareholders.

Accordingly, the Company granted letters of indemnity to directors and corporate officers in the Company, and to other office holders.

C. Presented below is a description of the arrangement which applies with respect to the exemption for directors and senior officers in the Company:

On October 9, 2016, the Company's Compensation Committee and Board of Directors approved the provision of an exemption from liability to the Company's corporate officers, subject to the receipt of the authorizations which are required by law in order to grant the exemption. The aforementioned exemption will not apply to any decision or transaction in which the controlling shareholder, or any corporate officer in the Company (including a different corporate officer than the one to whom the letter of exemption was given), have a personal interest. The Company's compensation policy since 2017, as approved by the meeting from time to time, specifies that the Company will be entitled to grant an exemption from liability to the Company's officers, as stated above.

Accordingly, the Company granted letters of exemption to directors and corporate officers in the Company.

Note 39: Related Parties and Interested Parties (Cont.)

C. Balances of related parties and interested parties

NIS in thousands	As of December 31, 2022		As of December 31, 2021	
	Related party / interested party			
	Other related parties	Investee companies	Other related parties	Investee companies
Financial investments for investment-linked contracts	**1,201,238**	**13,006**	1,409,920	12,355
Other financial investments:				
Marketable debt assets	**70,841**	**-**	59,476	-
Non-marketable debt assets	**27,038**	**516**	10,179	39,733
Stocks	**65,052**	**-**	31,435	-
Others	**255**	**-**	34,235	-
Loans to investee companies accounted by the equity method 1)	**-**	**6,578**	-	6,249
Other accounts receivable	**3,933**	**-**	2,372	-
Outstanding premiums	**234**	**-**	855	-
Other accounts payable	**-**	**13,135**	(*-	12,842

1) Included under the item for investments in investee companies.
*) Reclassified.

Note 39: Related Parties and Interested Parties (Cont.)

D. Amounts included in the statement of income with respect to transactions with related parties and interested parties, and descriptions of these transactions

	For the year ended December 31, 2022		For the year ended December 31, 2021		For the year ended December 31, 2020	
	Related party / interested party					
NIS in thousands	Other related parties	Investee companies	Other related parties	Investee companies	Other related parties	Investee companies
Gross premiums	**21,541**	**-**	6,459	-	5,839	-
Income (loss) from investments, net, and financing income	**(885)**	**2,745**	305,582	3,214	13,672	3,030
Payments with respect to insurance contracts	**4,789**	**-**	5,701	-	1,615	-
General and administrative expenses	**1,567**	**-**	1,366	-	1,036	-
Financing expenses	**-**	**373**	-	368	-	381

Note 40: Share-Based Payment

A. Details regarding plans for the allocation of warrants exercisable into Company shares

1. 2015 plan

In accordance with the compensation policy of Clal Insurance, on March 24, 2015 the Company's Board of Directors adopted a capital compensation plan conditional upon performance for 2015 (hereinafter: the "**2015 Plan**"), according to which the Company will be entitled to allocate warrants to employees who are not senior position holders[9] (as this term is defined in the compensation circular).

The warrants are each exercisable into ordinary shares with a par value of NIS 1, in accordance with the monetary benefit value embodied in the warrants on the exercise date, and subject to adjustments and conditions, of which the primary ones are specified below, in three equal annual tranches.

The warrants' exercise price will be subject to adjustments with respect to the following events: distribution of bonus shares; cash dividend payment; a share exchange arrangement (such as a merger transaction or re-organization); issuance of interests; cash dividend payment; and separation or consolidation of the Company's share capital, or any corporate capital events of a significantly similar nature. The adjustments will be performed according to the manner set forth in the 2015 plan. The 2015 plan was approved in a capital taxation track, in accordance with section 102 of the Income Tax Ordinance.

The eligibility of an offeree to the warrants and to the exercise thereof will be subject to the fulfillment of the preconditions for the formulation of eligibility, the fulfillment of target profit, as defined below, and the vesting conditions which constitute measurable quantitative targets.

The eligibility materialization conditions are preconditions involving (a) Clal Insurance's fulfillment of the minimum solvency ratio with respect to that bonus year, as defined in the compensation policy of Clal Insurance, or another metric to be determined in case of a regulatory changes to the capital regime ("**Minimum Solvency Ratio**"); (b) The Company's fulfillment of a return on equity target rate of at least 5%, with respect to that year. Additionally, as a condition for materialization of the eligibility, the Company is entitled to fulfill a target of at least 70% of the target which will be determined for the purpose of the profit target, and which will be determined in the range between NIS 250 million and NIS 600 million, with respect to each bonus year (the "**Profit Target**"). A condition for eligibility for warrants with respect to an eligibility year is the fulfillment of the preconditions and fulfillment of the profit target (hereinafter: the "**Conditions for Eligibility**"). In the event that any of the conditions for eligibility have not been fulfilled in a particular bonus year, the offeree will not be entitled to all of the warrants which were allocated to him with respect to that bonus year, and those warrants will be returned to the register of warrants, and may be re-allocated to any offeree.

The materialization of the conditions for eligibility for a certain year will be evaluated proximate to the publication date of the period report for the evaluated year (the "**Materialization of Eligibility Date**"). The warrants will vest in three tranches. The first warrant vesting date will be April 1 after the passage of one year, two years and three years after the materialization date. The vesting will be conditional upon the fulfillment of a minimum solvency ratio at the end of the calendar year before the vesting date[10]. Each tranche will vest two years following after its vesting date (the "**Expiration Date**").

Notwithstanding the foregoing, if the option period of a certain tranche concludes during a period which was determined by the Company as a lock-up period with respect to the existence or potential existence of insider information, then subject to the plan terms, the option period will be extended automatically, for an

[9] "Senior position holder" is as defined in the compensation circular, and as determined from time to time by the Board of Directors. As of the present date, the Board of Directors determined that the managers of the Company's distribution channels will be included under this definition. Additionally, with respect to investment managers whose impact on the investment risk profile of the Company and of the funds of those saving through it is negligible, will be excluded from the list of the Company's senior position holders.

[10] In accordance with the compensation policy and the Board of Directors' resolution, "the minimum solvency ratio" for the purpose of the 2015 options plan, with respect to 2021, will be no less than a ratio of 125%, in accordance with the Commissioner's directives regarding the economic solvency regime, calculated with taking into account the provisions regarding the distribution period which was defined by the Commissioner; however, in case of non-fulfillment of the aforementioned target, due to a significant and broad exogenous event which affects the entire insurance sector in Israel, the Board of Directors will be entitled to determine that the Company has met the minimum solvency ratio. The solvency ratio is the last known ratio which was published by the Company, including equity transactions which were performed until the publication date of the solvency ratio.

additional period, in a number of days equal to the number of days in the lock-up period.

Note 40: Share-Based Payment (Cont.)

A. Details regarding plans for the allocation of warrants exercisable into Company shares (Cont.)

The plan manager will be entitled to determine, upon the allocation of the warrants, a maximum price, as defined above. It is noted, with respect to all warrants which were allocated in accordance with the 2015 plan, that a maximum price was determined, as stated above.

In 2015, the Company's Board of Directors resolved to publish outlines pertaining to the allocation of up to 470,000 warrants, which will be offered by virtue thereof, in accordance with the plan, to employees and corporate officers of the Company and/or of companies under its control. All of the warrants according to the aforementioned outline were allocated.

The Company has not allocate any warrants in accordance with the 2015 plan since 2017. On March 25, 2021, the Company's Board of Directors resolved to no longer allocate warrants in accordance with the aforementioned plan, and to erase the remaining warrants which are held in the series of warrants from the register of the Company's securities. In the end of March 2023, the remaining unexercised options will expire, if and insofar as they are not exercised.

For additional details, see sections B and C below.

2. <u>2021 plan</u>

In accordance with the Company's compensation policy, on March 25, 2021 the Company's Board of Directors adopted a capital compensation plan conditional upon performance for 2021 (hereinafter: the "**2021 Plan**"), according to which the Company will be entitled to allocate warrants to employees and corporate officers.

The warrants are each exercisable into ordinary shares with a par value of NIS 1, in accordance with the monetary benefit value embodied in the warrants on the exercise date, and subject to adjustments and conditions, of which the primary ones are specified below.

The exercise price will be no less than the average closing price of the Company's stock during the last 30 trading days, and in any case, no less than the closing price of the Company's stock on the last trading day on the stock exchange, as of the date of the Board of Directors' approval. Additionally, beyond what is required under the compensation policy, a progressive premium over the share price will be added to each tranche - the exercise prices will be at a premium of 2.5%, 5% and 7.5% per tranche, except with respect to Class B options, which the Company intends to allocate to certain employees in accordance with the collective agreement, as stated in Note 24(Dd, according to the exercise price stated above, and without a premium.

The warrants' exercise price will be subject to adjustments with respect to the following events: distribution of bonus shares; cash dividend payment; a share exchange arrangement (such as a merger transaction or re-organization); issuance of interests; cash dividend payment; and separation or consolidation of the Company's share capital, or any corporate capital events of a significantly similar nature. The adjustments will be performed according to the manner set forth in the 2021 plan. The 2021 plan will be approved in a capital taxation track, in accordance with section 102 of the Income Tax Ordinance.

The allocation of Class A options will be done in three tranches, distributed over three years, and will be exercisable beginning from the end of one year (where with respect to the first tranche, a minimum two year period of vesting and holding will be required), two years and 3 years after the grant date, and up to two years after the vesting date (and with respect to the first tranche - beginning from the holding date).

The allocation of Class B options will be done in a single tranche, and they will be exercisable beginning after the end of one year (with a minimum of two years of vesting and holding required), and in accordance with the terms of the collective agreement, as specified in Note 24.

Each tranche which has vested will be exercisable up to two years from the vesting date.

Note 40: Share-Based Payment (Cont.)

A. Details regarding plans for the allocation of warrants exercisable into Company shares (Cont.)

2. 2021 plan (Cont.)

The vesting of each tranche of options will be conditional on the offeree being an employee of the group as of December 31 of the year preceding the vesting date, and subject to the fulfillment of all of the following conditions: A. Existence of a minimum solvency ratio (125% in accordance with the provisions of the economic solvency regime, calculated in consideration of the transitional provisions which were defined by the Commissioner), and non-fulfillment of suspending circumstances of any of the liability certificates which have been issued by Clalbit Finance Ltd. (the "**Minimum Conditions**"); B. An absence of comprehensive loss (after tax) for the Company; and C. Compliance with the salary cap in accordance with the Executive Compensation Law. It is hereby clarified that each tranche of options will expire in case of non-fulfillment of the minimum conditions; however, in case of the non-fulfillment of conditions B and/or C, it will be possible to defer the vesting date to the subsequent year, provided that all of the conditions have been met.
For a period of up to four (4) years, in total, after the original vesting date. The offeree must not be an employee of the Company on the deferred vesting date, except if the deferral was done due to the non-fulfillment of condition C.

Notwithstanding the foregoing, if the option period of a certain tranche concludes during a period which was determined by the Company as a lock-up period with respect to the existence or potential existence of insider information, then subject to the plan terms, the option period will be extended automatically, for an additional period, in a number of days equal to the number of days in the lock-up period.

The plan manager will be entitled to determine, upon the allocation of the warrants, a maximum price, as defined above. It is noted, with respect to all warrants which were allocated in accordance with the 2021 plan, that a maximum price was determined, as stated above (see section C below).

In 2021, the Company's Board of Directors resolved to publish an outline pertaining to the allocation of up to 3,500,000 warrants, which will be offered by virtue thereof, in accordance with the plan, to employees and corporate officers of the Company and/or of companies under its control (the "**2021 Outline**"). The allocation of the options which will be offered according to the outline is subject to the receipt of all of the permits and authorizations which are required by law for the offering and issuance of securities in accordance with the outline, and for the publication of the outline. The warrants are exercisable into ordinary Company shares, in accordance with the benefit value represented in the warrants, subject to adjustments. The benefit value is based on a valuation of the options on their grant date, which amounts to approximately NIS 15 per option, with the fair value of each tranche being distributed over the vesting period.

In June 2021, the Company allocated 2,493,200 Class A options and 175,247 Class B options to officers and employees of the Company and/or of companies under its control, in accordance with the 2021 outline.

The shares which will result from the exercise of these options constitute approximately 1.87% of the Company's equity, assuming maximum exercise.

For additional details, see sections B and C below.

Additionally, in April 2022, in accordance with the 2021 plan, an outline was published regarding the allocation of up to 370,000 warrants, which will be offered by virtue thereof, in accordance with the plan, to employees and corporate officers of the Company and/or of companies under its control (the "**2022 Outline**"). The allocation of the options which will be offered according to the outline is subject to the receipt of all of the permits and authorizations which are required by law for the offering and issuance of securities in accordance with the outline, and for the publication of the outline. The warrants are exercisable into ordinary Company shares, in accordance with the benefit value represented in the warrants, subject to adjustments. The benefit value is based on a valuation of the options on their grant date, which amounts to approximately NIS 21 per option, with the fair value of each tranche being distributed over the vesting period.

In July 2022, the Company allocated 213,000 Class A options and 137,396 Class B options to officers and employees of the Company and/or of companies under its control, in accordance with the 2022 outline.

The shares which will result from the exercise of these options constitute approximately 0.23% of the Company's equity, assuming maximum exercise.

Note 40: Share-Based Payment (Cont.)

B. Movement in warrants and additional details

	Average lifetime *) in years	Weighted average of the exercise addition, in NIS 1)	Number of warrants
Balance as of January 1, 2020	1.24	70.03	354,898
Expired during 2020		70.45	(142,019)
Total outstanding warrants as of December 31, 2020	0.88	69.75	212,879
Allocated in 2021		57.71	2,668,447
Forfeited during 2021		57.55	(52,613)
Expired during 2021		68.94	(127,533)
Exercised during 2021		70.49	(58,469)
Total outstanding warrants as of December 31, 2021	3.14	57.85	2,642,711
Allocated in 2022		**75.10**	**350,396**
Forfeited during 2022		**60.54**	**(189,673)**
Expired during 2021		**-**	**-**
Exercised during 2022		**71.39**	**(11,890)**
Total outstanding warrants as of December 31, 2022	**2.39**	**59.78**	**2,791,544**
Of which, total outstanding warrants as of December 31, 2022			
2015 plan	0.25	72.42	14,987
In the 2021 outline	2.32	57.65	2,448,355
In the 2022 outline	3.05	75.06	328,202
Total exercisable warrants:			
At the end of 2020		69.25	170,211
At the end of 2021		71.95	26,877
At the end of 2022		**72.42**	**14,987**

*) Weighted average of the remaining contractual duration to expiration.

1) The weighted average of the exercise addition with respect to forfeitures and expirations was calculated based on the value of the exercise addition at the end of each year.
The range of exercise prices for the warrants as of December 31, 2022 amounted to NIS 55.13 - 78.35 (2021 - NIS 55.13-72.42; 2020 - NIS 62.05-72.42).

Based on a maximum theoretical assumption of the exercise of all of the warrants from the 2015 plan, the 2021 outline and the 2022 outline, when the price of the Company's shares on the stock exchange reaches a price where, according to the terms of the warrants plan, an automatic exercise is implemented, and subject to the adjustments specified in the 2015 plan, the 2021 outline and the 2022 outline, the outstanding warrants will confer upon the recipients, as of December 31, 2022, 2021 and 2020, approximately 1.79%, approximately 1.82% and approximately 0.16%, respectively, of the Company's issued and paid-up share capital after the allocation.

This assumption, regarding the full exercise of the warrants, is theoretical only. Offerees who exercise the warrants will not be allocated all shares arising therefrom, but rather, only shares in a quantity which reflects the amount of the monetary benefit which is embodied in the warrants, in accordance with the actual benefit amount on the exercise date, i.e., the difference between the price of an ordinary company share on the exercise date, and the exercise price of the warrant.

Note 40: Share-Based Payment (Cont.)

C. Details regarding the fair value measurement of the warrant plans

The fair value of the warrants is estimated using the binomial model with respect to the warrants which were allocated, as stated above, to the offerees as part of the 2015 plan, the 2021 outline and the 2022 outline. The main assumptions in the models includes the share's closing price on the measuring date, the instrument's exercise price, the expected volatility (based on the average historical volatility of the Company's stock, over the expected lifetime of the warrants), the expected lifetime of the instruments (based on the past experience and the general behavior of warrant holders). and the risk-free interest rate in accordance with the lifetime of the warrants (based on an interest rate yield curve). Terms of service and performance conditions which are not market conditions are not taken into account when determining fair value.

Presented below are the parameters which were used in the application of the models and the fair value on the allocation date:

	2015 plan 1)	2021 outline 1)*)	2021 outline 1)*)	2022 outline 1)	2022 outline 1)
		Option A	Option B	Option A	Option B
Number of warrants allocated, less forfeitures, until the balance sheet date	313,333	2,279,201	169,154	196,000	132,202
Weighted average share price (in NIS)	61.70	55.13	55.13	72.80	72.80
Weighted average of the exercise addition on the allocation date (in NIS)	68.73	57.84	55.13	76.53	72.88
Weighted average of expected volatility 2)	34.06%	36.30%	37.01%	37.48%	40.26%
Average warrant lifetime (in years) 3)	5.75	3.97	3.00	4.00	3.00
Weighted average of risk free interest rate 4)	1.49%	0.50%	0.46%	1.76%	1.65%
Maximum price	139-146	110	110	149	149
Fair value as of the allocation date of all warrants issued by the Company (NIS in thousands) 5)	4,550	35,148	2,712	4,148	2,766

*) Reclassified.

1) The data presented below constitute a weighted average of the allocations on the various dates, by tranches, after deducting forfeitures and replacements of offerees.
2) The expected volatility of the share price over the expected lifetime of the warrants was determined based on the historical volatility of the Company's share price, and is based on the assumption that the historical volatility of the share price constitutes a good indication of future trends.
3) The projected average lifetime of the warrants was determined based on past experience and general behavior of warrant holders, which does not necessarily represent the future pattern of exercising the warrants into shares. Accordingly, it was assumed that the warrants would be exercised on the expiration date.
4) The risk-free interest rates were determined by a company providing interest rate quotes for interest rates (for additional details, see Note 14(f)(4)), where the interest rate periods corresponded to the expected lifetime of the warrants (based on the interest rate yield curve).
5) The cumulative fair value of all of the allocation, in each of the warrants plans.

D. Payroll expenses with respect to share-based payments

NIS in thousands	2021 outline - Option A	2021 outline - Option B	2022 outline - Option A	2022 outline - Option B	Total
In 2020	-	2,809	-	-	2,809
In 2021	21,296	-	-	(* 2,785	24,081
In 2022	**9,678**	**-**	**2,337**	**-**	**12,015**

*) Reclassified.

Note 41: Contingent Liabilities and Claims

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[11] whose filing as class actions was approved; Pending motions to approve class action status for material claims; Material and immaterial class actions which concluded during the reporting period, until its signing date and other material claim against the Group's member companies.

The following claim amounts are presented at amounts that are correct as of the date of their filing, and as specified by the plaintiffs, unless noted otherwise.

It is noted, as a general rule, that the exposure to monetary demands, whether specific or general, is subject to prescription. The prescription period in insurance products varies depending on the type of product and event regarding which prescription has been claimed. The exposure to prescription is particularly high in "long term claim" insurance branches and in long term insurance branches in the life insurance and health insurance segments, in which Clal Insurance is engaged. The period of time required to investigate the claim, which is sometimes long, particularly in class actions, extends the period during which the Company is required to make repayments, as part of the prescription period. In recent years there has been a trend of extending the prescription period in some insurance branches, which may result in an increase in insurance liabilities towards policyholders, *inter alia*, as part of the amendment to the Insurance Contract Law which extended the prescription period in life insurance and in illness and hospitalization insurance and long-term care insurance, to five years after the occurrence of the insurance event, beginning from the application date of the amendment in 2020, and a proposed amendment to the Insurance contract Law, according to which the prescription period will not be counted for one year after the date when a complaint has been submitted to the Commissioner for the purpose of investigating it in accordance with his authority, but no more than four years after the occurrence of the insurance event, and with respect to life insurance, illness and hospitalization insurance, and long-term care insurance - no more than six years after the occurrence of the insurance event.

A. Class action claims

In recent years, as part of a general trend in the markets in which the Group operates, a significant increase has occurred in the number of motions filed for the approval of class action status for claims against the Group's member companies, and also in the number of claims filed against the Group's member companies which have been recognized by the Court as class actions. The trend described above, which is due, *inter alia*, to the enactment of the Class Action Law, 2006 (hereinafter: the "**Law**"), the multiplicity of claims, and the approach of the Courts, significantly increases the Company's potential exposure to losses with respect to rulings issued against the Group's member companies in class actions which are filed against them.

A class action lawsuit, as defined in the Law, is a lawsuit which is managed on behalf of an anonymous class of people who did not grant power of attorney in advance to the class action plaintiff, and which raises material questions regarding facts or law that apply to all class members.

The procedure begins with a written motion submitted by the single plaintiff to the Court with which the plaintiff's personal claim has been filed, in which he requests approval of class action status for his claim. Only in the event that the motion to approve the claim as a class action is accepted does the claim's definition change to a "class action", with the plaintiff becoming a "class action plaintiff".
A class action can only be filed for claims which meet the conditions set forth in law, or on a matter regarding which a legal provision specifically states that a class action may be filed. It should be noted that, from 2006 onwards, the definition of a claim due to which a motion for approval as a class action may be filed against the Group's member companies is a broad definition, and includes any matter which may arise between a company

[11] It is noted, in general, that in this note a claim will be considered material and will be described according to a qualitative or quantitative estimate which is conducted by the Company on the date when the claim is received. With regard to the quantitative estimate - Insofar as the actual exposure amount, net of tax, assuming the claim is found to be justified, and without addressing the claim's chances, or the amount specified therein, per se, exceeds the Group's significance threshold with respect to income, according to the calculation of forecasted comprehensive loss, divided by the average annual comprehensive income or comprehensive loss in the last three years, calculated based on the last 12 quarters for which audited or reviewed financial statements were published; It is hereby clarified that the income/loss which is attributed to the event, and the income/loss in each quarter, are calculated according to their absolute values. This classification is correct as of the filing date of the claim. However, in light of the continuation of the legal proceedings, sometimes over a period of several years, and the development thereof, cases are possible where a claim which was not considered material on the date it was filed, may become subsequently material, and in that case, disclosure will be given for such claims at a later date. A claim may also be considered material for the purpose of such disclosure when the Company is unable to estimate the total exposure.

and a customer, whether or not they have engaged in a transaction.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

In order for a claim to be approved as a class action, the plaintiff must prove the following, *inter alia*: (1) the existence of a "personal cause of action" for the specific plaintiff; (2) That the cause of action is sufficiently well-established as to constitute a "prima facie cause of action". At this point, the Court evaluates whether the plaintiff has a prima facie chance of eventually wining the claim in court; (3) That the cause of action gives rise to significant questions of fact or law which are shared by a certain group; (4) That there is a reasonable possibility that the common questions in the claim will be determined in favor of the Group; (5) That the class action is the most efficient and fair method of resolving the dispute which is the subject of the claim, in light of the circumstances; (6) The suitability of the plaintiff to serve as the class action plaintiff, and of his attorney to representative him in the claim.

In general, the process of evaluating a claim as a class action may include 4 stages: Stage A - Filing of the motion to recognize the claim as a class action in the first instance; Stage B - Appeal in the Authority to a higher instance regarding the decision reached by the first instance; Stage C - Hearing the claim on the merits before the first instance (generally before the same judge who heard the motion in the first instance); Stage D - Appeal to a higher instance regarding the decision on the merits.

It should be noted that the scope and content of the hearing of a class action on its own merits is affected by the ruling regarding the approval of the claim as a class action. A decision approving class action status for a claim generally refers to the causes of action which were approved, and those which were not approved; The remedies which were approved, and which were not approved; etc.

The law provides a set procedure and restrictions for all matters relating to settlement arrangements in class actions, which causes difficulty in instating settlement arrangements regarding class actions. The law also provides a requirement involving due disclosure to the Court with regard to all material details involved in the settlement arrangement, as well as a right available to the Attorney General and to additional entities listed in the Law to file an objection to the proposed settlement arrangement, and a requirement that an examiner be nominated with respect to the settlement arrangement. In January 2021, the Ministry of Justice published a "request for public comments regarding amendments to the Class Action Law, 2006", in which the public was requested to address the required amendments to the law. Clal Insurance submitted its comments, through the Israel Insurance Association, *inter alia*, with reference to the many class actions in the Israeli market in general, and in the insurance market in particular.

The motions to approve class action status for the claims specified below are in various stages of the procedural hearing; some have been approved, while others are in appeal proceedings.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved

Presented below are details regarding material claims which have been approved as class actions and which are in various stages of handling the case on the merits, including hearing the case on the merits before the first instance, or appeals after decisions have been made to approve or dismiss the claim, or after rulings have been given to approve or dismiss the claim.

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	3/2010 District - Center	Clal Insurance	The plaintiff contends that Clal Insurance unlawfully and wrongfully took advantage of the Control of Financial Services (Provident Funds) Law, 2008 ("Amendment No. 3"), which determined that funds which are deposited in provident funds beginning from 2008, will be withdrawable as an annuity only, and not as a capital withdrawal (withdrawal in a one-time amount). The plaintiff contends that at the time of conversion of the capital policies which were owned by a policyholder, prior to Amendment No. 3, for non-annuity paying policies, Clal Insurance was required to attach to the policy the annuity factor which was guaranteed to the policyholder under the fixed-payment policy owned by him, while in practice, Clal Insurance chose to attach to the converted capital policy a new annuity factor, in accordance with the life expectancy as of 2009.	To order Clal Insurance to attach to the capital policies of its policyholders the same annuity factor which they had in the fixed-payment policy prior to Amendment No. 3. Alternatively, to order Clal Insurance and the other class members to deposit the entire amount of the pension savings funds, retroactively beginning after the date of the entry into effect of Amendment No. 3 (January 2008), and from now on, to the fixed-payment policy with the preferential annuity factor. Alternatively, to order Clal Insurance to compensate the plaintiff and the other class members in the amount of damage which was incurred.	Any person who owned, prior to the entry into effect of Amendment No. 3, both a capital policy and a fixed-payment policy of Clal Insurance (whether of Clal Insurance or of another insurance company), and to whom, following the aforementioned amendment to the law, a annuity factor[12] was not guaranteed in the capital policy, or to whom an annuity factor was guaranteed in the capital policy which was worse than the annuity factor specified in his fixed-payment policy.	In September 2015, the District Court decided to accept the motion to approve against Clal Insurance, in which it was determined that the entitled class members include any policyholder who owned, prior to Amendment No. 3, both a capital policy and a fixed-payment policy (whether of Clal Insurance or of another insurance company), and who, following the aforementioned amendment, did not receive an annuity factor in the capital policy, or who received an annuity factor which was worse than the factor in his fixed-payment policy, provided that the capital policy was managed by Clal Insurance. In July 2020, the Attorney General's position was filed with the Court, which supported the position of Clal Insurance, in which it was stated that Clal Insurance had acted in connection with the matters which form the subject of the claim in accordance with the outline which was approved for it by the Capital Market Authority, and that it would not be appropriate to retroactively replace the discretion which was exercised by the Authority on this matter. In August 2021, a ruling was given in which the claim was dismissed in its entirety (hereinafter: the "**Ruling**"). In January 2022, after the plaintiff decided not to appeal the ruling, an appeal against the ruling was filed with the Supreme Court by a social association.	The plaintiff estimates the number of the class members as 37,752 members, and accordingly, the monetary compensation to all of the class members is estimated at NIS 107 million, in each year.[13]

12 The annuity factor is the factor representing life expectancy which is used by the insurer, at retirement age, to convert the savings amount accrued by the policyholder into a monthly annuity.

13 The specified amount refers to the estimated claim with respect to one damage year only. It is noted that the claim was filed in March 2010, with respect to a legislative amendment from 2008.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	5/2013 District - Tel Aviv	Clal Insurance and additional insurance companies	The plaintiff contends that the defendants breach their obligation to attach linked interest and duly calculated linkage differentials, with respect to the insurance benefits which they pay. According to the claim, the date from which the interest and linkage differentials should be calculated is beginning on the date of the occurrence of the insurance event, until the actual payment date. Alternatively, linkage differentials should be paid from the date of the occurrence of the insurance event until the actual payment date, as well as interest starting 30 days after the filing date of the claim, until the actual payment date of the insurance benefits.	To order the defendants to pay to the class members linkage differentials and interest with respect to the underpayment which was performed. Additionally, and/or alternatively, the Court is requested to order the provision of compensation in favor of the public, in its discretion.	Any person who received, during the 7 years prior to the filing of the claim and/or who will receive, until a ruling has been given on the claim, insurance benefits from the defendants, to which duly calculated interest (the "**First Class**") and duly calculated linkage differentials (the "**Second Class**") were not added. In January 2019, the plaintiff petitioned for the expansion of the class of represented plaintiffs, as defined in the Court's decision to approve from August 2015, such that it will also include all policyholders of Clal who received and/or will receive insurance benefits to which duly calculated interest was not added, from the date of the claim's approval as a class action, until a final ruling has been given on the matter. The Court determined it would reach a determination regarding the motion as part of the ruling.	In August 2015, the District Court decided to dismiss the motion to approve against the defendants, regarding the claim of non-payment of linkage differentials, and to accept the motion to approve against the defendants with respect to the claim regarding the underpayment of interest on insurance benefits, and it was determined that the entitled class members include any policyholder, beneficiary or third party who, during the period from three years prior to the filing of the claim, until the date of the claim's approval as a class action, received from the defendants, and not through any ruling which was given between them, insurance benefits to which duly calculated interest was not added, within 30 days after the date of submission of the claim to the insurer (and not from the date of submission of the last document required by the insurer to evaluate the liability), until the actual payment date. In October 2016, the defendants withdrew, with the approval of the Supreme Court, a motion for leave to appeal which was filed by them in October 2015, which primarily involved an objection to the determination of the District Court, according to which a previous settlement arrangement into which the Company entered regarding a similar question does not constitute final judgment which blocks the filing of the motion to approve, and does not afford protection to the defendants, and the parties reserved all of their claims with respect to the main proceedings. In February 2021 a partial ruling was given, in which the Court determined that the class action was accepted, and ordered the defendants to repay to the class members the interest differences, as specified in the ruling (hereinafter: the "**Ruling**"). In accordance with the ruling, it was determined that the "claim delivery date", beginning from which the period of 30 days begins to be counted, and after which linked interest will be added to the insurance benefits in accordance with the provisions of section 28(a) of the Insurance Contract Law, 1981 (hereinafter: the "**Insurance Contract Law**"), is the date when the insurance company or insurance agent (whichever is earlier) was first contacted, indicating that the policyholder, third party or beneficiary (hereinafter: the "**Entitled Parties**") were interested in receiving the insurance benefits, with no requirement to attach any document whatsoever. It was further determined that in cases where the insurance benefits were calculated according to their value on a date after the occurrence of the insurance event, interest will be added to them from that date only, and in the case of reimbursement of funds which were paid to service providers through deferred payment, interest differences will be calculated beginning from the date of actual payment. Regarding the class members who in the past reached settlement arrangements with the defendants, it was determined that the member of that class will be entitled to the repayment of interest with respect to the period from the date when the claim was filed until the date of completion of the collection of the required documents for the investigation, as stated in the ruling. The Court determined that the definition of the class will include all entitled parties who, during the period, beginning three years before the filing of the claims (which were filed against Clal Insurance in May 2013), and ending on the date when the ruling was given, received from the defendants, not in accordance with a ruling regarding their affairs, insurance benefits which did not include duly calculated interest. It was further determined, for the purpose of implementing the ruling and calculating the amount of compensation to the class members in accordance with the principles specified in the partial ruling, that it is necessary to appoint an expert, and that the compensation to the class action plaintiffs, and their legal fees, will be determined in the final ruling. In May 2021, the defendants filed with the Supreme Court an appeal, or alternatively, a motion for leave to appeal, against the ruling. In June 2021, the Supreme Court gave a decision in which it ordered a stay of the proceedings in the District Court, including as regards the appointment of an expert for the purpose of executing the ruling, until a determination has been reached regarding the appeal process. In November 2022, the Supreme Court issued a decision in which it dismissed the motion for leave to appeal which was filed, as stated above, in the absence of grounds for judicial intervention, mostly because the partial ruling constitutes an "other decision", and the starting point in the appellate instance is that court will refrain from intervening in interim decisions of the court of first instance, except in extraordinary cases. Accordingly, it was determined that the defendants' assertions should be heard in an appeal against the final ruling regarding the claim, if filed. The Supreme Court clarified that it was not taking any position on the subject of the appeal which may be filed against the final ruling, if filed. The proceedings are currently in the claim handling stage at the District Court, in which the Court gave its decision, in January 2023, regarding the expert's identity and authorities.	The plaintiff estimates the cumulative amount for the first class in the amount of NIS 518 million (if it is ruled that the interest should be calculated beginning from the date of the occurrence of the insurance event), and in the amount of NIS 210 million (if it is ruled that the interest should be calculated beginning from 30 days after the date of the claim's submission to the insurance company). The plaintiff estimates the cumulative amount for the second class, for which the motion to approve was dismissed, with respect to linkage differentials, in an additional amount of NIS 490 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	1/2008 District - Tel Aviv	Clal Insurance and additional insurance companies	According to the plaintiff, the defendants charge sub-annual installments, a payment which is collected in life insurance policies wherein the insurance tariff is determined as an annual amount, though the payment is executed in several installments (hereinafter: "**Sub-Annual Installments**"), in excess of the permitted amount, with such charges being implemented, allegedly, in a number of ways: collection of sub-annual installments with regard to the "policy factor", collection of Sub-Annual Installments at a rate higher than that permitted according to the Control of Insurance circulars, collection of sub-annual installments with respect to the savings component in life insurance policies, and collection of sub-annual installments with regard to non-life insurance policies.	Repayment of all amounts unlawfully collected by the defendants, and a mandamus order requiring the defendants to change their ways of action with regard to the matters listed in the claim.	Any person who engaged in an insurance contract with any of the defendants, and from whom payment was collected with respect to the sub-annual installments component, in circumstances or in an amount which deviated from what is permitted.	The Commissioner filed his position on the case, in which he accepted the position of the insurance companies. In July 2016, the Court approved the claim as a class action. The Group which was approved includes anyone who engaged with the defendants, or with any one of them, in an insurance contract, and from whom sub-annual installments were collected with respect to the following components: with respect to the savings component in life insurance of the "hybrid" type, which were sold by Clal Insurance in the past, with respect to the "policy factor", which is a fixed monthly amount that is added to the premium, and which is intended to cover expenses, and with respect to health, disability, critical illness, loss of working capacity and long-term care policies (hereinafter: the "**Collection Components**"). The Court's decision was given despite the Commissioner position's which was submitted at the request of the Court, as stated above. The cause of action for which the claim was approved as a class action is unlawful collection of sub-annual installments with respect to the collection components. The requested remedy is the reimbursement of the amounts which were unlawfully collected during the seven years preceding the filing of the claim and thereafter, i.e., from January 2001, and a mandamus order ordering the defendants to rectify their conduct. In December 2016, the defendants filed with the Supreme Court a motion for leave to appeal against the decision to approve the claim as a class action (hereinafter: the "**Motion for Leave to Appeal**"), and in May 2018, the Supreme Court accepted Motion for Leave to Appeal, heard it as an appeal, and gave a ruling in which the appeal was accepted, and the claim accordingly dismissed. In June 2018, the plaintiffs filed a motion to hold an additional hearing regarding the ruling, with respect to some of the determinations specified therein. In July 2019, a decision was given to approve holding an additional discussion on this matter, before an extended panel of 7 judges. In February 2020, the position of the Attorney General of Israel was filed with the Supreme Court, within the framework of the additional hearing, in which it was stated that the Attorney General of Israel believes that it would be inappropriate to intervene in the determination which was made in the ruling regarding the appeal, based on the adoption of the Capital Market Authority's interpretive position. In July 2021 a ruling was given regarding the petition for an additional hearing, in which it was determined that the decision to approve the claim as a class action would again be valid, such that the motion to approve will be accepted, and the case will be returned to the District Court, in order for it to hear the class action on the merits. The proceedings are currently in the claim handling stage at the District Court.	In February 2010, the parties reached a procedural arrangement according to which the following would be erased from the Motion and the claim: the plaintiff's claims stating that Clal Insurance had collected a rate of sub-annual installments higher than that permitted for policies issued before 1992, and the claim that Clal Insurance had collected the maximum rate of sub-annual installments, even when the number of installments was lower than twelve. Accordingly, the amount claimed from Clal Insurance was changed and set at approximately NIS 398.2 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	5/2011 District - Center	Clal Insurance and additional insurance companies	According to the plaintiff, in life insurance combined with savings, the defendants collected from policyholders, without any basis in the policies and without consent, amounts which at times reach a significant part of the premiums paid by the policyholders, and which are known as the "policy factor" and/or "other management fees") (hereinafter: the "**Policy Factor**"), unlawfully and without any appropriate contractual provision, despite the fact that, in principle, the defendants were allowed, in accordance with the Commissioner's circulars, to collect a policy factor in life insurance policies.	Payment of the compensation / reimbursement amount equal to the policy factor amount which was actually collected from the class members, with the addition of the returns which were withheld from them with respect to this amount due to the fact that the amount which was deducted from the premium for the policy factor was not invested for them, and changing the method of action with respect to the collection of the policy factor.	Anyone who held a life insurance policy combined with a savings plan of one of the defendants, and from whom any amount was collected as a policy factor.	In June 2015, a motion to approve a settlement arrangement was filed with the Court, in which it was requested to order the defendants to pay a total of NIS 100 million with respect to the past (of which, the share of Clal Insurance is approximately NIS 26.5 million), and to provide a discount of 25% of the actual future collection of the policy factor. In November 2016, the Court decided to dismiss the motion to approve the settlement arrangement, since it believed that the foregoing does not constitute an adequate, reasonable and fair arrangement for the affairs of the class members. Additionally, the Court decided to partially approve the conducting of the claim as a class action, only with respect to life insurance policies combined with savings which were prepared between the years 1982 and 2003 (with respect to Clal Insurance, in policies of the "Adif", "Meitav" and "Profile" types), where the savings which accrued in favor of the policyholders in those policies were affected due to the collection of the policy factor, on the grounds of breach of the insurance policy, due to the collection of the policy factor, in a manner which harmed the savings which accrued in favor of the policyholders, with respect to the period beginning seven years before the filing date of the claim, in April 2011. The claim was not approved with respect to other types of policies (hereinafter, jointly: the "**Decision**"). The claimed remedies, as defined in the Court's decision, include curing the breach by implementing an update to the savings which accrued in favor of the policyholders, in the amount of the additional savings which would have accrued for them had a policy factor not been collected, or compensation of the policyholders in the aforementioned amount, and discontinuation of the collection of the policy factor from that point forward. Additionally, payment of professional fees was ruled for the plaintiff's representative, and for the objectors to the settlement arrangement and their representatives, in immaterial amounts. In accordance with the decision, in reliance on the examiner's assessment based on calculations which were conducted by staff of the Control of Insurance Office, the total potential claim, with respect to policies incorporating savings, ranges from NIS 1.85 to 2.1 billion with respect to four of the defendants who engaged in the settlement arrangement (including Clal Insurance). In May 2017, the defendants filed a motion for leave to appeal the Court's decision, both with respect to the non-approval of the settlement arrangement, and with respect to the partial approval of the claim as a class action. In February 2019, the defendants withdrew the motion for leave to appeal, in accordance with the Supreme Court's suggestion, and therefore, the proceedings are currently in the stage of handling the claim on the merits before the District Court. The parties are conducting mediation proceedings between them, and in parallel commenced evidence proceedings before the District Court. After a hearing which was held in September 2022 in connection with the possibility of promoting a settlement	The plaintiffs' claim pertains to the policy factor which was collected from them from 2004. According to various estimates and assumptions which were performed by the plaintiffs with respect to the collection of the policy factor, during the seven years preceding the filing date of the claim, by the defendants, and the relevant annual returns, the amount claimed for the class members, against all of the defendants, was estimated by the plaintiffs, as of the filing date of the claim, as a nominal total of approximately NIS 2,325 million. Out of this amount, a total of approximately NIS 662 million is attributed to Clal Insurance, according to its alleged market share.

	arrangement regarding the case, the court determined that the lower limit for a settlement should be 40%, and no less.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
5.	7/2014 District - Center	Clal Insurance	According to the plaintiff, Clal Insurance overcollects premiums in compulsory and/or third party and/or comprehensive policies (hereinafter: the "**Policy**"), in cases where the youngest driver who is expected to use the vehicle on a routine basis (hereinafter: the "**Driver**") is expected to reach, during the insurance period, an age and/or driving experience level at which Clal Insurance begins collecting reduced premiums (hereinafter, respectively: "**Eligible Age**" and "**Eligible Experience Level**"). The plaintiff contends that Clal Insurance should be required to calculate the premiums by other means, also in case of renewal of the policy after a previous insurance period, and that Clal Insurance should be required to initiate disclosure to the holders of motor policies, of any kind whatsoever, regarding various items of information.	To declare and determine that Clal Insurance is required to calculate the premiums with respect to the policies in the manner specified in the motion; To order Clal Insurance to initiate disclosure of various items of information, as specified in motion; To prohibit Clal Insurance from collecting administrative expenses or any other payment from the policyholder with respect to the issuance of new compulsory certificates of insurance, in cases where the new issuance is required for reasons not originating from the policyholder; To order Clal Insurance to compensate the class members with respect to the damages which they incurred, with the addition of duly calculated linkage differentials and interest from the date of overcollection until the date of compensation and/or actual reimbursement; To order Clal Insurance to reimburse to the class members the entire amount by which Clal Insurance was enriched at the expense of the class members. To order the provision of any other remedy in favor of the classes, or compensation to the public, as considered appropriate by the Court, in light of the circumstances.	Anyone who purchased and/or renewed and/or who will purchase and/or renew the policy from the defendant during the seven years which preceded the filing of the claim, until the date of issuance of a final ruling, and where, during the insurance period, the youngest driver who is expected to use the vehicle reached and/or will reach the age and/or driving experience level at which he is entitled to a reduction of the premiums, and who in practice did not receive the entire reduction to which he was entitled, as well as anyone who is included in the aforementioned class, and whose comprehensive and/or third party insurance is of the "all drivers" type.	In January 2017, a decision was given by the Court in which the plaintiff's claims were dismissed, except with respect to the claim regarding the existence of a conventional practice regarding the update to the policies and the reimbursement of excess premiums, regarding which the motion to conduct the claim as a class action was approved. The class members, as determined in the decision, include "the holders of the respondent's compulsory, comprehensive and third party motor insurance policies during the last seven years, who reached, during the insurance period, the age bracket and/or driving experience bracket which confers an entitlement to a reduction of insurance premiums, and regarding whom the respondent refrained from acting in accordance with the conventional practice, as a result of which, they did not receive the reduction." The parties filed their closing arguments as part of conducting the claim. In February 2022 a ruling was given, as part of the hearing of the claim on the merits, in which the entire claim was dismissed. In April 2022, the plaintiff filed an appeal against the ruling.	The total claim amount was estimated by the plaintiff as a total of approximately NIS 26 million. The estimate of damage, as stated in the class action plaintiff's affidavit of evidence in chief, amounted to a cumulative total of approximately NIS 100 million, with respect to a period of 11 years. In the appeal, the plaintiff claimed, *inter alia*, the amount which was estimated by the expert on his behalf, in the nominal sum of approximately NIS 100 million, plus linkage and interest, and the expansion of the class (and of the amount of damages, accordingly) until a ruling has been given regarding the appeal, or until this conduct has been changed.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	11/2014 District - Economic Department of Tel Aviv	Bank of Jerusalem Ltd. (hereinafter: "**Bank of Jerusalem**")	The plaintiff contends that Clal Finance Batucha Investment Management Ltd. ("Clal Batucha"), which merged with and into Bank of Jerusalem, in its function as portfolio manager, performed, on behalf of its customers, transactions with securities of member companies in the IDB Group, in a manner which gave preference to its interests and to the interests of various member companies of the IDB Group over the interests of its customers, in violation of the law. The plaintiff contends that Clal Batucha breached its obligation to inform its customers regarding any conflict of interests which it has in the performance of the aforementioned actions, and to receive their consent.	To issue an order against Clal Batucha to provide details and information regarding the damages which were (allegedly) incurred by each of the class members, and to order Bank of Jerusalem to compensate the class members for the entire damages which they incurred, or alternatively, to determine another remedy in favor of all or some of the class members.	Any person who received from Clal Batucha investment management services, in which they acquired securities which were issued by member companies of the "IDB conglomerate", without giving their advance approval with respect to each transaction, and who incurred damages as a result of the said acquisition. On this matter, the plaintiff includes under the "IDB conglomerate" all corporations which were held (directly or indirectly) by IDB Holding and IDB Development.	In January 2017, the Court gave its decision, which approved the conducting of the claim as a class action against Clal Batucha, and in parallel, it dismissed the motion to approve the claim against defendants who had served as directors in Clal Finance Batucha, in which it was alleged that they had breached their duty of care towards the class members. The class members, as determined in the decision, include "anyone who received investment management services from Clal Finance Batucha Investment Management Ltd. (liquidated due to merger) ("**Batucha**"), on whose behalf, within the framework of the portfolio management activity, Batucha (or any other party on its behalf) acquired securities, as defined in the Regulation of Investment Advice, Investment Marketing and Investment Portfolio Management Law, 1995, (hereinafter: the "**Advice Law**"), which were issued by any of the corporations which were included, at the time of the acquisition, in the IDB Conglomerate (as defined below), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition." In this regard, the IDB Conglomerate was defined as including "all corporations which were held or controlled, directly or indirectly (including through concatenation) by the companies or IDB Holding Corporation Ltd. (hereinafter: "**IDB Holding**") and IDB Development Corporation Ltd. (hereinafter: "**IDB Development**"), including IDB Holding and IDB Development. For the avoidance of doubt, this definition includes all of the subsidiaries, second tier subsidiaries, and third tier subsidiaries (and so on) of IDB Holding, as well as any other corporation held by them, directly or indirectly." It was further determined in the decision that the class will include anyone in whose account acquisitions of securities were performed, during a period of up to 7 years before the filing of the motion to approve, until the date of completion of the merger transaction of Clal Batucha into Bank of Jerusalem. The cause of action which was approved in the decision is breach of statutory duty by virtue of section 63 of the Civil Wrongs Ordinance, together with section 15(a) of the Advice Law. The Company is not party to the claim; however it received notice regarding the filing of the claim, and the demand for indemnification by Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, according to which the Company has an undertaking to indemnify. The aforementioned undertaking to indemnify may be activated if and insofar as Bank of Jerusalem will be obligated, by law, in connection with the aforementioned claim, and subject to the terms of the agreement between the parties. The Company reported the claim to the insurers of the professional liability insurance policies under which it is covered, where the insurers bear most of the payment with respect to the Company's share. In January 2023, the parties filed a settlement arrangement with the Court, along with a motion to approve it, according to which Bank of Jerusalem undertook to pay to the class members amounts as defined in the settlement arrangement. The settlement arrangement includes provisions regarding the way in which the payment is to be made to the class members. It was further agreed, within the framework of the settlement arrangement, that Bank of Jerusalem will pay compensation and professional fees to the plaintiff and its representative. The settlement agreement's entry into effect is subject to the approval of the Court, the provision of which is uncertain. In March 2023, the comments of the professional entities at the Ministry of Justice regarding the settlement arrangement were received. The parties are currently studying the comments. The proceedings are currently in the claim handling stage.	The plaintiff's personal claim amount amounts to a total of approximately NIS 18,624. According to the statement of claim, the damage claimed for all class members cannot be estimated at this stage.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	2/2014 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance abuses the fact that the policyholder does not pay, for a certain period, the savings component in a life insurance policy which includes a savings component and a risk component, and fundamentally and grossly violates the policy terms by implementing unilateral changes to the policy (shortening the policy period, changing the insurance commencement date and increasing the policyholder's age at the start of insurance coverage), which leads to an unlawful increase in the real premium cost, although the premium for the risk component in the policy has been paid in full. According to the plaintiff, Clal Insurance thereby causes policyholders to incur damages in significant amounts.	To order Clal Insurance to pay the excess premium amounts which it collected by first moving the insurance commencement date until the date when the claim was approved as a class action, with the addition of the maximum linkage differentials and interest permitted by law. To receive an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy. Alternatively, to order Clal Insurance to pay an appropriate and adequate amount in favor of the entire public, in an amount equal to the collection fees which were collected and not reimbursed to the payer, with the addition of duly calculated linkage differentials and interest.	Any person who obtained and/or who was insured by a life insurance policy, and who did not pay the savings component in this policy in its entirety, from the policy preparation date until the date of entitlement for a monthly annuity according to the policy, and from whom premiums were unlawfully overcollected, due to the change in the insurance commencement date.	In December 2017, the Court approved the claim as a class action. The class which was approved includes anyone who engaged in, and/or who was covered by, a life insurance policy which includes a savings component and a risk component, and who did not pay one of the policy components in full, from the policy preparation date until the date of eligibility for a monthly stipend under the policy, or until the settlement or expiration of the policy, whose insurance start date was "moved forward" by the respondent. The claim was approved with the causes of action of breach of contract, deception and unjust enrichment. The claimed remedies include reimbursement of the excess premium amounts which were collected by Clal Insurance, as alleged by the plaintiffs, beyond the amounts specified in the policy, and an order prohibiting Clal Insurance from continuing its collection of premiums at rates higher than the rate specified in the policy. The proceedings are currently in the claim handling stage.	The total damage claimed for all of the class members against Clal Insurance amounts, in the plaintiff's estimate, to a total of approximately NIS 20 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	7/2014	Clal Pension and Provident Funds Ltd. and against four additional managing companies of pension funds	According to the plaintiffs, two associations which claim that their purpose is to assist the senior population, the defendants increased the management fees which are charged from retirees of the pension funds which are managed by them, during the annuity receipt stage, to the maximum management fees permitted for collection by law (0.5% of the accrued balance), while abusing the fact that the retirees are a "hostage population", although active members pay, on average, significantly lower management fees. It was further claimed that the defendants do not disclose to their members that immediately when they become pensioners, the management fees which they pay to the defendants will be increased to the maximum management fees.	Reimbursement of the excess management fees which were unlawfully collected from the class members, with the addition of interest and linkage; To order the defendants to reduce the management fees which are charged from the pensioners, in a manner whereby the management fees which were collected prior to the commencement of the retirement of each one of them, will not increase; To prohibit the defendants from increasing the management fees for members proximate to their retirement.	Any person who is a member of a new comprehensive pension fund which is managed by one of the defendants, and who is entitled to receive an old age pension and/or who will be entitled to receive an old age pension in the future.	In September 2015, the plaintiffs filed a reply to the defendants' response to the motion to approve (the "Plaintiffs' Reply"), in which, *inter alia*, a new claim was raised, according to which the defendants did not send to their members advance notice regarding the increased management fees, as required in accordance with the provisions of the law. At the request of the Court, in September 2017, the Commissioner's position was filed, which determined, *inter alia*, that in accordance with the provisions of the law and the circular dated July 2014, it was possible to collect, during the annuity receipt period, management fees at a rate of less than 0.5%, and that there was no regulatory obligation for the defendants to announce the increase in management fees once the members reached retirement age. In March 2022 the District Court decided to accept the motion to approve against the defendants, regarding the question of whether the defendants were required to notify members in advance regarding the rate of management fees which would be collected during the pension period, and if so - the extent of damage that was incurred due to the failure to give notice. The approved class includes anyone who is a member of a new comprehensive pension fund, which is among the respondents, and who was entitled to receive an old age pension after retirement during the seven years preceding the filing of the motion to approve and/or who will be entitled to an old age pension in the future. It is noted that pension recipients who retired since mid-2018 were given notice in accordance with the standard regulations which were published by the regulator, and which entered into effect from that year onwards. The proceedings are currently in the stage of hearing the claim on the merits.	The plaintiffs estimate that the management fees which were unlawfully collected by the defendants from current pensioners amount to NIS 48 million, that the management fees which will be unlawfully collected in the future from current pensioners amount to NIS 152 million, and that the management fees which will be unlawfully collected in the future by the defendants from future pensioners, with respect to accrual which was performed until now, amount to NIS 2,800 million. The aforementioned amounts are claimed with respect to all of the defendants.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	5/2015 District - Jerusalem	Clal Insurance and the association (the policyholder)	According to the plaintiff, after years during which his deceased mother was insured under a collective life insurance policy, which Clal Insurance sold to the association of pensioners under the "Netiv - Southern and Central Region" pension fund (hereinafter: the "**Association**" and the "**Policy**", respectively), and who paid premiums as required, Clal Insurance unilaterally and unlawfully canceled the policy, because the policy was a losing policy, and did not reimburse the premiums which it had charged. The plaintiff also contends that Clal Insurance illegally collected premiums from policyholders with respect to June 2014, after the date when the policy was canceled.	To order Clal Insurance to pay to each of the class members who did not receive the benefits of the policy, the entire premiums which were collected from them with respect to the policy over the years when they were insured, with the addition of duly calculated interest and linkage.	Anyone who was insured by Clal Insurance in a policy which was canceled on March 2, 2014, as well as all policyholders under the policy from whom Clal Insurance collected premiums in June 2014.	In May 2019, the Court dismissed the claim for reimbursement of all premiums which were paid with respect to the policy over the years. The Court approved the claim as a class action against Clal Insurance and against the association, on the grounds of breach of the provisions of the Insurance Contract Law, 1981, the Control of Insurance Business Regulations (Collective Life Insurance), 1999, the provisions of the policy and on grounds of negligence, and determined that Clal Insurance had not properly alerted the policyholders of the cancellation of the insurance contract, and that the association had breached, *inter alia*, the fiduciary duty and duty of care which applied to it as the "policyholder". The approved class includes the beneficiaries of the retirees who are covered under the collective insurance contract, who passed away since the cancellation date of the insurance contract until the termination date of the insurance period specified in the insurance contract (a two year period). The claimed remedy is payment of insurance benefits to the class members. In August 2021, a ruling was given (hereinafter: the "**Ruling**"), in which the Court accepted the claim, and determined that Clal Insurance and the association had not informed the policyholders as required regarding the cancellation of the collective life insurance policy. Accordingly, Clal Insurance was ordered to pay to the beneficiaries of the retirees covered in the policy, who passed away during the period from the policy cancellation date (May 1, 2014) until the insurance period end date (April 30, 2016) (hereinafter: the "**Relevant Period**") the insurance benefits in accordance with the policy (in the amount of NIS 11,500 per deceased retiree), less the premiums which the retiree was required to pay with respect to the period from the policy cancellation date until the date of their passing, plus duly calculated interest and linkage differentials beginning from 30 days after the date of the policyholder's passing. Compensation and professional fees for the plaintiffs and their representatives were also ordered. In October 2021, Clal Insurance filed with the Supreme Court an appeal against the ruling and a motion for a stay of execution. The motion for a stay of execution was accepted in part, such that the payment of the insurance benefits and sending of letters to the class members will be postponed until a	The total damage claimed for all of the class members from Clal Insurance amounts, in the plaintiff's estimate, to a total of NIS 90 million.

decision has been reached regarding the appeal. The proceedings are currently in the stage of hearing the appeal[14].

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	9/2015 District - Center	Clal Insurance and three other insurance companies	The plaintiffs contend that the defendants, when giving points for the "continence" action, as part of the evaluation of insurance benefits in long-term care policies, adopted an interpretation according to which, in order to recognize a policyholder's claim with respect to "incontinence", the condition must result from a urological or gastroenterological illness or impairment only, instead of giving points also when the policyholder's medical condition and impaired functioning which have caused his "incontinence", may be due to an illness, accident or health impairment which are not urological or gastroenterological in nature.	To order the defendants to compensate the class members for all damages which they incurred due to their alleged beaches of the agreement, and to fulfill the agreement from this point forward, or alternatively, to order the provision of any other remedy considered appropriate by the Court, in light of the applicable circumstances.	Any person who held a long term care insurance policy which was sold by the defendants (or his inheritors, as applicable), and who suffered from a health condition and impaired functioning as a result of an illness or accident or health condition, which caused them to be incontinent and/or to require the permanent use of a stoma or catheter in the bladder, or diapers or absorbent pads of various kinds, and notwithstanding the foregoing, who did not receive from the defendants (as applicable) points with respect to the "continence" component, in a manner which injured	In April 2020, the Court partially approved the handling of the claim as a class action against Clal Insurance and three additional insurance companies. The approved class includes anyone who was a policyholder in long-term care insurance, and who lost the ability of independent continence (fecal or urinary), due to a combination of reduced continence ability which did not constitute organic loss of control, together with a low functional condition, and who, despite the foregoing, did not receive points from the insurance company for the "continence" activity, as part of the evaluation of their claim for long-term care insurance benefits, in a manner which prejudiced their rights to insurance benefits during the period between September 8, 2012 and the date when the claim was approved as a class action. The plaintiffs' motion to approve the claim as a class action, also with respect to the class of policyholders who are incontinent due to functional limitations or mobility deficiencies, which led to the event of incontinence, and with respect to the class of policyholders suffering from cognitive deficiencies, who were not recognized as "mentally frail", was dismissed. The causes of action for which the class action was approved include breach of the long-term care insurance contract resulting in the non-payment of long-term care insurance benefits, or in the underpayment of long-term care insurance benefits, due to non-recognition of policyholders as eligible for	The plaintiffs contend that the damage cannot be estimated at this stage, but estimate it at tens or even hundreds of millions of NIS. The personal damage claimed by the plaintiff from Clal Insurance, as alleged, amounts to a total of approximately NIS 32,500 (without linkage differentials and interest).

14 In parallel with the filing of the appeal, Clal Insurance also filed a monetary claim for the payment of the premiums which are owed to Clal Insurance by the collective insurance members who did not pass away during the relevant period, based on the Court's determinations in the ruling regarding the class action, according to which the cancellation of the collective insurance policy by Clal Insurance is invalid, and therefore the policy remained in effect during the relevant period (until the end of the original policy period).

					his rights.	points with respect to the action of "incontinence". The claimed remedy is compensation of the class members who did not receive points with respect to the action of "incontinence". The proceedings are currently in the claim handling stage. The parties are conducting mediation proceedings between them.	

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A1. Material claims for which class action status was approved (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
11.	10/2016 District - Center	Clal Insurance	The plaintiff contends that when engaging with a collective policyholder (health fund) in the sale of a collective long-term care insurance policy, Clal Insurance undertook to provide, to the holders of the collective policy who join the individual policy, a 20% discount on the premium, and that it failed to do so (the "Collective Policy").	Repayment of the amounts which were overcollected from the class members.	In accordance with the Court's decision - anyone who purchased, from October 30, 2009 to December 31, 2018, an individual long-term care insurance policy of Clal Insurance, in which the eligibility period was for lifetime compensation, when they held the collective policy, and to whom Clal Insurance did not provide, in the individual policy, a discount of at least 20% on the lowest premium practiced at Clal Insurance on the purchase date for individual policies corresponding to the plan which was chosen by the policyholder, with respect to policyholders of a similar age and with a similar health condition, provided that they do not exceed the tariff	In January 2021, the Court partially approved the motion. The class action plaintiff's motion to approve the claim as a class action, also with respect to the entire group of policyholders who hold individual long-term care policies in which the eligibility period for compensation is not for the policyholder's entire lifetime, was dismissed. The causes of action for which the claim was approved as a class action include breach of the collective policy's provision, unjust enrichment, and the claimed remedy is repayment of the amounts which were overcollected from the class members. The proceedings are currently in the claim handling stage. The parties are conducting mediation proceedings between them.	In the claim, the plaintiff estimated the damage claimed for all of the class members in the amount of NIS 52 million, with respect to damage which was allegedly caused before the date when the motion was filed, and NIS 126 million with respect to the damage which is expected to be caused to the class members over the next 10 years.

					which was approved by the regulator.		

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims[15]

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	7/2015 District - Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance calculates the rights for payment of stipends and/or for the discounting of stipends which are owed to policyholders who freeze the payment of premiums (in full or in part) temporarily for a certain period and/or who do not pay the premiums for a number of months, in breach of the provisions of the law, in breach of the provisions of the policy and the required formula for the calculation of the stipend, as included in the policy (hereinafter: the "**Required Formula**"), and also asserted that Clal Insurance refuses to deliver information to its policyholders.	To order Clal Insurance to reimburse the monthly stipend and/or the discounting of the stipend, in accordance with the provisions of the required formula, and to order Clal Insurance to pay to the class members who already incurred damages, the stipend differences or the stipend discounting differences which are owed to them, with the addition of duly calculated linkage differentials and interest. Alternatively, the plaintiff is petitioning for the issuance of a declaratory order stating that Clal Insurance is in breach of the policy provisions.	Regarding the non-monetary remedies - all policyholders of Clal Insurance who hold policies which are similar to the plaintiff's policies (the "**Policyholders**"), who, during a certain period or periods, did not pay, temporarily, the premiums under the policy. Regarding the monetary remedies: all of the policyholders who began receiving from Clal Insurance a monthly stipend which is lower than the monthly stipend which would have been paid in accordance with the required formula, as well as policyholders who chose discounting of the stipend, and where the calculation used to discount their stipend was lower than the discounting of their stipend which would have been paid in accordance with the required formula.	In June 2016, the motion of the parties to transfer the hearing to a board which is hearing an additional claim by the plaintiff, on the subject of the calculation of the rights in life insurance policies, where the policyholder does not pay the full premiums, as specified in section (a)(a1)(7) above, was approved (the "**Prior Proceedings**"). Due to the fact that the decision regarding the prior proceedings will affect the questions which are raised in these proceedings, the Court decided to stay the hearing of these proceedings until the evidence hearing stage in the prior proceedings has concluded.	The total damage claimed for all of the class members, in the plaintiff's estimate, to a total of no less than NIS 25 million.
2.	9/2015	Clal Pension	The plaintiffs, members of pension funds managed	To order the defendants to	Members of provident funds	In November 2022, the	The plaintiffs estimate

[15] Including motions of the foregoing type which were dismissed, and where appeals were filed against the decision to dismiss them.

District - Tel Aviv	and Provident Funds Ltd. and four additional managing companies of pension funds	by the defendants, contend that the mechanism for the compensation, by commission, of agents and brokers, as a percentage of the management fees which are charged from members, as was practiced by the defendants, constitutes a breach of fiduciary duty towards the members of provident funds managed by the defendants, and results in the defendants' collection of management fees in amounts which are higher than appropriate.	change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them.	managed by the defendants, from whom management fees were collected while providing a commission to agents which was derived from the amount of management fees.	District Court gave a ruling in which it dismissed the motion to approve. In January 2023, the plaintiffs filed an appeal against the ruling. The proceedings are currently in the stage of hearing the appeal.	the total damage incurred by all of the class members as approximately NIS 2 billion, reflecting damage at a rate of approximately NIS 300 million per year since 2008.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	12/2015 District - Tel Aviv	Clal Insurance and an additional insurance company	The plaintiffs contend that the defendants charged, from holders of life insurance policies which were issued beginning on August 1, 1982, in which the sub-annual installments component was reduced, where the premium is paid in installments during the year (hereinafter: "**Sub-Annual Installments**"), an effective interest rate which is higher than the maximum interest rate which the Insurance Commissioner allowed insurance companies to charge with respect to the sub-annual installments component. According to the plaintiffs, this collection is in breach of the law, policy and common practice in the finance segment, and ignores the monthly premium payment date, and the fact	To order the defendants to change the method used to calculate the sub-annual installments component, in a manner whereby it will be calculated in consideration of the actual premium payment dates, and in consideration of the reduction of the annual premiums for each payment. To reimburse to the class members the amounts of the sub-annual installments component which were overcollected from them, beginning on the date when the sub-annual installments component was charged to the policyholders, until a ruling has been given on the claim, or alternatively, in the seven years prior to the plaintiff's claim, until a ruling has been given on the claim. Alternatively, the plaintiff is petitioning for the issuance of a declaratory ruling, according to which the method used by Clal Insurance to calculate the sub-annual installments component is illegal, or for the	Holders of life insurance policies which were issued beginning on August 1, 1982, and in which a sub-annual installments component was collected, where the premium is paid in installments throughout the year.	In May 2020, a ruling was given in which the District Court dismissed the motion to approve the claim as a class action. In September 2020, the plaintiffs appealed the ruling. The proceedings are currently in the stage of hearing the appeal.	The total damage claimed for all of the class members with respect to Clal Insurance, according to the plaintiffs' estimate, amounts to a total of no less than NIS 50 million.

	that the annual premiums gradually decrease during the year.	issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	8/2016 Regional Court - Tel Aviv (1) 10/2016 Regional Labor Court of Jerusalem (2) 11/2016 Regional Court of Jerusalem (3) 12/2016 Regional Court - Tel Aviv (4) 7/2019 Regional Court - Tel Aviv (5)	Clal Pension and Provident Funds Clal Insurance "Atudot" - Pension Fund for salaried Employees and Self-Employees Ltd. (a subsidiary of Clal Insurance (held 50%)) (hereinafter: "**Atudot**")	The five claims involve the assertion that the defendants collect from members in the pension funds, in the Tamar provident fund, and in the study funds which are managed by them, and in managers' insurance policies, in addition to the management fees, also "investment management expenses" (hereinafter: "**Direct Expenses**"), although there is no contractual provision which allows them to collect those expenses, and in breach of the fund regulations or of the fund or policy regulations, as	The plaintiffs in the five claims request to order the defendants to reimburse the direct expense amounts which were overcollected from them. Additionally, some of the plaintiffs request to order some of the defendant managing companies to pay the additional difference of returns which would have been generated by the amounts which were overcollected had they been invested, while some request to order the defendants to pay the duly calculated NIS interest difference, from the date of overcollection until the date of actual payment.	Members of the pension funds, the study fund, and the provident fund "Clal Tamar" which are managed by the defendants, and holders of managers' insurance policies, from whom investment management expenses were collected during the seven years preceding the filing of the relevant claim.	In May 2018, the position of the Capital Market, Insurance and Savings Authority was filed, within the framework of the proceedings which are being conducted before the Regional Labor Court of Jerusalem, which primarily stated that the managing companies are entitled to collect expenses even if it was not explicitly stated in the regulations. The proceedings are currently in the stage of hearing the motions to approve the claims as class actions. It is noted that in May 2019, the District Court of the Central District decided to approve a motion to approve a class action regarding the collection of direct expenses in individual life insurance policies (hereinafter: the "**Decision to Approve**"). In the decision to approve, it was determined that the absence of a clear provision in the policy regarding the collection of direct expenses constitutes a negative arrangement, and therefore, the defendants were not entitled to collect those expenses. In September 2019, a motion for leave to appeal the decision to approve was filed with the Supreme Court (hereinafter: the "**Motion For Leave To Appeal**"), and in August 2020, the Attorney General submitted his position, in which it was stated that the motion for leave to appeal and the appeal per se should be approved, such that the decision to approve should be canceled, for the reasons specified in the Attorney General's position (hereinafter: the "**Attorney General's Position**". The institutional entities in the Group are not parties to these proceedings. In October 2020, the petitioners were added to proceedings 4(1) and 4(4) in the motion for leave to appeal. In accordance with the court's decisions, the Attorney General's position was added to proceedings 1-4. The Court also ordered a stay of motions 1-4 until a decision has been reached by the Supreme Court regarding the motion for leave to appeal. In the months June 2021 and January 2022 notices were submitted on behalf of the Attorney General of Israel, further to the publication of the interim report and the final report of the advisory committee to the Commissioner of Capital Markets, regarding the evaluation of the direct expenses, whereby according to the Attorney General's position, the committee's recommendations and the findings included in the report would not change his legal opinion or affect the legal adjudication of the process. This was because, *inter alia*, of the fact that the report pertains to future legislation, for the reason that the report's	In claim 1, which refers to the pension funds, the amount of the class action was set as NIS 341 million, with respect to the years 2009-2015, plus the investment management expenses which were collected by the defendant from the class members in 2016, and plus the returns which would have been earned by the funds which were deducted as investment management expenses. In claim 2, which refers to the study fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 53 million. In claim 3, which refers to the Tamar provident fund, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 181 million. In claim 4, which refers to managers' insurance policies, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 404 million, plus the investment management expenses which the defendant charged to the class members in 2016, as well as interest and linkage. In claim 5, which refers to the pension fund which is managed by Atudot, the amount of the class action was set, on an estimation basis, as a total of approximately NIS 41 million.

			applicable.			findings do not contradict the Attorney General's position, and for the reason that the provisions of the report may even strengthen the Attorney General's position in various respects.	

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*

5.	4/2017 National Labor Court	Tmura Insurance Agency (1987) Ltd. (hereinafter: "**Tmura**"), a second-tier subsidiary of the Company, which is an insurance agency which manages pension arrangements, and against three additional insurance agencies.	According to the plaintiffs, the defendants provided services with respect to the regulation of social / pension provisions, for both employers and employees; however, they charged the consideration from the employees only, without their knowledge or consent, and in breach of the duties which apply to them by law.	To order the defendants to compensate the class members for the damages which they incurred (each defendant with respect to its relevant class members), or alternatively, to order any other remedy in favor of the Group.	Any person who is included among the group of customers of the defendants while the defendants provided, to their employers, pension arrangement management services, during a period beginning defendants before the filing date of the new motion, until the date when the employer began bearing, out of its own resources, the costs of operating the employee's pension arrangement.	The Regional Labor Court gave a ruling in which it dismissed the motion to approve the claim as a class action. In October 2020, the petitioners in the motion to approve filed an appeal against the foregoing ruling. In June 2021, the position of the Capital Market, Insurance and Savings Authority was filed with the Court, which supported, in general, the defendants' position. In September 2022, the Court gave a ruling in which it dismissed the appeal approve (hereinafter: the "**Ruling**"). In December 2022, a petition to revoke the ruling was filed with the Supreme Court, in its function as the High Court of Justice. A decision regarding the petition has not yet been received.	The amount claimed with respect to the damages incurred by all of the class members amounts to a total of approximately NIS 357 million against all of the defendants, of which, approximately NIS 88 million was attributed to Tmura.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	1/2018 District - Center	Clal Insurance and five additional insurance companies.	The plaintiff, Public Trust, a Public Benefit Company, contends that the defendants unlawfully avoid paying to their policyholders and/or to third parties the VAT component which applies to the cost of the damage, when the damage was not actually repaired.	To order the defendants to pay the VAT component, according to the rate which applies to the damage amount, to the class members; to determine and declare that the defendants' avoidance of payment of insurance benefits and/or indemnification with respect to the VAT component which applies to the amendment, in cases where the damage was not actually repaired, is done in violation of the law; to issue a mandamus order requiring the defendants, from this point forward, to include in the insurance benefits which they pay also the VAT which applies to the cost of the repair, including if the damage has not been actually repaired, and as a result, also in case the policyholder or a third party receives insurance benefits at "reimbursement value", and not at "reinstatement value", and to order the defendants to pay to them insurance benefits with respect to the full amount of damage, including VAT.	Any policyholder and/or beneficiary and/or third party, in any insurance type whatsoever, who, as of the filing date of the insurance claim, has not repaired the damage which he claimed, and who received from the insurance company insurance benefits and/or reimbursement with respect to the damage, and where the insurance benefits did not include the VAT component which applies to the repair.	In January 2022, a ruling was given which dismissed the motion to approve the claim as a class action. In April 2022, the plaintiff filed an appeal against the ruling.	The plaintiff estimates the damages owed to the class members by Clal Insurance, with respect to each year, at a total of NIS 17,732,580. The plaintiff is petitioning for the payment of damages with respect to the beginning on since June 4, 2001, or alternatively, for a period of 7 years since the filing date of the previous claim, or alternatively, for a period of 7 years since the filing date of the claim in question.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	11/2018 District - Center	Clal Insurance	The plaintiffs contend that Clal Insurance breaches its contractual obligation under the policy, and allegedly refuses to pay, to holders of comprehensive motor insurance policies for vehicles weighing over 3.5 tons, compensation with respect to the vehicle's loss of value as a result of the insurance event, although the policy covers the "damage" caused to the vehicle, while affecting the assessments which are prepared by the arrangement loss adjusters.	Declaratory relief; and a motion to order Clal Insurance to indemnify all of its policyholders who were covered under the policy, and whose vehicles suffered and/or will suffer loss value as a result of the insurance event, as well as any other remedy considered by the Court to be appropriate and just, in light of the circumstances.	All policyholders of Clal Insurance who acquired and/or will acquire from Clal Insurance comprehensive motor insurance for vehicles weighing up to 3.5 tons, and whose vehicles, as a result of the insurance event, as defined in the policy, suffered and/or will suffer damage in the form of loss of value.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The plaintiff estimates the amount of damages incurred by the class members at approximately NIS 75 million. The plaintiff's personal damage was estimated at a total of NIS 21,605.
8.	3/2019 District- Jerusalem	Clal Insurance	The plaintiffs contend that the defendant issues personal accident policies to its policyholders upon their purchase of international travel insurance, without their consent, and in a misleading manner.	An order to reimburse the funds which were collected by the defendant to each of the class members, with respect to the payment of a personal accidents insurance policy during the last seven years	Any policyholder who, when purchasing an international travel insurance policy, was also added at that time, without their consent, to personal accidents insurance, and who was unlawfully charged monthly premium payments up to 7 years before the filing date of the claim.	In December 2020, the parties filed with the Court a motion to approve a settlement arrangement, under which certain policyholders who have claims regarding the insurance sale process will contact Clal Insurance, and their sale process will be evaluated, and insofar as any defects are found, in accordance with the criteria specified in the settlement agreement, they will be entitled to compensation according to the rate specified in the settlement agreement. In January 2023, following the Court's position, the parties filed with the Court an updated settlement arrangement, according to which a certain reimbursement out of the paid premium amount will be given, according to a rate which was agreed upon between the parties, to policyholders who purchased a personal accidents policy together with an international travel policy, and who canceled their personal accidents policy during the period defined in the agreement. In accordance with the Court's decision, an examiner was appointed who will evaluate the alternatives according to the foregoing arrangements, and in any case the settlement arrangement is subject to the Court's approval, which is uncertain to be received.	The plaintiffs estimate the damage incurred by the class members at approximately NIS 17 million. The personal damage claimed by the defendant amounts to NIS 1,044.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	5/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that the defendant systematically reduces the benefits of loss of working capacity insurance which it pays to its policyholders by virtue of loss of working capacity insurance policies of the profit sharing type, by unlawfully deducting management fees and nominal interest.	Repayment in kind of the funds which were unlawfully withheld, according to the plaintiff, from the class members, and crediting the savings in the policies with respect to the released premium funds. The plaintiff is also petitioning for a declaration announcing the non-validity of the provisions in the policies pertaining to the deduction of interest and management fees from the returns to which policyholder are entitled.	All holders, or former holders, of profit-sharing loss of working capacity policies which included a mechanism for linking the monthly compensation and/or premium release payments to the investment portfolio's returns, beginning with the 25th payment, to whom Clal Insurance paid monthly compensation and/or release for a period exceeding 24 months, and deducted from the returns, beginning with the 25th payment, interest and/or management fees.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The total damage allegedly incurred by all of the class members was estimated by the plaintiff in the amount of NIS 2.4 billion.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
10.	10/2019 District-Center	Clal Insurance	The plaintiff contends that Clal Insurance collects, in life insurance policies, premiums which include an addition for “sub-annual installments”, with respect to premium payments which are made in monthly installments, without clearly and explicitly agreeing upon and disclosing the matter in the policy. The plaintiff contends that Clal Insurance is thereby breaching the provisions of the policy and other legislative provisions, and systematically misleading policyholders. The plaintiff also contends that the demand for payment of the addition with respect to sub-annual installments constitutes a discriminatory condition in a standard contract.	To grant declaratory relief ordering Clal Insurance to cancel the charge with respect to “sub-annual installments”, and to compensate the class members, according to the rate of damages which they incurred, including repaying to the class members the premiums with respect to “sub-annual installments” which they paid prior to the filing date of the claim. The plaintiff is also petitioning to order Clal Insurance to correct the annual reports to policyholders, and to send to them reports which include details regarding the addition of the “sub-annual installments” which are being collected from them, and which will be collected from them, until the policy conclusion date, and to allow them to choose between prepayment of the premiums each year, without the addition of “sub-annual installments”, and payment of monthly premiums, which include the addition of “sub-annual installments”.	Any policyholder of Clal Insurance who purchased from it a life insurance policy, in which they were obligated to pay premiums which include an addition with respect to “sub-annual installments”, without having explicitly specified in the policy that the policy includes an addition with respect to “sub-annual installments”, for payment of the premium in monthly installments.	In October 2020, the parties filed with the Court a settlement arrangement and a motion to approve it (hereinafter: the “**Settlement Arrangement**”), which was amended in May 2022, in which the primary request is for Clal Insurance to send to certain class members, as defined in the settlement agreement, a letter informing them of the collection of the addition of “sub-annual installments”, and their option to change the framework for payment of future premiums, to an annual payment framework. It was further agreed, as part of the settlement arrangement, that Clal Insurance will pay to the plaintiffs and their representatives compensation and professional fees. In September 2022 an objection to the settlement arrangement was filed in which it was alleged, *inter alia*, that the significantly exceeds the bounds of reasonableness, including, *inter alia*, with respect to policyholders who will not change the collection in the future, and due to the repayment amount; alternatively, the court was requested to exclude from the settlement arrangement policies in which a monthly collection amount claimed was not specified and/or to exclude religious people. In November 2022, the Company filed its response to the objection. In December 2022, the position of the professional entities in the Capital Market Authority and in the Ministry of Justice regarding the settlement arrangement was filed, in which, *inter alia*, it was asserted that changes to the provisions of the settlement should be ordered, such that a final judgment will not apply to policyholders who will not be entitled to compensation under the settlement. The settlement agreement is subject to the approval of the Court, the provision of which is uncertain.	NIS 1.8 billion

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
11.	11/2019 Regional Labor Court of Tel Aviv	Clal Insurance	The plaintiff contends that Clal Insurance collected management fees in life insurance policies combined with savings of the "profit sharing" type which were issued before January 12, 2004 (hereinafter: the "**Relevant Policies**"), in rates which deviate from what is permitted, without any legal and/or contractual basis.	A remedy of repaying the amount of management fees which were unlawfully collected from the class members, and a mandamus order instructing Clal Insurance to change its operating method with respect to the collection of management fees in the relevant policies from this point forward.	Anyone who was or is a holder of the relevant policies of Clal Insurance, and from whom Clal Insurance collected, during the 7 years preceding the filing date of the claim, and until the approval date of the claim as a class action, management fees which deviate from what is permitted in accordance with the Control of Financial Services Regulations (Insurance) (Terms of Insurance Contracts), 1981, according to their wording at the time, and/or in accordance with the provisions of the policy.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	NIS 120 million
12.	2/2020 District-Center	Clal Insurance and an additional insurance company	According to the plaintiffs, due to "lack of knowledge" because of the non-provision and publication of a students personal accidents insurance policy (hereinafter: the "**Policy**") to the policyholders and their families, and the non-publication of the policy, the policyholders do not exercise their right to compensation by virtue of the policy, and incur damages.	Ordering the defendants and the Commissioner of Insurance to disclose documents and information; Ordering the extension of the prescription period; ordering the appointment of a committee which will include independent entities, and which will be authorized to discuss and decide regarding all of the personal claims under the policy, for a period of three years, regarding all of the cases prior to October 25, 2016 (the "**Committee**"), and which will also be authorized to discuss the issue of policy submission; Ordering a procedure of shifting the burden of proof; Issuance of a mandamus order obligating the defendants to compensate the plaintiffs, in accordance with the committee's decision; Ruling special damages for the plaintiffs, and legal fees for its representatives.	The motion classifies the plaintiffs into two sub-groups, which are primarily defined as follows: Any school or kindergarten student in the State of Israel, who was covered by the defendants under a personal accidents insurance policy, and who did not receive a personal accidents insurance policy at their home, beginning with the school year which began in September 2006, and/or any student whose claim against the insurance company has been prescribed; The motion also includes the definition of two sub-groups with respect to students who were born after October 25, 1995, and who, between the ages of 3 and 19 (the period of their studies in Israel, from kindergarten until the end of high school in 12th or 13th grade), suffered an accident, which caused them to suffer physical injury, and who did not receive insurance benefits under the policy, divided into sub-groups, according to the heads of damage which were specified in the motion; Additionally, the sub-group of people born in the years 1974 to 1995 - whose members include people and/or parents and/or heirs who were born and/or studied in Israel between the years 1974 and 1995, and who were injured or killed after 1992, and who did not claim, because they were not aware of the policy, and its scope; and the sub-group of all policyholders - all students and their parents from September 1992 to September 18, 2016, distributed into sub-groups according to the heads of damage specified in the claim.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action. It is noted that motions and claims which are similar to this motion and claim which were filed against Clal Insurance were struck out by the Court on procedural grounds in January 2020.	The plaintiffs estimate the alleged damage against Clal Insurance at a total of approximately NIS 1.4 billion, plus damages in the amount of approximately NIS 1.5 billion, which are attributed to the two defendants with respect to harm to autonomy.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
13.	3/2020 Regional Labor Court of Tel Aviv	Clal Insurance	According to the plaintiff, Clal Insurance systematically breaches the provisions of the law by unlawfully collecting premiums with respect to "temporary risk" insurance (payment for insurance coverage in situations where the routine deposits to a savings policy which includes insurance components are discontinued), through deductions from the accrued savings amount, in excessive amounts, while reducing the accrued savings amount, without informing the policyholders in advance regarding the preparation of "temporary risk" insurance, or the conditions and tariffs thereof, and while breaching the obligation to send to policyholders pages of updated insurance details, on time, or at all.	(1) Reimbursement of all of the funds which were collected from the accrual and/or by other means, with respect to the entire period after the discontinuation of work (except in cases where the policyholder requested, in writing, to acquire the insurance covers). Alternatively, reimbursement of all of the funds which were collected with respect to the period 3 or 5 months after the conclusion of their employment, in accordance with the relevant legislative arrangement (hereinafter: the "**Automatic Temporary Risk Period**"), and in cases involving increased premiums, reimbursement of the excess premiums also with respect to the automatic "temporary risk" period; (2) A prohibition against the preparation of "temporary risk" insurance for a period exceeding the automatic temporary risk period, except for policyholders who have requested it in writing; (3) Ordering Clal Insurance to reimburse the excess premiums to policyholders from whom double premiums were collected (with respect to the month when they returned to work); (4) Various provisions regarding future activity (including a prohibition against increasing the price of premiums, giving advance notice regarding the purchasing of temporary risk, and more).	The represented class for the purpose of the non-monetary remedies includes all of the policyholders in provident funds or insurance plans in which funds of employers and/or employees are deposited with respect to loss of working capacity insurance and/or insurance in case of death or any other insurance risk. The represented class for the purpose of the monetary remedies includes: (A) All policyholders from whom amounts were collected, from the accrual amounts or from any other source, with respect to amounts with respect to or insurance in case of death or any other insurance event, and who did not receive notice in advance; (B) Alternatively, policyholders from whom premiums were collected for periods exceeding the automatic temporary risk period, except if agreed in advance; (C) Policyholders from whom premiums were collected in an amount higher than the premiums which were collected from them when they were active policyholders and/or which were collected from them with respect to new insurance policies, which they did not have prior to the conclusion of their employment; (D) Policyholders from whom double premiums were collected.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action.	The amount of the class action is estimated, conservatively, according to the plaintiff, at no less than NIS 7 million per year. The plaintiff contends that prescription of any kind whatsoever should not be applied to the claim. Alternatively, the claim for monetary remedies applies beginning from 7 years before the filing of the claim, which was filed in 2020, until the approval of the claim as a class action.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A2. *Pending motions to approve class action status for material claims (Cont.)*

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
14.	4/2020 District Court Tel Aviv-Yafo	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents should be ordered to compensate the class members, and to reimburse in full the damages they incurred with respect to excess premiums which have been paid and are still being paid with respect to motor insurance, due to the dramatic reduction of their use of vehicles during the period of COVID-19, and the significant reduction of the risk level.	Compensation of the class members, full reimbursement of the damages they incurred, issuance of a mandamus order instructing an adjustment of collection according to the risk which was actually applicable to the respondents during the effective period and/or issuance of a declaratory ruling determining that a significant reduction of the use of the vehicle in circumstances such as the events occurring during the effective period require an adjustment (reduction) of premiums.	Anyone who was a policyholder of one or more of the respondents in compulsory insurance and/or comprehensive insurance and/or third party insurance, during all or part of the period beginning on March 8, 2020 and ending on the date of the full and absolute lifting of the restrictions on movement which were imposed on the residents of Israel due to the coronavirus.	The proceedings are currently in the stage of hearing the motion to approve the claim as a class action. In February 2021, the Court ordered the unification of the motion to approve this class action, with respect to compulsory motor insurance, with a separate motion to approve a class action, which involves similar causes of action, in which Clal Insurance is not a respondent (the "**Additional Motion**"), which was filed in April 2021.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to the period from March 8, 2020 to April 30, 2020, at a total of NIS 103 million, and for all of the respondents together (except one), at a total of approximately NIS 1.2 billion. Alternatively, with respect to 8 of the sued companies (of which Clal Insurance is one), the claimed damage was set as approximately NIS 720,000 thousand. The petitioners noted that the damage continues accumulating so long as the collection has not been discontinued.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
15.	4/2020 District Court Center	Clal Insurance and 4 additional insurance companies and a non-insurer company	The plaintiffs contend that the defendants allegedly provide car windshields to their customers which are not compliant with Israeli standards and are also not original, in breach of their undertakings towards the clients in the agreements with them.	Monetary compensation for all clients in whose vehicles an alternative windshield has been installed, which will allow them to replace the windshield that was installed in their vehicle, with an original windshield; Monetary compensation in the amount of NIS 500 for each of these customers, with respect to the hassle involved in making the replacement; Repayment of the difference in price between an original windshield and a replacement windshield.	Any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, as well as any customer of the defendants who held or currently holds a letter or coverage which includes an undertaking by any of them to provide the customer with an alternative standard-compliant windshield, or original windshield, who received a windshield which was neither standard-compliant nor original.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs have not quantified the total damage claimed for all of the class members which they wish to represent; however, they estimate that it significantly exceeds a total of NIS 2.5 million.
16.	7/2020 District Court Center	Clal Insurance and 4 additional insurance companies	The plaintiffs contend that the defendants allegedly do not reduce the insurance premiums for policyholders for whom exclusions have been established due to a pre-existing medical condition, despite the fact that the exclusions allegedly reduce the insurance risk relative to the risk in insurance policies of policyholders for whom similar exclusions have not been established.	Compensation/reimbursement of all of the amounts which were allegedly overcollected from the policyholders who are included in the class, plus duly calculated linkage differentials and interest, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who was insured during the period beginning 7 years prior to the filing date of this claim, and ending on the approval date of the claim as a class action, by one or more of the defendants, in insurance policies of the following types: disability, long-term care, life, loss of working capacity, personal accidents or health (including critical illness, surgeries in Israel or abroad, implants in Israel or abroad, drugs, ambulatory treatments, or any other medical coverage), in which the policy has an exclusion. For this purpose, "**exclusion**" means any stipulation in the policy which determines that an event / injury / illness or any risk which has materialized and/or is related to a pre-existing medical condition of the policyholder on the date the policy was purchased, is not covered under the policy.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage for all of the class members, with respect to all of the defendants, at a total of NIS 1.9 billion, while stating that the share of each of the defendants is in accordance with the market segment of health and life insurance, according to the publications issued by the Commissioner of Capital Markets.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
17.	9/2020 District Court Haifa	Clal Insurance	The plaintiff contends that Clal Insurance does not fulfill its obligations, and repays to its policyholders amounts which are significantly lower than the amounts which it undertook to pay in accordance with the implementation of the “no claim bonus clause” in health policies which were sold by Clal Insurance in the past, which gives the policyholder the right to receive reimbursement of a part of the premiums which they paid, in case there are no claims during a period specified in the policy.	The remedy requested by the plaintiff includes, *inter alia*, ordering Clal Insurance to compensate each of the class members who are entitled to a no claim bonus for the proportional part of the insurance premiums, which was not reimbursed to them, plus interest and linkage.	All holders of individual and collective health insurance policies of Clal Insurance, including health insurance and including extended liability insurance and full liability insurance, and including different names of the policies over the years, which included a “no claim bonus” clause, and who did not claim and/or avoided claiming compensation for 3 years, or for any other period according to the policy, and who were entitled to reimbursement of 10% of the premiums which were paid, or a different reimbursement percentage in accordance with the policy terms, who received a lower amount than the amount which was owed to them according to the policy terms, during the period of the claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The damage claimed for all of the class members was estimated by the plaintiff in a total amount of NIS 33,575,080, during the seven years preceding the filing of the claim.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
18.	9/2020 District Court Center	Clal Insurance and an additional insurance company	The claim involves an assertion that the defendants acted in breach of the provisions of critical illness policies, and specifically did not act in accordance with the policy terms, which determine that, after the occurrence of the first insurance event, and if the policyholder remains covered by the insurance policy, the insurance amount and the monthly premium will be reduced by 50%.	The remedy requested by the plaintiffs is compensation to the class members for past damages, as well as declaratory relief and a mandamus order instructing the defendants to change their operating methods.	All customers / policyholders of the respondents who held critical illness insurance and/or insurance for critical illness and severe medical cases and/or another similar insurance, defined by another name, who suffered a first insurance event, after which a higher premium was charged from them than had been agreed, in breach of the terms of the insurance policy, during the 7 years preceding the filing date of the motion.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage for all of the class members, with respect to Clal Insurance, at a total of NIS 16.8 million.
19.	4/2021 District Court Tel Aviv-Yafo	Clal Insurance and 14 additional companies	The subject of the claim is the assertion that the defendants breach the provisions of the law by transferring their customers' private and confidential information, without the customer' consent, to third parties (and particularly to Google and to its advertising service), while prejudicing the customers' right to privacy, and breaching their legal obligations.	The main remedies requested by the plaintiffs include ordering the defendants to cease transferring information regarding their customers to third parties, to comply with the provisions of the law regarding protecting their customers' privacy; to disclose all of the documents which they have, and which could help investigate the truth, and to compensate for the monetary and non-monetary damages which the plaintiffs have incurred.	All customers of the defendants who made use of the digital services on the websites and apps which are operated by the defendants, during the seven years preceding the filing of the claim, and whose private and/or personal and/or confidential information was transferred to a third party	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the aggregate damage incurred by all of the class members at millions of NIS.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
20.	7/2021 District Court Tel Aviv-Yafo	Clal Insurance and 6 additional companies	The subject of the claim is the assertion that, when receiving a pension from profit sharing policies which were issued between the years 1991 and 2004, the defendants deduct from the monthly returns, which accrue with respect to the balance of the redemption value, annual interest at a rate of 2.5% (or any other rate), without any contractual basis for doing so in the policy terms, and in violation of the law.	The main remedies claimed by the defendants in the claim include a declarative order stating that the deduction of interest from the monthly returns constitute a breach of the policies, or alternatively, declaratory relief stating that the matter constitutes a discriminatory condition in a standard contract, and ordering the cancellation thereof, ordering the repayment of the amounts which were deducted from the monthly pensions of the class members, plus linkage differentials and interest, beginning from the seven years preceding the filing date of the claim, until a final decision has been reached therein, and ordering the defendants to discontinue their deduction of interest from the monthly returns.	The policyholders of the defendants who purchased from the defendants life insurance policies which include the accrual of savings in profit sharing policies which were issued between the years 1991 and 2004, and from which interest was deducted and/or will be deducted, at a rate which was not specified in the policy, based on the provision in the policy which states that the monthly pension amount will vary "monthly according to the results of the investments, less the interest rate which was used to calculate the monthly pension amount, and the corresponding provisions for this purpose in the insurance plan" and/or any other similar provision.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the aggregate damage incurred by all of the class members at an amount (significantly) exceeding NIS 2.5 million.
21.	10/2021 District Court Lod	Clal Insurance and another company	The subject of the claim is the assertion that the defendants unlawfully reject insurance claims of children with special needs, within the framework of long-term care insurance policies, despite the fact that they meet, according to the plaintiffs, the definition of the insurance event by virtue of "mental incapacity" in accordance with the policy terms, without evaluating whether or not their condition meets this definition.	The main remedies asserted in the claim include compensation of the class for all of the damages they incurred, and ordering the defendants to fulfill the insurance agreements.	All policyholders of the defendants up to age 21 (or their heirs) with special needs, who are covered by long-term care insurance which was sold by any of the defendants, and who suffer from "mental incapacity", and who did not receive from the defendants recognition with respect to their condition of "mental incapacity", or their rights under the policy, with respect to both the past and the future.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the total damage claimed for all of the class members, against both of the defendants together, in the total amount of approximately NIS 2.97 billion.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
22.	12/2021 Regional Labor Court Tel Aviv-Yafo	Clal Holdings Clal Insurance Clal Pension and Provident Funds Clal Israel stocks basket "Atudot" - Pension Fund for salaried Employees and Self-Employees Ltd. (a subsidiary of Clal Insurance (held 50%)) (hereinafter: "**Atudot**") Officers of the Company and investment committee members	The claim involves an assertion of claimed damages which were allegedly incurred by members of the provident funds, pension funds, life insurance and savings policies which are managed by the Group's member companies, in light of the respondents' decision to sell shares of Alrov Properties and Lodgings Ltd. ("**Alrov**") which were held by the Group's member companies, as part of the investment of policyholders and members' funds, to Israel-Canada Company TR Ltd. ("**Israel Canada**"), due to a dispute of some of the respondents with Alrov's controlling shareholder, and despite the fact that, on the signing date of the agreement, the Group's member companies allegedly had an offer from Mr. Alfred Akirov to acquire Alrov shares at a price at least 33% higher than the price which Israel Canada paid for the Alrov shares.	The remedy claimed by the plaintiff is compensation for monetary damages, which allegedly reflects the damage that was incurred by the class members.	The class which the petitioner wishes to represent includes anyone who was a member of the provident funds, pension funds, life insurance and savings policies which are managed by the Group's member companies, which held Alrov shares as of March 18, 2021.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimated the aggregate damage incurred by all of the class members at a total of approximately NIS 134 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
23.	04/2022 District Court Tel Aviv-Yafo	Clal Insurance	The claim is an assertion that Clal Insurance continues collecting premium from policyholders even after they have announced the cancellation of the policy, since the cancellation only enters into effect on the 1st day of the calendar month after the date of Clal Insurance's receipt of the announcement, instead of the date when the cancellation enters into effect, within 3 days after the policyholder's submission of the cancellation notice, as required in accordance with the legislative arrangement. Also asserted was lack of due disclosure to the policyholder regarding the arrangement in case the policyholder cancels the policy before purchasing the policy.	The main claimed remedies include declaratory relief stating that the policyholder's notice of cancellation will enter into effect within 3 days after the date of its submission, and monetary relief of reimbursement of all of the repayment of premiums which were collected from policyholders with respect to the period beginning on the fourth date after the submission of the cancellation notice, and compensation at a rate of 50% of the average monthly premium for the members of the class who postponed their cancellation notice due to the policy provisions, plus linkage differentials and interest. Or alternatively, other declaratory / monetary reliefs.	The Group which the petitioner wishes to represent includes: (A) all policyholders who notified Clal Insurance of the cancellation of the policy, and Clal Insurance did not cancel their policy within 3 days after the submission of the cancellation notice; (B) all policyholders who notified Clal Insurance of the cancellation of the policy, and whose cancellation notice included some deficiency, and Clal Insurance did not notify the policyholders of the deficiency within 3 business days after the date of submitting the cancellation notice; (C) all policyholders who requested the cancellation of the policy on any date during a calendar month before 3 days before the end of the calendar month, and who postponed sending their cancellation notice due to the contractual arrangement stipulating that the cancellation would enter into effect beginning on the 1st of the calendar month subsequent to the date when Clal Insurance received the cancellation notice.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimated the aggregate damage incurred by all of the class members at a total of many millions of NIS.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
24.	05/2022 District Court Center	Clal Insurance	The claim involves the allegation that, in surgery insurance policies in Israel which include reimbursement for surgeries performed without financing from Clal Insurance, that Clal Insurance avoids reimbursing policyholders for the cost of the implants and devices which were used to perform the surgery, and avoids reimbursing policyholders for the amounts they paid as deductibles.	The main remedies claimed include a ruling ordering Clal Insurance to henceforth include, in the calculation of the reimbursement which is owed to the class members, also the cost of the implant and/or device, and ordering it to reimburse the class members with respect to the deductible amounts which are paid by them in connection with the various surgeries, and to calculate the reimbursement accordingly, as well as a ruling ordering Clal Insurance to pay to each member of the sub-class regarding the monetary remedies, damages at a rate of 50% (or another rate) of the cost of the implant for Clal Insurance and/or the deductible amount which was paid by the class member with respect to a surgery they underwent, plus duly calculated linkage differentials and interest.	The class which the petitioner seeks to represent, with respect to a future arrangement, includes all policyholders of Clal Insurance who are entitled to reimbursement at a rate of half (or another amount) of the amount saved by Clal Insurance in case the surgery was performed without its financing, or reimbursement derived from the cost of the surgery for the health fund, in a private hospital. The class which the petitioner seeks to represent, with respect to the monetary remedies, includes all policyholders of Clal Insurance who are entitled to reimbursement at a rate of half (or another rate) of the amount saved by Clal Insurance in case the surgery was performed without its financing, or reimbursement derived from the cost of the surgery for the health fund, in a private hospital who submitted to Clal Insurance a claim for reimbursement, but the reimbursement was calculated without including the cost of the devices and/or without Clal Insurance reimbursing to the policyholder the deductible amount, during the 7 year period preceding the filing date of the claim, until a ruling has been given regarding the claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimates the aggregate damage caused to the class members at over NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
25.	07/2022 District Court Tel Aviv-Yafo	Clal Insurance	The subject of the claim is an allegation that Clal Insurance rejects claims from holders of private health insurance policies which were it marketed until February 2016, which include a basic insurance layer, alleging that it constitutes a "preventive surgery" which does not fulfill the definition of the term "surgery" in the policy (hereinafter: the "**Basic Layer Policies**"); and alleging that Clal Insurance marketed, against increased premiums, policies which allegedly extend the coverage relative to the basic layer policies, and include coverage for preventive surgeries, although that component is already covered in the basic layer.	The main remedies claimed include a declaration stating that, in accordance with the health insurance policies of Clal Insurance in which "surgery" is defined as an "insurance event", the definition should include surgeries which are supported by a medical necessity, including preventive surgeries - which are intended to prevent illness, defects or problems for the policyholder and/or the harmful effects of any of the above; a declaration stating that the rejection of policyholder claims for coverage with respect to preventive surgery by virtue of the health insurance policy in the basic layer constitutes a breach of the insurance contract; and ordering Clal Insurance to contact the holders of insurance policies in the basic layer, and to inform them that preventive surgeries are included in the insurance coverage under the policy.	The first class which the petitioner seeks to represent includes any person who entered into a health insurance contract with Clal, which includes insurance coverage for "surgeries", and whose claim for the performance of a surgery was rejected and/or will be rejected, on the grounds that it constitutes a "preventive surgery" which is not covered under the policy, until a final and non-appealable ruling has been given regarding the class action. The second class which the petitioner seeks to represent includes all past and present policyholders of Clal who purchased from it, and/or from any other party on its behalf, until February 1, 2016, private health insurance policies which extend the insurance coverage for preventive surgeries, and who paid excess premiums for them, beginning from the date of marketing of the extension policies until the date when collection is discontinued and/or until a final and non-appealable ruling has been given regarding the class action.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimates the aggregate damage caused to the class members at over NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A2. *Pending motions to approve class action status for material claims (Cont.)*

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
26.	10/2022 District Court Lod	Clal Insurance	The claim involves the assertion that Clal Insurance adopts a policy of automatically renewing apartment insurance policies, while raising the premiums from year to year, without receiving the policyholder's consent for this purpose.	The main requested remedies include, *inter alia*, issuing a declarative order stating that Clal Insurance acted unlawfully, ordering Clal to refrain from automatically renewing the policies and/or while worsening conditions, and to compensate the class members for their damages, plus interest and linkage.	The class which the petitioners wish to represent includes all of the respondent's customers whose apartment insurance policies were renewed by the respondent without obtaining their consent and/or all of the respondent's customers who were charged premiums with respect to a home insurance policy without obtaining their consent (including customers of Clal Insurance whose premiums were raised without obtaining their consenting upon renewal of the policy), during the period from 7 years before the filing of the claim, until the present.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the aggregate damage caused to the class members at over NIS 3 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
27.	11/2022 Regional Labor Court Tel Aviv	Clal Pension and Provident Funds	The claim mostly involves the assertion that Clal Pension and Provident Funds unlawfully collects premiums with respect to extension of insurance (payment for insurance coverage in situations where the routine contributions to the pension fund have stopped), through deductions from the accrual amount, while reducing the accrual amount, without informing the members in advance and allowing them to exercise their right to waive the coverage, and refuses to refund the premiums in cases where it has become aware that the member was insured in another pension fund.	The main requested remedies include repayment of the premiums which were paid during the period of extension of insurance by the class members; and ordering Clal Pension and Provident Funds to notify members in advance regarding the application of the extension of insurance, the rate of premiums, and the possibilities which are available to them.	The represented class includes all members (past and present) whose pension fund, which is managed by Clal Pension and Provident Funds, joined the extension of insurance arrangement without having received notice of the matter in advance, while revoking their right to choose whether or not to allow the arrangement to apply. Regarding the monetary remedies, the represented class includes all of the members who did not continue contributing to the pension fund after the end of the extension of insurance period, and did not request to extend the insurance arrangement, and all members who opened another pension fund and paid double premiums, during the seven years preceding the date of filing the motion to approve, until the date when a ruling is given regarding the claim.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The class action amount was estimated by the plaintiff conservatively at no less than NIS 2.5 million per year, and in total, NIS 17.5 million, during the seven years preceding the date when the motion to approve was filed.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
28.	12/2022 District Court Lod	Clal Insurance	The claim involves the assertion that, in case of damage which was caused by a towed vehicle and tow truck, Clal Insurance (as the insurer of the towed vehicle or tow truck), refuses to pay the the entire amount of damage which was incurred by the third party, as undertaken in the policy, and pays only half of that amount, alleging that the liability for the damages which were caused by a towed vehicle or by a tow truck should be always divided between them equally.	The main requested remedies include monetary relief, including, *inter alia*, compensation with respect to the deductible which was paid to the other insurer, repayment of premiums to policyholders, a mandamus order requiring Clal Insurance to indemnify the third party for the entire amount of damage which was caused in connection with an existing policy, and a disclosure obligation with respect to new policies which have not yet been issued.	The represented class includes all policyholders of Clal Insurance who purchased from it third party liability and/or compulsory insurance for a towed vehicle and/or tow truck during the 7 years preceding the date when the motion was filed; alternatively, or additionally: all policyholders of Clal Insurance who purchased from it third party liability and/or compulsory insurance for a towed vehicle and/or tow truck, who were forced to pay double deductibles with respect to the same damage which was incurred by a third party and/or who were forced to pay, out of their own pockets, half / part of the damage which was incurred by a third party.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiffs estimate the aggregate damage caused to the class members at over NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
29.	01/2023 Regional Labor Court Tel Aviv	Clal Insurance	The claim involves the assertion that the rate of insurance benefits which policyholders with loss of working capacity are entitled to receive was unlawfully reduced by Clal Insurance, without receiving the express consent of its policyholders in advance, in breach of the provisions of the policy and the directives of the Capital Market Authority, and in breach of duties regarding disclosure and deception, and without sending to policyholders warning or notice regarding the need to pay additional premiums, or to reduce the insurance coverage. It was further asserted that the rate of monthly compensation for loss of working capacity insurance policyholders was reduced or will be reduced in the future due to the increase of premiums, as a result of the increase in policyholder age.	The main remedies requested include declaratory relief prohibiting Clal Insurance from reducing the insurance benefits with respect to loss of working capacity, without receiving express written consent from the policyholders, and monetary relief requiring Clal Insurance to pay to the class members who suffered a loss of working capacity incident, the difference in the amount of insurance benefits.	The represented class, for the purpose of the future settlement, includes all loss of working capacity policyholders of Clal Insurance, whose rate of insurance coverage, according to Clal Insurance, was reduced, or will be reduced in the future, due to the increase in premiums due to their increase in age; and regarding the monetary remedies - all past and present members of the class who suffered the insurance event, and whose rate of insurance benefits was reduced by Clal Insurance without receiving the policyholder's express, active, and advance consent.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff conservatively estimated the aggregate damage incurred by all of the class members in the amount of NIS 18 million, during the 3 years before the claim was filed.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
30.	03/2023 District Court of Tel Aviv	Clal Insurance	The claim involves the assertion that Clal Insurance acts unlawfully and illegally by partially repaying the professional fees of the injured parties' loss adjuster, without justification, and without specifying why the fees were reduced.	The main remedies requested include monetary relief in the amount of the difference between the professional fees which were paid by the class members to loss adjusters, and the payment which was paid to the class members as insurance benefits with respect to that component (hereinafter: the "**Monetary Damages**"), as well as compensation for non-monetary damages, in the amount 20% of the monetary damages incurred by all of the class members.	The represented class includes any injured party, policyholder or third party who is entitled to receive from Clal Insurance repayment for the loss adjuster's professional fees, which the injured party paid to any loss adjuster in order to assess the damage caused to their vehicle, and where Clal Insurance did not transfer to them the entire amount that they paid with respect to the loss adjuster's fees.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff estimates the aggregate damage caused to the class members at over NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A2. Pending motions to approve class action status for material claims (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
31.	03/2023 District Court Tel Aviv-Yafo	Clal Insurance	The claim involves an assertion that the defendants refuse to finance policyholder expenses to purchase medical cannabis, allegedly, according to the plaintiffs, in breach of the provisions of the insurance to cover drugs which are not included in the health basket (hereinafter: the "**Policies**"), and the fact that medical cannabis is recognized for use with a medical prescription in Western countries.	The main requested remedies include, *inter alia*, declaratory relief ordering Clal Insurance to repay the policyholders' expenses with respect to the purchase of medical cannabis; ordering Clal Insurance to contact all of their eligible policyholders in recent years, and to actively invite them to demand the reimbursement which they are owed; and ordering Clal Insurance to reimburse all of the class members for the economic damage which resulted from their wrongful actions, and due to the breach of the insurance contract.	The class which the petitioners wish to represent includes anyone who was a policyholder of Clal Insurance, and who did not receive reimbursement of their expenses to purchase medical cannabis.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action[16].	The plaintiffs estimate the total claim amount, for all of the class members, at a total of approximately NIS 13.5 million.

[16] In July 2022 and September 2022, motions to approve class action status for claims were filed with the District Court of Tel Aviv-Yafo against Clal Insurance, pertaining to similar assertions and causes of action (hereinafter: the "**Prior Proceedings**"). In January 2023, the Court decided to consolidate the prior proceedings, and accordingly, the plaintiffs filed those proceedings in March 2023. For additional information regarding the prior proceedings, see sections a(a3)(7) and a(a3)(8) below.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report[17][18].

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	4/2010 District - Center	Clal Insurance and additional insurance companies	The plaintiffs contend that in case of discontinuation of insurance during a certain month, after the insurance premium with respect to that month was collected by the defendants in advance, the defendants do not reimburse to policyholders the surplus relative share of the insurance premium with respect to that month, or alternatively, reimburse the insurance premium at nominal values only.	The reimbursement of the surplus premium amounts which were unlawfully collected from the class members and/or the reimbursement of unlawful revaluation differences, with the addition of duly calculated linkage differentials, as well as a mandamus order instructing the defendants to change their conduct.	Anyone who is and/or was a policyholder of one or more of the defendants, under any insurance policy, excluding a property insurance policy, or the inheritor of such a policyholder, where the insurance policy was discontinued for any reason, whether due to its cancellation by the policyholder, or due to the occurrence of the insurance event.	In June 2015, the Court issued a decision to dismiss the motion to approve against all of the defendants with respect to the primary claims, including: (A) proportional reimbursement of premiums should be performed in case of the occurrence of the insurance event; (B) proportional reimbursement of premiums should be performed in case of cancellation of the policy, where the wording of the policy does not stipulate section 10 of the Insurance Contract Law, 1981, as phrased, during the period relevant to the claim; (C) the reimbursed premiums should be linked only to a positive index, and not to a negative index; (D) the premiums should be reimbursed with the addition of special interest. Additionally, a dismissal was issued with respect to the motion to approve against Clal Insurance only, regarding a claim of non-payment of relative premiums in insurance policies which include a stipulation of section 10 of the Insurance Contract Law, in which it was determined that the cancellation of the policy will enter into effect immediately, in the absence of an evidential infrastructure (hereinafter: the “**Proportional Reimbursement Claim**”). The motion to approve the claim as a class action was accepted against all of the defendants, with respect to anyone who is or who was the holder of an insurance policy, except for a property insurance policy, who canceled an insurance contract, or whose insurance policy was canceled due to the occurrence of the insurance event, from April 2003 until March 14, 2012, and from whom premiums were collected with respect to the months following the cancellation month, which were reimbursed to him according to their nominal value, without linkage differentials and interest in accordance with the Insurance Contract Law (hereinafter: the “**Nominal Return Claim**”). In September 2016, a settlement arrangement was filed with the District Court (the “Settlement Arrangement”), according to which the defendants undertook to donate to public causes amounts which were overcollected, by virtue of the proportional reimbursement claim, and additional amounts by virtue of the nominal reimbursement claim, according to partial rates which were determined in the settlement agreement, and according to the determination of an examiner who will be appointed by the Court within the framework of the settlement agreement. In February 2017 and March 2017, the positions of the Israel Consumer Council and the Attorney General of Israel (“Additional Parties”), respectively, were received, who did not object to the settlement arrangement in its entirety, but rather proposed amendments to the settlement arrangement, *inter alia*, with respect to the method used to reimburse funds to the class, and with respect to the types of policies to which the settlement will apply. In June 2017, the Court appointed an examiner for the case to examine the settlement arrangement. In 2021 the examiner’s position regarding Clal Insurance was filed with the Court, and the parties’ positions, and the position of the Attorney General of Israel, were also filed. In July 2022, the parties filed with the Court an amended settlement arrangement, and in September 2022, the Court approved the amended settlement arrangement, and gave it force of ruling.	The amount claimed by all of the plaintiffs against all of the defendants in the claim is NIS 225 million, with respect to a period of ten years. The plaintiffs have not specified the amount claimed from Clal Insurance only, if the claim is approved as a class action.

[17] This section includes a description of claims which concluded during the reporting year, and which were not reported in the financial statements for 2021, and also applies to claims in which a decision was made to strike out the claim, or in which a ruling was given, including a ruling to approve a settlement arrangement. The foregoing does not apply to followup regarding the implementation of the arrangements (including possible changes as part of the implementation of the arrangements and/or procedures involved in evaluating them) which were determined as part of the foregoing decisions, and which could continue over time, and the results of which cannot be fully estimated in advance.

[18] Not including claims which concluded during the reporting year, but where notice of their conclusion was given in the financial statements for 2021.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report.

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
2.	2/2016 District - Center Lod	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	According to the plaintiff, an association which alleges that its purpose is to act on behalf of weak population groups and persons with special needs, the defendants charge, from recipients of disability and survivor annuities, management fees at the maximum rate permitted by law, while exploiting the fact that they are not permitted to transfer their monies to another fund.	To order the defendants to reimburse, to all recipients of disability and/or survivor annuities, all of the management fees which were unlawfully collected from them, with the addition of interest, or alternatively, to reimburse to the pension fund the management fees which were and/or which will be unlawfully collected from recipients of disability and/or survivor annuities, and to implement a just and fair distribution of the funds.	Any person who receives and/or who has the right to receive a disability annuity, as well as any person who receives and/or who has the right to receive a survivor annuity, and any person who is a member of a pension fund managed by the defendants, and who incurred damage as a result of the collection of management fees in connection with the disability and survivor annuities.	In September 2022, the Court gave a ruling in which it dismissed the motion to approve.	The amount of the class action claim was not quantified in the statement of claim; however, in accordance with an actuarial opinion which was attached to the motion, the damages caused to the class members was estimated, according to an initial estimate, as a total of approximately NIS 1 billion, against all of the defendants.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report.

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
3.	12/2017 District - Jerusalem	Clal Insurance, two additional insurance companies, Clalit Health Services and Maccabi Health Services.	The plaintiffs contend that the defendants refuse, allegedly, to cover with long-term care insurance people who are on the autistic spectrum, or set impossible and unreasonable conditions for them, without providing any explanation or justification for their actions.	Issuance of a declarative order stating that the defendants have breached, by their conduct, Part H of the Equal Rights for Persons with Disabilities Law, 1998, the Equal Rights for Persons with Disabilities Regulations (Notice of Insurer Regarding Provision of Different Treatment for a Person or Regarding Refusal to Insure a Person), 2016 (the "**Equality Law**"), and additional legislation; the issuance of a mandamus order requiring the defendants to stop discriminating against the class members, and to establish clear work policies regarding individual and equal treatment, without prejudice, of persons with disabilities; the issuance of a mandamus order requiring the defendants to retroactively insure the class members, who will be found qualified to receive long-term care insurance, following an egalitarian underwriting process, in accordance with the aforementioned policies.	People with disabilities on the autistic spectrum who request to be covered under long-term care insurance at any of the defendants, and who unlawfully received from the defendants different and discriminatory treatment, due to the fact that they are people with disabilities, whereby the decision was not based on reliable and relevant statistical, actuarial and medical data regarding the specific insurance risk, and/or for which no reason was given, as required in accordance with the Equal Rights Law and other provisions of the law, during the seven years preceding the filing of the motion to approve.	In January 2020, the Attorney General of Israel announced that he did not wish to appear in the proceedings, and that this announcement did not change the position which he filed regarding another similar case, in which he expressed the position that the insurance company's reliance on the reinsurers' underwriting policies complies with the provisions of the Equal Rights Law. In March 2020, the motion to summarily dismiss which had been filed by the health funds was dismissed. The health funds filed an appeal against the aforementioned decision, *inter alia*, in connection with the decision regarding the motion to summarily dismiss. The funds' appeal against the dismissal of their petition for summary dismissal was dismissed in November 2020. In September 2022, the Court gave a ruling in which it dismissed the motion to approve.	The plaintiffs have not quantified the damage for all of the class members, and have estimated the personal damage incurred by the plaintiffs as tens of thousands of NIS per plaintiff.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A3. *Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report (Cont.)*

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
4.	4/2020 District Court Tel Aviv-Yafo	Clal Insurance and 12 additional insurance companies	According to the plaintiffs, the respondents should be ordered to reimburse to their policyholders some of the premiums which were paid to them with respect to the significant decrease in risk due to the coronavirus (COVID-19) pandemic, in theft of apartment contents policies.	Ordering each of the respondents to reimburse the premiums which were overcollected by them due to the decreased risk associated with the insurance policies which form the subject of the motion to approve and of the class action, and reimbursement of any additional amount which will be collected by them from the filing of the motion to approve until its approval by the Court and/or until the lifting of the restrictions on movement and activity, whichever is earlier, such that the risk level returns to its level prior to the change in circumstances which led to the decreased risk, as stated above.	Anyone who entered into a contract with Clal Insurance for compulsory motor insurance and/or comprehensive motor insurance and/or third party motor insurance and/or apartment contents insurance, and who, as of the effective date for the filing of the motion to approve and of the class action, i.e., as of March 19, 2020, held one or more of the aforementioned insurance policies, and who, in light of the decrease in risk associated with each of the aforementioned policies, did not receive from Clal Insurance actual reimbursement and/or did not receive notice of future reimbursement and/or crediting with respect to premiums which they overpaid, due to the decreased risk, as specified in the motion to approve.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action. In February 2021, the Court decided, with respect to Clal Insurance and the other defendants (except for one), to strike out the claim and the associated motion regarding motor insurance, which will be heard within the framework of the motion described in section a(a2)(14) above, and will remain regarding apartment insurance only. The plaintiffs filed with the Supreme Court an appeal against that decision. In May 2022, the appeal was struck out, at the Court's recommendation. In February 2023, an agreed-upon motion of the petitioners to withdraw the motion to approve was filed with the Court, which the Court approved.	The plaintiffs estimate the alleged damage against Clal Insurance, with respect to a period of one month, beginning on March 19, 2020, at a total of approximately NIS 76 million, and for all of the respondents together, at a total of approximately NIS 886 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
5.	7/2020 District Court Center	Clal Insurance	the plaintiff contends that Clal Insurance unlawfully applies an exclusion in the policy which determines that, in case the policyholder had a medical defect which was diagnosed and documented during the first 12 months of their life, they will be denied long-term care insurance benefits (hereinafter: the "**Exclusion Clause**"). The plaintiffs contend that Clal Insurance rejects claims for long-term care insurance benefits also in cases where the defect had not been diagnosed or documented, and assert that it was wrong, from the outset, to include the exclusion clause in the policy.	Declaratory relief ordering the cancellation of the exclusion clause, or alternatively, declaratory relief determining that Clal Insurance's interpretation of the provisions of the exclusion clause, according to which it is permitted, by virtue of that clause, to exclude from entitlement to an annuity also minors who were not diagnosed, in a documented medical diagnosis, before reaching 12 months of age, is invalid. Additionally, remedy requiring monetary compensation with respect to all monetary and non-monetary damages, plus duly calculated interest and linkage.	All holders of long-term care insurance policies of Clal Insurance who meet the conditions for the receipt of a long-term care insurance annuity, who were rejected based on the exclusion clause due to a birth defect, or birth illness, or illness which was diagnosed in the first year of life; Including: Group A - anyone who underwent an insurance event, and whose claim was rejected based on the grounds that symptoms existed in their first year of life which could have led to a documented diagnosis in their first 12 months of life, and anyone who was entitled to receive the annuity, but in light of the aforementioned policy of Clal Insurance, did not submit a request to receive it; Group B - anyone who underwent an insurance event, and whose claim was rejected based on the existence of a documented medical diagnosis during the first 12 months of their life, and anyone who was entitled to receive the annuity, but in light of the existence of the aforementioned diagnosis, did not submit a request to receive it.	In May 2022, the Court ordered the Commissioner to announce, *inter alia*, whether he approves the exclusion clause, and in December 2022, the Commissioner's position was filed, which, in general, supported the position of Clal Insurance. In February 2023, an agreed-upon motion of the petitioners to withdraw the motion to approve was filed with the Court, which the Court approved that same month.	The plaintiffs have not specified a total sum of damages for all of the class members, but estimate it at a total exceeding NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
6.	08/2022 District Court Tel Aviv-Yafo	Clal Insurance	The claim involves the assertion that Clal Insurance continues collecting, from holders of “Meitav” policies and/or any other policies which include a risk component (hereinafter: “**Policy with Risk Component**”), premiums with respect to the risk component after the end of the insurance period, without receiving approval from the policyholders, and without notifying the policyholders in advance regarding the amount of premiums which they intend to collect after the insurance conclusion date under the policy, and/or informed the policyholders regarding the amount of premiums, and extended the risk conclusion date in the policy, while causing real damage to the accumulated savings, and in the returns with respect to risk.	The main requested remedies include repayment of the overpaid premiums, compensation for the loss of interest and returns which the policyholders could have received had those funds been directed towards the savings component, and declaratory relief obligating Clal Insurance to contact the holders of any concluding policy and/or insurance coverage, in order to evaluate the extension of the insurance coverage, while presenting a full table of premiums with respect to the insurance coverage.	The class which the plaintiffs seek to represent includes any natural person and/or any other legal person who was the owner and/or holder of a policy with a risk component, and from whom, at the end of the insurance period m Clal Insurance continued collecting premiums, without receiving their approval, and without notifying them in advance regarding the amount of premiums which it intended to collect after the conclusion date of insurance under the policy and/or informed them of the premium amount and extended the risk conclusion date in the policy while causing real damage to the accumulated savings and to the returns with respect to the savings, during the 7 years preceding the filing of the claim, and until the date when the claim was filed.	In March 2023, an agreed-upon motion of the petitioners to withdraw the motion to approve was filed with the Court, which the Court approved that same month.	The plaintiffs estimate the aggregate damage caused to the class members at over NIS 2.5 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A3. Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	07/2022 District Court Tel Aviv-Yafo	Clal Insurance and one additional company	The claim involves the assertion that the defendants reject claims from holders of health insurance policies which include a drugs rider with respect to the costs of medical cannabis, on the grounds that medical cannabis does not meet the definition of a drug under the policies, although, according to the plaintiff's position, medical cannabis is included under the definition of drugs in the policies.	The main remedies claimed include ordering methods to prove the damages of the individual class members, to order personal damages for them, or damages for the public, and to order the defendants to contact all of its policyholders during the 7 years which preceded the filing date of the motion, and to invite them to claim the damages which are owed to them.	The class which the petitioners seek to represent includes all holders of the defendants' drugs insurance policies, who did not receive reimbursement for the cost of the drugs / expenses, in cases involving the purchase of medical cannabis by prescription, during the last 7 years.	A claim with similar assertions and causes of action was filed against Clal Insurance in a later proceeding (as specified in section A(A3)(8) below). In January 2023, the Court decided to consolidate the proceedings, and a consolidated proceeding was filed in March 2023 (as specified in section A(A2)(31) above).	The plaintiffs estimate the aggregate damage caused to the class members at over NIS 3 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A. *Class action claims (Cont.)*

A3. *Material class actions and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report (Cont.)*

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	09/2022 District Court Tel Aviv-Yafo	Clal Insurance and two additional companies	The claim involves an assertion that the defendants refuse to finance policyholder expenses to purchase medical cannabis, allegedly, according to the plaintiffs, in breach of the provisions of the insurance to cover drugs which are not included in the health basket (hereinafter: the "Policies"), and the fact that medical cannabis is recognized for use with a medical prescription in Western countries.	The main requested remedies include, *inter alia*, declaratory relief ordering the defendants to repay the policyholders' expenses with respect to the purchase of medical cannabis; ordering the defendants to contact all of their eligible policyholders in recent years, and to actively invite them to demand the reimbursement which they are owed; and ordering the defendants to reimburse all of the class members for the economic damage which resulted from their wrongful actions, and due to the breach of the insurance contract.	The class which the petitioners wish to represent includes anyone who was a policyholder of the defendants, and who did not receive reimbursement of their expenses to purchase medical cannabis.	A claim with similar assertions and causes of action was filed against Clal Insurance in a previous proceeding (as specified in section A(A3)(7) above). In January 2023, the Court decided to consolidate the proceedings, and a consolidated proceeding was filed in March 2023 (as specified in section A(A2)(31) below).	The plaintiffs estimate the total claim amount, for all of the class members, at a total of approximately NIS 30 million.

Note 41: Contingent Liabilities and Claims (Cont.)

A4. Presented below are additional details regarding exposure to class actions which are immaterial or which have not yet been filed and to additional expenses

1. In addition to the material class actions which are described in Note 41(a)(a1), the pending motions for the approval of class action status for material claims, as described in Note 41(a)(a2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 41(a)(a3), there are pending against the Company and/or its subsidiaries motions to approve class actions which, according to the Company's estimate, are immaterial[19], and regarding which a detailed description was therefore not included in the financial statements. As of the reporting date, 13 claims of this kind are being conducted against the Company and/or its subsidiaries, where the total amount specified by the plaintiffs in the aforementioned claims amounts to approximately NIS 184 million[20]. (As compared with 14 claims, in the amount of approximately NIS 413 million, as of December 31, 2021.)

2. In addition to the aforementioned legal proceedings, from time to time, potential exposures exist which, at this stage, cannot be estimated or quantified, with respect to commercial disputes or alerts regarding the intention to file claims, including class actions and derivative claims, on certain matters, or legal proceedings and specific petitions which may in the future develop into claims, including class actions or third party notices, against the Group's member companies, and potential exposure also exists, which at this stage cannot be estimated or quantified, to the possibility that additional derivative claims or class actions will be filed against the Group's member companies, *inter alia*, due to the Company's control structure (for additional details, see Note 1 to the financial statements, and sections A.22.2 and 41 above and below), as well as exposure due to the complexity of the companies' insurance products, along with the complexity of the regulations that apply to the member companies' activities, which may result in disputes regarding the interpretation of the provisions of the law or of an agreement, in consideration of the possibility which is available to the Commissioner, to order an insurer to stop implementing an insurance plan, or to order it to make changes to an insurance plan, including with reference to policies which have already been marketed by the insurer, or regarding the manner of implementation of the provisions of the law or an agreement, or the method by which claims are settled in accordance with an agreement, as these apply to and affect the relationship between the Group's member companies and the customer and/or the relationship between the Company and third parties, including reinsurers.
   This exposure is particularly increased in the long-term savings and long term health insurance branches, in which Clal Insurance is engaged, *inter alia*, due to the fact that, in those areas, some of the policies were issued decades ago, whereas today, due to significant regulatory changes, and due to the development in case law and in the Commissioner's position, the aforementioned policies may retroactively be interpreted differently, and may be subject to different interpretations than those which were in practice at the time when they were written. Moreover, the policies in the aforementioned segments have been in effect for decades, meaning that exposure exists to the possibility that in cases where the customer's claim is accepted and a new interpretation is provided for the terms of the policy, the future profitability of the Company in question will be affected by the existing policy portfolio. This is in addition to compensation that may be provided to customers with respect to past activity.
   There is also exposure, which at this stage cannot be estimated or quantified, to errors in the methods used to operate products in the long-term savings and health segments. It is not possible to predict in advance all types of claims which may be brought in this context and/or the possible exposure due to them which may be brought up, *inter alia*, by means of the procedural mechanism for class actions and/or industry-wide decisions of the Commissioner.

   Such exposure is due, *inter alia*, to the complexity of the aforementioned products, which are characterized by a very lengthy lifetime, and are subject to frequent, complex and material changes, including changes in regulatory and taxation directives. The complexity of the changes, and the application thereof over a large number of years, creates increased operational exposure, also due to the multiplicity and limitations of the automation systems used in the Group's institutional entities, due to additions / changes to the basic product structure, and due to multiple, frequent changes implemented over the product's lifetime, including by regulatory authorities, customers (employees) and/or by

[19] See note 11 above regarding the significance threshold.

[20] The foregoing number of claims includes one filed claim whose status as a class action has been approved in a claimed amount of NIS 10 million, one claim in which Clal Insurance is a formal defendant, and no remedies are requested against it. The aforementioned amount does not include one claim in which the plaintiff did not specify the claim amount. For additional information regarding all class actions, see Note 41(c) below.

employers and/or by other parties acting on their behalf, with respect to insurance coverages and/or with respect to savings deposits, including in connection with reporting to members, and the need to create direct contact with employers and operating entities.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to class actions which are immaterial or which have not yet been filed and to additional expenses (Cont.)

2. (Cont.)

The above complexity and changes affect, *inter alia*, the volume and amounts of deposits, the various components of the product, the manner in which funds are associated with employees (including due to inconsistencies between the employer's reports, including through the employers' interface vis-à-vis the policy data), products and components, dates when payments are charged, the identification of arrears in deposits and the handling of such cases, the employment, personal and underwriting status of customers, and operational considerations which affect the rights of customers and which also affect the information which is given to them. The aforementioned complexity is increased in light of the large number of parties acting vis-a-vis the companies in the Group regarding the management and operation of the products, including, *inter alia*, distributing entities, employers, customers and reinsurers, including as regards the ongoing interface with them, and contradictory instructions which may be received from them, or from their representatives. The member institutional entities in the Group routinely investigate, identify and handle issues which may arise due to the aforementioned complexities, both with respect to individual cases, and with respect to customer types and/or product types.

Additional complexity involved with employer deposits pertains to the mechanism which was prescribed in the Wage Protection Law, 1958, a total of which an amount which is owed by an employer to a provident fund, as defined in that law, with respect to the rights of the employee, or his replacement, towards the provident fund, is viewed as if it had been paid on time, unless the Regional Labor Court has decided that the arrears in the collection of the debt occurred for a reason which was not due to its negligence, or occurred under other justified circumstances, and subject to the right of indemnification which exists for the fund towards the employer, in accordance with the provisions of the law. Additionally, in accordance with the circular regarding the method for deposits to provident funds, the provident fund will receive, from an employer who has not transferred payments to the provident fund on time, interest in arrears. There are difficulties in the interpretation and implementation of the provisions of the law. The responsibility of the Group's institutional entities to collect employers' debts to such funds creates exposure in case of deficiencies in the collection process.

The Group's institutional entities also routinely perform a process of data cleansing on the IT systems in the long-term savings segment, which is intended to guarantee that the recording of members' and policyholders' rights in the information systems is complete, accessible and retrievable, with reference to the gaps which are found, from time to time, including as regards automating the classification of the saved amounts, in accordance with the layers of regulatory directives which have been given over the years, which are in various stages of handling. The institutional entities in the Group are unable to estimate the scope, cost, and full implications of the aforementioned activities, or the scope of the future gaps in data cleansing, which may result from regulatory changes, due, *inter alia*, to the complexity of the products, the fact that they are long term products, due to the multiplicity of automation systems in the segment, and their limitations. The Group's institutional entities update their insurance liabilities from time to time, as required.

In this regard, it is noted that in December 2021 Clal Insurance received a letter regarding the implementation of regulatory restrictions regarding the collection of insurance coverage costs pursuant to the Income Tax Regulations (Rules for Approval and Management of Provident Funds), 1964, which includes demands to reimburse amounts which were allegedly collected in breach of the restrictions which were specified in the letter. The Company is currently in negotiations vis-à-vis the Authority regarding the adoption of the provisions in the letter, and at this stage there is no certainty regarding the full amount which it may be required to reimburse due to the foregoing letter, and it is unable to estimate all of the consequences due to the manner of implementation.

Note 41: Contingent Liabilities and Claims (Cont.)

A. Class action claims (Cont.)

A4. Presented below are additional details regarding exposure to class actions which are immaterial or which have not yet been filed and to additional expenses (Cont.)

2. (Cont.)

There is also exposure, which at this stage cannot be estimated or quantified, to changes and to significant regulatory intervention in the various insurance and savings segments, including, *inter alia*, those which are intended for the direct or indirect reduction of premiums and management fees, the intervention in sale processes, including different use of various regulatory tools, which may affect the process of engagement, the structure of engagement and the reciprocal relationships between institutional entities, agents, employers and customers, in a manner which could affect loads, operating expenses and profitability, on the retention of current products, including with respect to the business model of the branch and the current portfolio of products.

The exposure to unfiled claims of member companies in the Group is brought to the Company's attention in several ways. This is performed, *inter alia*, through requests from customers, employees, providers or other parties on their behalf to entities in the companies, and particularly to the ombudsman in member companies in the Group, through customer complaints to the public appeals unit in the Office of the Commissioner, through (non-class action) claims which are filed with the Court, and through position papers issued by the Commissioner.

It is noted that insofar as the customer's complaint is submitted to the public appeals unit in the Office of the Commissioner, in addition to the risk that the customer will choose to bring its claims also within the framework of a class action, the member companies in the Group are also exposed to the risk than the Commissioner will reach a determination regarding the complaint by way of a sector-wide determination, which will apply to a broad group of customers. In recent years, an increase has occurred in the exposure to the aforementioned risk, due to the Commissioner's increasing through audits, handling of customer complaints which are received by the Authority, including in light of the fact that, from time to time, the Commissioner tends to determine positions in principle by way of industry-wide determinations, position papers and draft position papers which are published by him, and in operative directives which are given as part of audit reports. For additional details regarding industry-wide determinations and position papers, see section D below.

Additionally, in accordance with the regulatory directives as part of the circular regarding the investigation and settlement of claims and the handling of public appeals, according to which, in cases where the public inquiry indicates a systemic and significant deficiency, which may be repeated, in the conduct of an institutional entity, the institutional entity must work to identify similar cases in which a similar deficiency took place, and insofar as similar cases are identified - it must conduct a lesson learning process, and to rectify the defects within a reasonable period of time. This amendment may expand the Group's exposure to the broad implications with respect to such deficiencies.

The member companies in the Group are unable to predict in advance whether a customer claim which has been brought to the companies' attention will eventually lead to the filing of a class action, or will lead to an industry-wide determination, or will have industry-wide implications, even in cases where the customer threatens to do so, and additionally, the member companies in the Group are unable to estimate the potential exposure that may be created due to the aforementioned claims, insofar as these may be heard and found justified by a competent authority.

Note 41: Contingent Liabilities and Claims (Cont.)

B. Pending material claims which are not in the ordinary course of business

B.1. In January 2022, a motion to approve the filing of a derivative claim was filed with the District Court of Tel Aviv-Yafo, on behalf of the Company, against eight directors serving therein (hereinafter, respectively: the "**Officers**" and the "**Motion**"). The motion was filed by a shareholder in the Company (the "**Petitioner**") in connection with an issuance of Company shares which was performed in January 2022. As alleged in the motion, the aforementioned issuance of shares was done with great haste, while rejecting an offer of Alrov Properties and Lodgings Ltd. ("**Alrov**") which had been presented to the Board of Directors[21], for allegedly unrelated reasons which were associated with a dispute between Alrov's controlling shareholders and the desire to maintain the status of non-control of the Company. By so doing, the petitioner alleges that the officers breached (rashly and/or deliberately) their fiduciary duties and duties of care towards the Company, and caused the Company to incur monetary damage. If the filing of the aforementioned derivative claim is approved, the remedy requested therein is to order the officers to compensate the Company for the damage which it allegedly incurred, according to the petitioner, due to the rejection of Alrov's offer, in the amount of NIS 34 million. In December 2022, the petitioner filed an agreed-upon motion to withdraw without compensation, stating that, following a review of the responses to the motions to approve and the minutes of the board meetings, he concluded that the motion to approve will not be successful. In December 2022, the Court approved the motion to withdraw and ordered the motion struck out, while stating, with the required prudence, that after having considered the motion to approve on the one hand, and the respondents' detailed response on the other, which were supported by a detailed factual affidavit, and also after having reviewed the minutes of meetings of the Company's Board of Directors, it believes that the petitioner does have to pass high hurdles in order for the motion to approve to be successful.

B.2. In November 2022, a motion for the disclosure and review of documents was filed with the District Court of Tel Aviv-Yafo, before the filing of a derivative claim against the Company, its CEO, and five of its serving directors (out of seven serving directors), including the Chairman of the Board (hereinafter, respectively: the "**Officers**" and the "**Motion**"). The motion was filed by Alrov Properties and Lodgings Ltd., a shareholder of the Company (the "**Petitioner**"), which is petitioning to order the Company to disclose all of the documents, including minutes of the Company and documents which were exchanged with third parties, in connection with the Company's engagement in a transaction to acquire all of the shares of Warburg Pincus Financial Holdings (Israel) Ltd., which holds Max IT Finance Ltd. and other companies (hereinafter: the "**Max Transaction**") in August 2022, and all of the documents in connection with the petitioner's assertions regarding concrete events as specified in the motion. According to the motion, the requested information was intended to allow the petitioner to evaluate the possibility of filing a derivative claim, both in connection with the validity of the approval was given for the Max transaction, and consequently, its validity, and/or in connection with the damages and expenses which the Company incurred due to the promotion of the Max transaction, and in connection with the Company's obligation to work to terminate the tenure of those who breached their duties of care (including in a manner which constitutes recklessness) and fiduciary duties towards the Company, including on all matters associated with the fortification of the managers' control as a company without a control core and/or their failures towards through flawed corporate governance. In the motion, the petitioner requested that if it is found, in light of

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[21] On January 11, 2022, Alrov submitted to the Company, inter alia, an offer to suspend the possibility of evaluating a public issuance of shares which the Company reported on that date, and instead proposed to commence negotiations regarding an investment of Alrov in the Company. In accordance with Alrov's letter the investment in the Company will be made subject to Alrov's receipt of a permit for control of the Company, against a share issue and/or rights issue, with no discount on the closing price of the shares, and even at a premium (subject to the price to book ratio in the issuance), and without fees of advance undertaking, underwriters and marketers. Alrov subsequently sent another letter to the Company, in which it proposed another outline, as an alternative to the offer which was made in its first letter. According to the alternative outline, subject to the Commissioner's notification and approval, the Company and Alrov will formulate an outline for an immediate issue of shares / rights in the Company, whereby each acquisition of over 15% of the Company's share capital will be deposited with a trustee until the application for a control permit has been exhausted and concluded.
On January 12, 2022, the Company responded to Alrov stating, inter alia, that it does not intend to suspend the issuance process. The Company further stated that Alrov's was also evaluated, and was rejected, at this stage, inter alia, in light of the associated uncertainty, while it is unclear if, when and under what conditions it will become clear, in light of the associated regulatory and legal issues, and the damage which the Company could incur due to the suspension of the process at this stage, in accordance with Alrov's request. On January 13, 2022, Alrov withdrew its offer. The Company responded that no change had occurred in its response.

the requested disclosure of documents, that the board of directors is unable to benefit from the presumption of business judgment, and if complete/enhanced fairness involving the Max transaction is not proven, then the Company may have a tort claim in a significant amount against the officers.

Note 41: Contingent Liabilities and Claims (Cont.)

C. Summary details regarding exposure to claims

Presented below are details concerning the total amount claimed in class action suits, both material and immaterial, which were approved for filing as class actions, in pending motions to approve claims as class actions, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against companies in the Group. It is noted that in most of the cases the amount claimed by the plaintiffs is an estimated amount only, and that the exact amount will be decided within the framework of the legal proceedings. It is noted that the above amount does not include claims for which the representative plaintiff has not stated an amount (section B(3) in the following table). It was further clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, which may eventually turn out to be lower or higher[22], that plaintiffs often avoid specifying the claim amount, or state that it exceeds NIS 2.5 million, in order for the claim to be heard in the District Court, and that the claimed amount generally pertains to the period before the filing of the claim, and does not include the subsequent period.

Type of claim			Number of claims	Amount claimed NIS in millions
A.	Claims approved as class actions[23]			
	1.	Amount pertaining to the Company specified	8	2,340
	2.	The claim was filed against a number of entities, with no specific amount attributed to the Company	1	48
	3.	Claim amount not specified[24]	2	-
	4.	Annual amount specified (and accordingly, the total amount is period-dependent)[25]	1	107
B.	Pending motions to approve claims as class actions			
	1.	Amount pertaining to the Company specified[26]	28	6,699
	2.	The claim was filed against a number of entities, with no specific amount attributed to the Company[27]	3	7,890
	3.	Claim amount not specified / possible range specified[28]	14	-
	4.	Annual amount specified (and accordingly, the total amount is period-dependent)[29].	1	7

[22] It is further noted that the specified amounts do not include amounts demanded by the plaintiffs with respect to compensation to the class action plaintiff, and legal fees for his representative, do not include a claim against Atudot as specified in section (a)(a2)(4), do not include taking into account the material claims as specified in section 41(b), and also do not include an increase in claim amounts relative to the period beginning from the date it was filed, if relevant.

[23] Including a claim which was approved as a class action, and a ruling was given therein which accepted the claim, and including two claims which were approved as class actions, dismissed after being heard on the merits, and appeals were filed against their dismissal.

[24] These claims include one claim which was estimated at hundreds of millions of NIS.

[25] The specified amount refers to an estimation of the claim with respect to one damage year only. It is noted that the claim was filed in March 2010, with respect to a legislative amendment from 2008. For additional details regarding this claim, which was approved as a class action, dismissed in a hearing on the merits, and the appeal which was filed against the ruling which dismissed the claim, see section a(a1)(1) above.

[26] These claims include one claim in which the petitioners estimated the alleged damage against Clal Insurance, with respect to the period from March 8, 2020 until April 30, 2020, at a total of NIS 103 million, and stated that the damage continues accumulating so long as the collection has not been discontinued.

[27] Includes one claim in which a total of approximately NIS 1,413 million was attributed to the Company, and an additional total of approximately NIS 1,507 million was not attributed to the Company. The District Court of Tel Aviv-Yafo ordered the consolidation of a claim which was filed in July 2022 and a claim which was filed in September 2022, and accordingly, the plaintiffs filed a consolidated claim in March 2023. For details regarding these claims, see sections a(a2)(31), a(a3)(7) and a(a3)(8).

[28] These motions include one motion for inclusion as a formal defendant, two motions in which the plaintiff did not specify the claim amount, but estimated it as many millions of NIS, one motion which was estimated at tens of millions of NIS, one motion in which the plaintiffs estimated the total damage at over NIS 3 million, and eight motions in which the plaintiffs did not quantify the total damage, but estimated that it exceeds / greatly exceeds a total of NIS 2.5 million (the limit of the District Court's subject-matter jurisdiction). The District Court of Tel Aviv-Yafo ordered the consolidation of a claim which was filed in July 2022 and a claim which was filed in September 2022, and accordingly, the plaintiffs filed a consolidated claim in March 2023. For details regarding these claims, see sections a(a2)(31), a(a3)(7) and a(a3)(8).

[29] The motion was filed in March 2020. The plaintiff contends that prescription of any kind whatsoever should not be applied to the claim. Alternatively, the claim for monetary remedies applies beginning from 7 years before the filing of the claim, until the approval of the claim as a class action.

Note 41: Contingent Liabilities and Claims (Cont.)

In addition to the details provided in sections (a) and (b) above, the Company and/or the consolidated companies are also party to other legal proceedings, which are not in the ordinary course of business, are not class actions / derivative claims, and are not material claims, which were initiated by customers, former customers and various third parties, for an alleged total of approximately NIS 30 million (a total of approximately NIS 30 million as of December 31, 2021). The causes of action claimed against the Company and/or the consolidated companies in these proceedings are multiple and varied.

D. Exposure due to regulatory provisions, audits and position papers

Additionally, and in general, in addition to the overall exposure to which the member companies in the Company's group are exposed, with respect to future claims, as specified in section (a)(a4)(2) above, from time to time, including due to complaints by policyholders, audits and requests for information, there is also exposure to alerts concerning the intention of a regulatory authority, including the Commissioner, to impose on the above entities financial sanctions and/or directives regarding correction and/or repayment and/or performance of certain actions, including, *inter alia*, with respect to a policyholder or a group of policyholders, and/or exposure with respect to industry-wide decisions, under which orders be issued to perform repayment to customers, or to provide other remedies with respect to the deficiencies which are referenced in the alerts or determinations and/or position papers published by supervisory entities, and whose status and degree of impact are uncertain. The Group's member companies are also involved, from time to time, in hearing and/or discussion proceedings vis-à-vis oversight authorities concerning alerts and/or decisions, and enforcement authorities are sometimes used against them, including the imposition of financial sanctions.

The companies in the Group are evaluating the need to perform provisions in the financial statements, in connection with the aforementioned proceedings, based on the opinion of their legal counsel and/or are currently evaluating the significance of the aforementioned proceedings, as required and as appropriate.

Presented below are details regarding the Commissioner's positions or draft positions, or determinations in principle which have or may have an impact on the class, as follows:

1. The Company held discussions with the Commissioner in the past, in connection with the draft determination regarding it, with respect to one-time deposits of policyholders in guaranteed return policies (hereinafter: the "**Policies**"). In accordance with the draft, the Company is obligated to take certain actions with respect to policyholders whose actual rate of deposits, which bore the returns of the portfolio of investment-linked insurance contracts, was equal to or greater than the returns guaranteed in the policies, and certain actions with respect to policyholders whose actual one-time deposit returns were lower than the guaranteed returns. Therefore, at this stage, in light of the fact that the final wording of the draft is not known, if and insofar as it will be received, the Company is unable to assess its implications and the degree of its impact on the Company, if and insofar as it will be published.
2. In accordance with Atudot's financial statements, an investee held by Clal Insurance (50%), in 2017 an audit of the pension fund was conducted on behalf of the Commissioner, on the subject of members' rights. On August 7, 2019, Atudot received the draft audit report for its response. The draft audit report addressed major issues associated with the pension fund's activity, including the issue of groups, the fund regulations, management fees and management expenses, data cleansing, actuarial reporting, and withdrawal of monies from the fund. Atudot filed its response to the findings of the draft audit report, and held several discussions with the Commissioner's representatives. The Company was informed that on August 21, 2022, Atudot received the final audit report, which includes guidelines and recommendations to the board of directors on several matters, including, *inter alia*, a comprehensive evaluation of the issue of actuarial bubbles and of their consequences; including their application, the method for addressing them, greater correspondence between the average lifetime of the assets and the liabilities in each actuarial bubble, and more; and finding solutions for the issue of financing sources to manage the fund in the future, and given the fact that it is a closed fund; optimization of the method for payment to members, expansion of the data cleansing process, certain recommendations to amend the regulations and expand notes, and more. The Commissioner also recommended to consider the possibility of adopting the redemption values formula specified in the Income Tax Regulations, in order to encourage the fund's members to realize the funds as an annuity, and not as an equity withdrawal. The Company was informed, with respect to a significant part of the recommendations, and particularly on issues associated with the actuarial bubbles, that the adjustment of the average lifetime of assets and liabilities and the redemption formula - it was determined in the audit report that Atudot's board of directors should formulate its position on these matters, and that the recommendation does not constitute a specific obligation regarding the way in which those matters should be handled; and that as of the approval date of the financial statements, discussions are being held with the Authority in order to reach an agreed-upon model regarding the actuarial bubbles, where with respect to other matters, a concrete plan of action has been formulated, which is being implemented by the fund. In light of all of the foregoing, Atudot is unable to estimate the full consequences of the audit report on its financial statements.

Note 41: Contingent Liabilities and Claims (Cont.)

D. Exposure due to regulatory provisions, audits and position papers (Cont.)

3. For details regarding the Authority's Letter pertaining to the implementation of restrictions regarding the collection of insurance coverage costs, see section (a4)(2) above.

E. With respect to the costs that may arise due to the claims and exposures described in sections (a), (b), (c) and (d) above, provisions are made in the financial statements of the relevant consolidated companies, only if it is more likely than not (i.e., probability of over 50%) that a payment liability due to past events will materialize, and that the liability amount will be quantifiable or estimable within a reasonable range. The executed provision amounts are based on an estimate of the risk level in each of the claims as of a date proximate to the publication date of this report (excluding the claims which were filed during the last two quarters, regarding which, due to their preliminary stages, it is not possible to estimate their chances of success). On this matter, it is noted that events which take place during the litigation process may require a re-evaluation of this risk. Insofar as the Company has a right of indemnification from a third party, the Company recognizes such right if it is virtually certain that the indemnification will be received in the event that the Company settles the obligation.

The assessments of the Company and of the consolidated companies concerning the estimated risk in the claims which are being conducted are based on the opinions of their legal counsel and/or on the estimates of the relevant companies, including concerning the amounts of the settlement arrangements, which the managements of the Company and of the consolidated companies expect are more likely than not to be paid by them.

It is hereby emphasized that, in the attorneys' opinion, concerning the majority of motions to approve class action status with respect to which no provision was made, the attorney's evaluation refers to the chances of the motion to approve class action status, and does not refer to the chances of the claim on the merits, in the event that it is approved as a class action. This is due, *inter alia*, to the fact that the scope and content of hearing of the actual claim, once granted class action status, would be affected by the Court's decision with respect to the granting of class action status, which usually refers to the causes of action that were approved or not approved, to reliefs that were approved or not approved, etc.

At this preliminary stage, it is not possible to estimate the chances of the motions to approve class action status for the claims specified in sections (a)(a2)(25), (26), (27), (28), (29), (30) and (31), and the motion for disclosure and review of documents before the filing of a derivative claim, as specified in section b(b2).

The provision which is included in the financial statements as of December 31, 2022, with respect to all of the legal claims and exposures specified in sections (a), (b), (c) and (d) above, amounted to a total of approximately NIS 364 million (total of approximately NIS 264 million as of December 31, 2021).

These amounts include provisions which were made with respect to past liabilities, in accordance with the attorneys' assessment, and do not include the effect of estimates on the estimated future cash flows which are included, when necessary, in the liability adequacy test.

Note 42: Additional Events During and After the Reporting Period

A. Actuarial estimates

1. The interest rate environment and its effect on discount rates in the insurance branches.

   During the reporting period, there were financial effects, update to the illiquidity premium in accordance with the regulations, and an increase in the risk-free interest rate curve, and an adjustment of assets to liabilities was made, which affected the estimated rate of return in the portfolio of assets held against insurance liabilities. For additional details, see Note 38(e)(e1)(d)(1) and Note 38(e)(e2)(4)(a).

2. Change in provisions pertaining to life insurance plans combined with savings, which include “annuity factors representing a life expectancy guarantee”, see Note 38(e)(e1)(d)(2).

3. For details regarding the update to the assumptions used in the calculation of the liabilities to supplement the annuity reserve, see Note 38(e)(e1)(d)(3).

B. Issuance of share capital in the Company

In January 2022, the Company performed an issuance of approximately 6,411 thousand shares, in the amount of approximately NIS 506 million, at a share price of NIS 78.95. After issuance costs, the net amount received by the Company amounted to approximately NIS 492 million. For additional details, see Note 16d(2) above.

C. Shelf prospectus of the Company and of Clalbit Finance

In July 2022, the Company and Clalbit Finance published shelf prospectuses. The shelf prospectuses allow the companies, *inter alia*, to issue ordinary company shares, preferred shares, bonds (including by way of extension of the companies’ existing bond series, if issued), bonds convertible into Company shares, warrants exercisable into Company shares, and warrants exercisable into bonds or into bonds exercisable into Company shares, marketable securities, and any other security which by law may be issued by virtue of the shelf prospectuses on the relevant date. The shelf prospectuses are in effect until July 2024.

D. Rating

Clal Insurance and liability certificates which were issued by Clalbit Finance
In July 2022, the rating companies Midroog Ltd. and S&P Maalot published rating reports which kept the existing rating of Clal Insurance Ltd., and kept the existing rating of the deferred liability notes which were issued by Clalbit Finance. The rating outlook remained stable.

For additional details regarding the rating of Clal Insurance Company Ltd., a subsidiary of the Company, and of Clal Credit Insurance Ltd., a subsidiary of Clal Insurance, see Note 25 above.

The Company
After the balance sheet date, in February 2023, S&P Maalot published a rating report which determined a rating of AA- for the Company and for the bonds which it issued at a scope of approximately NIS 400 million.

E. Issuance of deferred liability notes of Clalbit Finance Ltd.

In September 2022, Clalbit Finance Ltd. issued to the public deferred liability notes (Series L), as part of the extension of an existing series, in the amount of approximately NIS 495 million (approximately NIS 488 million after deducting issuance costs), the proceeds for which were recognized by the Commissioner of Capital Markets, Insurance and Savings at the Ministry of Finance (hereinafter: the “**Commissioner**”) as additional Tier 2 capital of Clal Insurance Company, subject to restrictions specified in the Commissioner’s directives.

In December 2022, Clal Insurance repaid liability certificates (Series H). For additional details, see Note 25B above.

F. Options plan
For details regarding the Company’s options plan and grants which were given during the reporting period and in 2021, see Note 40 above.

Note 42: Additional Events During and After the Reporting Period (Cont.)

G. Coronavirus pandemic:

During the reporting period, a significant decrease was recorded in deaths and severe illness from the coronavirus. In parallel, the restrictions which had been imposed in Israel and around the world were lifted, and as of the present date, routine economic activity has resumed.

It is noted that another uncontrolled wave of infections, if any, due to the development of variants which evade the protection of vaccines, could affect the Group's activity and profitability, including, *inter alia*, on all matters associated with economic activity in general, and the Company's customers in particular, the presence of employees at workplaces, the ability to maintain business continuity, the condition of markets, which affects the Company's investment income, and the value of assets managed by the Group's institutional entities, on their own behalf and on behalf of members, the reduction of economic activity, which affects the amounts deposited to savings products, and the materialization of insurance risks which could result from the crisis, including credit risks and increased mortality and morbidity.

H. Russia-Ukraine war:

During the reporting period and until the publication date of the report, the Russian military continued attacking Ukraine, and in parallel, many countries around the world imposed additional sanctions on Russia and on other countries which joined it.
Finland and Sweden announced their desire to join NATO. The volatility continued in capital markets and in the prices of oil, gas and other raw materials.
The Group is evaluating and monitoring the effects of the sanctions, the volatility in markets and the other expected effects on the global economy and the Israeli economy, in order to provide a response and support to policyholders who are exposed to this risk, and to reduce it as much as possible and ensure that it corresponds to the mix of investments, from time to time, and as needed. The Group is also monitoring the position of the reinsurers, their ratings, and the possible effects of economic developments on them.
The Company estimates that the war's impact on the Group's financial position is immaterial.
The Company's assessment, as described above, regarding the possible implications of the war on the business activities of the Company and its subsidiaries, in terms of the aspects described above, as well as other aspects of which it is not currently aware, and on its results, are uncertain, since the event is ongoing, and is not under the Company's control.

I. Collective agreement in Clal Insurance Group

For additional details regarding payroll and wellbeing costs which the Group recognized in the financial statements, see Note 24.

J. Acquisition of Max IT Finance Ltd. (Max)

On August 12, 2022 (the "**Signing Date**"), the Company engaged with WP XII Financial Investment B.V. (the "**Main Seller**") in an agreement, in which the Company will acquire the entire issued and paid-up capital of Warburg Pincus Financial Holdings (Israel) LTD ("**WPI**", the "**Acquisition Agreement**" and the "**Transaction**"). On March 27, 2023, transaction was closed, and the Company acquired WPI's issued and paid-up capital[30].

WPI is a holding company which was incorporated in Israel, and which holds Max IT Finance Ltd. and additional companies which was controlled, prior to the closing of the transaction, by the investment fund Warburg Pincus (through the main seller) (approximately 70%)[31]. The remaining shares of WPI were held by Menorah Mivtachim Group (around 9%), members of Clal Insurance Group (around 9%), Allied Holdings Ltd. (around 5%), and several individual shareholders who also include consultants and employees of Max IT Finance Ltd. (hereinafter, respectively: "**Max**" and the "**Additional Sellers**").

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30 After the transaction was closed, a request to change WPI's name to CIMAX Holdings Ltd., or to another approved name, was submitted to the Registrar of Companies.

31 In economic value terms

Note 42: Additional Events During and After the Reporting Period (Cont.)

1. Background

1.1 On April 10, 2022, the Company signed a non-binding memorandum of understanding with the main seller, for the purchase of WPI's entire issued and paid-up capital. Beginning from the signing date of the memorandum of understanding, the Company's management and the board of directors conducted an orderly and thorough process of evaluating the transaction, along with complex negotiations between the Company and the main seller.

1.2 For the purpose of evaluating the transaction, the Company's management and Board of Directors hired external consultants for the purpose of conducting due diligence in connection with the transaction, including, *inter alia*, legal due diligence, accounting and tax due diligence, a review of the adequacy of WPI Group's insurance policies, due diligence in connection with cybersecurity risks, market surveys, and a survey of the credit market in particular. The findings of the aforementioned due diligence and of the surveys were presented by the external consultants to the Company's Board of Directors.

1.3 The Board of Directors also created a board committee, which was comprised of two outside directors, for the purpose of validating the value of the consideration in the transaction, and accompanying the valuation processes (the "**Designated Committee**"). As part of the above, the Board of Directors appointed, in accordance with the designated committee's recommendations, BDO Ziv Haft as an external independent consultant for the purpose of receiving the valuation in connection with the transaction. The Board of Directors also appointed Barnea Economic and Financial Consulting Ltd. For the purpose of conducting a fairness review of the valuation which was performed in connection with the transaction. The valuation, which was prepared by BDO Ziv Haft, and the fairness review which was conducted by Barnea Economic and Financial Consulting Ltd., were discussed extensively by the Board of Directors.

1.4 Until the signing date of the purchase agreement, the Company's Board of Directors held around 16 meetings for the purpose of discussing the transaction, and 9 meetings of the designated committee, in which discussions were held regarding the engagement in the transaction, and the Board of Directors was presented with the foregoing professional surveys and the main terms of the transaction, in accordance with the stages of progress in the negotiations. The Board of Directors' discussions also included, *inter alia*, an evaluation of the transaction's feasibility, the characteristics of the market in question, capital needs due to the transaction, the financing alternatives and their implications for the Company's activity, the transaction's integration with the Company's other business activities and strategic plans, and more.

1.5 The signing date of the acquisition agreement, as determined in the memorandum of understanding, was postponed from time to time, in order to allow the parties to complete, in an orderly and appropriate fashion, the negotiation process and the process of evaluation of the transaction by the Company's Board of Directors.

1.6 Following that process, which took several months, on August 12, 2022 an agreement was signed between the Company and the main seller, as specified above and below.

2. The transaction

2.1 General

On the transaction closing date, the Company acquired 100% of WPI's issued and paid-up capital (except as decided otherwise with respect to any of the additional sellers, under certain circumstances).

2.2 The consideration

2.2.1 The transaction reflected a value of NIS 2.47 billion for WPI to the Group, from which will be deducted WPI's net financial debt (the syndication debt, as defined in section 2.2.2

below, less cash balances), which amounted, on the relevant date, to a total of approximately NIS 876 million, meaning that the (net) consideration in the transaction amounts to a total of approximately NIS 1.594 billion (the "**Basic Consideration**").

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

2.2.2 The transaction is subject to a locked box mechanism beginning on December 31, 2021. The following will be added to the basic consideration: (1) a monthly amount of NIS 16,500,000 (sixteen million and five hundred thousand New Israeli Shekels), with respect to the period from December 20, 2022 until the closing date; and (2) additional amounts which have been invested or will be invested in WPI, beginning on April 10, 2022. The following amounts will also be subtracted from the basic consideration: (1) interest payments with respect to loans which WPI took out from the syndication's lenders in accordance with a financing agreement dated February 2019, and which were paid, or will be paid, after April 10, 2022 (the "**Syndication Debt**"); (2) transaction expenses, as defined in the agreement; and (3) Other distributions or withdrawals which have been performed or will be performed by WPI beginning on December 31, 2021 (the basic consideration, together with the foregoing additions and deductions, shall hereinafter be referred to as: the "**Total Consideration**").

2.2.3.The total consideration will be paid by the buyer on the transaction closing date, after deducting a total of NIS 370 million (three hundred and seventy million New Israeli Shekels), which will be paid on a date or dates which will be determined by the Company, and no later than April 30, 2024 (the "**Deferred Payment**"). The deferred payment will be adjusted according to WPI's rate of return in the period between the closing date and the payment date of the deferred payment, in accordance with arrangements which were determined between the parties.

2.2.4 The total consideration, after deducting the deferred payment, will be paid party in cash (the "**Cash Component**") and partly in an allocation of Company shares, according to a share value of NIS 76.8577 (the "**Stock Component**"). The stock component with respect to the main seller will be determined such that shares of the Company will be allocated to the main seller, which, after their allocation, will constitute no more than 4.99% of the Company's issued and paid-up capital, and no more than one third of its share in the total consideration (calculated according to the share price mentioned above). The other sellers will receive a cash component and a stock component, proportionately according to the rates which the main seller will receive, and subject to specific arrangements which were determined for Clal members due to regulatory requirements, and with respect to particular employees, where the entire consideration will be paid to them in cash.

2.3 <u>Representations and undertakings: Interim period</u>

2.3.1 The acquisition agreement includes representations, declarations and undertakings with respect to WPI, the subsidiaries of WPI, and the sellers, according to the standard practice for transactions of this kind. The acquisition agreement also includes undertakings with respect to the period from the signing date until the closing date (the "**Interim Period**"), according to the standard practice for agreements of this kind.

2.3.2 The acquisition agreement includes the establishment of indemnification arrangements and the acquisition of representation insurance policies by the Company (at the sellers' expense). In addition to the representation insurance, it was determined that the sellers will indemnify the Company with respect to certain exposures, in accordance with the terms and restrictions specified in the acquisition agreement.

2.3.3 During the period after the signing of the agreement, the Company acquired a representations insurance policy for the transaction, which includes insurance coverage subject to the limits specified in the policy for possible exposures due to a breach of the sellers' representations and undertakings, as included in the agreement, with respect to matters which were not known, and which could not have been known, when the policy was purchased.

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

2.4 Suspensory conditions

2.4.1 In the acquisition agreement it was determined that during a period of 30 days after the signing date, the parties will work to conclude preliminary regulatory preliminary evaluations vis-à-vis the Commissioner of Capital Markets, to receive a binding offer sufficient for the representation insurance, and during this period WPI will work to sign the additional sellers on the acquisition agreement. Each of the parties will be entitled not to close the transaction in case the provisions of this section above are not fulfilled to their satisfaction.

2.4.2 The closing of the transaction was made subject to the fulfillment of suspensory conditions as specified in the acquisition agreement, including approval from the Commissioner of Banks, approval from the Competition Commissioner, approval from Max's financing banks, additional third party approvals as specified in the agreement, and others. On September 27, 2022, the parties agreed that a condition will be added to the transaction's suspensory conditions stipulating that no additional conditions by imposed by the Commissioner, which are not included who are not in the Commissioner's letter (as specified in section 8.3 below), which could have significantly adverse effects on the Company or WPI.

After the balance sheet date, the foregoing approvals were received, and the transaction was closed. See section 8 below.

2.5 Non-competition

The acquisition agreement included provisions regarding non-competition and non-enticement of the main seller for a period of two years after the closing date.

2.6 Deadline for closing

The acquisition agreement stipulated that the deadline for closing the transaction will be 6 months after the signing date, while each of the parties has the option to extend the foregoing deadline by three periods, of one month each, subject to the determined provisions. As of the publication date of the report, the deadline has been extended to April 12, 2023.

3. Manner of financing the acquisition

As stated above, the transaction reflected a value for WPI of NIS 2.47 billion. after deducting the syndication debt and the cash balances, and in accordance with mechanism specified in section 2.2 above, on the closing date, the total consideration amounted to a total of approximately NIS 1.54 billion (the "**Consideration For Payment**").

The consideration for payment was divided as follows: (A) Approximately NIS 790 million in cash, which was paid on the closing date (the "**Cash Component**"); (B) Consideration in shares, which were allocated on the closing date (the "**Stock Component**") by way of private allocation of 4,970,310 Company shares, which reflected a consideration of approximately NIS 380 million (calculated according to the share price, as specified above[32]); and (C) The deferred payment (as defined above) in the amount of NIS 370 million, which will be paid on dates to be determined by the Company. The deferred payment will be adjusted in accordance with the arrangement described in section 2.2.3 above, by no later than April 30, 2024.

The Company is evaluating the sources for payment of the deferred payment, whether in cash and/or through the addition of a business partner and/or an allocation of Company shares, as stated above, and from additional sources of financing which it will consider.

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[32] In accordance with the share value as of March 26, 2023, in the amount of NIS 51 per share, this component reflects a value of approximately NIS 250 million for the part of the consideration which is allocated in shares.

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

4. Sale by an entity affiliated with the Company

The Company's shareholders include members of Clal Group. For details regarding the joining of the additional sellers, see sections 2.1, 2.2.4 and 2.4.1 above.

5. The Company's plans with respect to the acquired corporation

The Company intends to work towards realizing WPI's business plans.

6. Personal interest in the transaction of interested parties in the Company

To the best of the Company's knowledge, the Company's interested parties have no personal interest in the transaction.

7. Description of the acquired asset

In accordance with information which was given to the Company by WPI and Max:

7.1 WPI is a holding company which was incorporated in Israel on July 24, 2018, and which currently holds two operations, as specified in sections 7.2 and 7.3 below.

7.2 WPI's primary activity involves holding the entire issued capital of Max IT Finance Ltd. (hereinafter: "**Max**"). Max's activity constitutes approximately 95% of WPI's consolidated financial statements. Max is engaged in the issuance, clearing and operation of payment cards, and in the provision of payment solutions and financial products, including credit to private and business customers.

7.2.1. Max is defined as a "clearing entity" and holds a permanent clearing license, as required by law. Accordingly, Max's activity is subject to a set of laws, ordinances and regulations, and also to the directives and guidelines issued by the Commissioner of Banks, and to the conditions specified in the clearing license.

7.2.2 Max's activity is focused on two operating segments:

7.2.2.1. The issuance segment, focused on activities for two main types of customers:

A. Solutions for financial institutions - joint issuance and processing of credit cards with banks, on behalf of their customers (B2B2C).

B. Private customers - sale and marketing of extra-banking credit cards, consumer credit and other products, directly to private customers, consumers (B2C), including through shared clubs which are created with third parties.
In the issuance segment, Max issues payment cards to its customers, which serve as a payment method for transactions and for cash withdrawals from businesses in Israel and around the world which honor the brands issued by Max. Max also provides credit of various types to private customers. Max's revenue from cardholders are from commissions which were collected from the cardholders, and from issuer commissions (cross-commissions) which are collected from the credit card companies (as clearing entities), and from international organizations (cleared abroad). Max also collects interest from its customers with respect to transactions and credit products which were given by Max.

7.2.2.2 The clearing segment, which includes the following activities:

A. Clearing services - Guaranteeing payment to the business, against transaction slips made using credit cards, in consideration of a fee which is collected from the business.
B. Related services and supplementary products to clearing services.
C. Financial solutions - products and services which are offered to the businesses, such as loans, voucher discounting, advance payments, and guarantees.

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

7.2.3 Max is overseen mostly by the Banking Supervision Department, and is also subject to the Proper Conduct of Banking Business Directive, letters and circulars issued by the Banking Supervision Department, and the terms of the clearing entity license. This includes, *inter alia*, Max's fees which are collected from cardholders, as stated above, are subject to the banking rules (customer service) (commissions), and are overseen by the Banking Supervision Department. Max is entitled to update the commissions subject to notification or approval of the Banking Supervision Department, as applicable.

Max's subsidiary, Max Insurance Agency (2020) Ltd., is also overseen by the Capital Market Authority.

7.3 WPI also holds the entire issued capital of Milo Brom Holdings Ltd. (hereinafter: "**Milo**"). Milo holds the following companies:
A. Hyp Payment Solutions Ltd. ("Hyp"), which provides payment solutions including, *inter alia*, physical terminals and technological solutions (connectivity services for credit card clearing, payment gateway) for e-commerce sites and for businesses, which are used for payment through credit cards and other payment methods, as well as POS ("cashier") software. Hyp also provides credit card adjustment services through a system which allows monitoring the business activities of businesses vis-à-vis credit card companies and vis-à-vis deduction companies. Hyp also provides a bookkeeping management and digital invoice production system;
B. Max EVS Ltd. (51% stake) is a joint technological venture in the field of charging and other relevant services for electric vehicles and solar rooftops[33].

7.4 The excess cost attributed to the activity of Max and Milo upon the acquisition of WPI is amortized according to the purchase price allocation (PPA) which was performed proximate to the acquisition.

7.5 As part of the financing to acquire Max, in 2019 WPI took out a debt from a syndicate of lenders led by Harel Insurance Company Ltd. The loan is secured by pledges (mostly a floating pledge on WPI's assets, a pledge on all of Milo's shares, and a pledge on 80% of Max's shares, where with respect to the remaining 20%, the rights to receive dividends are pledged), the lenders are not entitled to demand the repayment of the loan, or the payment thereof from WPI's shareholders.
WPI's total debt, as specified in WPI's consolidated and reviewed financial statements as of December 31, 2022, amounts to approximately NIS 922 million. The principal of the debt is repayable in a single payment in February 2026[34], and the interest, which is based on the Bank of Israel interest rate, plus an agreed-upon margin, is paid quarterly. The financing agreement included the establishment of financial covenants which, in accordance with information that was given to the Company by WPI, as of December 31, 2022, WPI is fulfilling.

7.6 Financial data of WPI and of Max

Presented below are the main financial data which were submitted to the Company by WPI and Max with respect to 2022. It is noted that these financial data are in accordance with the financial statements of WPI and Max, which are prepared according to directives issued by the Banking Supervision Department:

Topic	WPI consolidated			Max		
	31.12.2022	31.12.2021		31.12.2022	31.12.2021	
	(NIS in millions)					
Assets	16,598	13,185		15,983	12,553	
Liabilities	15,296	12,057		14,327	11,084	
Capital	1,302	1,128		1,656	1,469	
	2022	**2021**	**2020**	**2022**	**2021**	**2020**
Revenues	1,868	1,474	1,339	1,820	1,408	1,290
Net profit	171	59	44	248	118	94

33 An option was given to a service provider of Max EVS Ltd. to acquire up to 10% of its shares, subject to the fulfillment of agreed-upon conditions.
34 The loan agreement includes provisions which require the prepayment of the loan, in whole or in part, before the foregoing date, including partial repayment upon a dividend distribution by Max or by Milo, and other circumstances.

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

Presented below is an adjustment between WPI's profit and Max's profit:

NIS in millions	2022	2021	2020
Net profit of Max	248	118	94
Financing expenses in WPI (see section 7.4 above)	(54)	(43)	(26)
The amortization of excess cost in WPI and general and administrative expenses in WPI (see section 7.2.3 above)	(22)	(22)	(26)
Milo's profit includes the amortization of excess cost in Milo (see section 7.3 above)	-	5	2
Net profit of WPI	171	59	44

For additional details regarding Max's activity, see Max's financial statements for 2022, which was submitted to the Company by Max, and which are attached as an annex to this report.

7.7 Beginning from the acquisition closing date, WPI's financial statements will be consolidated in the financial statements of Clal Holdings, including the actions involved with the consolidation, allocation of the excess acquisition cost (which is in preparation stages), and evaluation of the need to record a provision for credit default.
In accordance with the Securities Regulations (Annual Financial Statements), 2010, section 2(1), the figures in the Group's consolidated financial statements regarding the credit card company will be prepared in accordance with the directives issued by the Commissioner of Banks.

8. Updates regarding the transaction to acquire Max IT Finance Ltd. (MAX)

8.1 Fulfillment of suspensory conditions and other agreements

8.1.1 The parties to the transaction extended the deadlines for completing the actions specified in section 2.4.1 above.
The parties also agreed to amend the provisions of the purchase agreement regarding the definition of the method for adding the additional sellers, including consent, in accordance with the Commissioner's requirements, that members of Clal Insurance Group will receive the entire consideration in cash, and not in the stock component, as specified in section 2.2.4 above.

The various actions which were required in accordance with the provisions of section 2.4.1 were performed.
Accordingly, on March 27, 2023, transaction was closed, and the Company acquired WPI's issued and paid-up capital.

Note 42: Additional Events During and After the Reporting Period (Cont.)

8.2 The Commissioner's letter in connection with the transaction

On March 27, 2023, the Company received a letter from the Commissioner (hereinafter: the "**Commissioner's Letter**") which included, *inter alia*, an update to the insurer license of the institutional entities in the Group[35], and conditions which will apply to the Company in connection with the holding of the means of control of Clal Insurance, and conditions which will apply to the Group's institutional entities in connection with their relationship with Max, in which the following provisions were determined, *inter alia*:

8.2.1 The outline which was determined regarding exercising the means of control of Clal Insurance will remain in effect. For additional details regarding the foregoing outline update, see Note 1.

8.2.2 Regarding aspects involving the Company's financial stability, and its duties towards Clal Insurance, as derived from the purchase transaction, the Company undertook as follows –
A. An undertaking to supplement the equity of Clal Insurance, in accordance with the minimum threshold specified in the economic solvency regime (MCR), which can be performed including through the performance of actions to increase the equity of Clal Insurance, while diluting the Company's holdings.
B. An undertaking to maintain the Company's equity such that it will be no less, at any time, than 50% of the total assets in the Company's balance sheet, on a standalone basis.
As of the present date, the Company is fulfilling the ratios specified in this section above.

8.2.3 Restrictions were established regarding the receipt and submission of information between the Group's institutional entities and Max, as well as restrictions regarding the separation of their business activities.

8.2.4 The Commissioner's letter included the attachment of a permit for the control of Max Insurance Agency Ltd. (hereinafter: "**Max Insurance Agency**"), an insurance agency owned by Max, and an owned by to the corporate agent license of Max Insurance Agency, which include, *inter alia*, restrictions on the tenure of officers in the Company or in institutional entities under its control, in Max Insurance Agency, and a provision stipulating that Max Insurance Agency will not market the products of the Group's institutional entities.

8.3 Consent of the Interim Competition Commissioner to approve the transaction

On February 9, 2023, consent was received from the Interim Competition Commissioner to approve the transaction. The approval is subject to the fulfillment of the condition that the total holdings of the Company (including any entity which controls it, any corporation which it controls, and any corporation controlled by any of the above) in a banking corporation will not exceed 7.5% of any type of interest in that corporation (according to the definition of the term "interest" in the approval), without the Competition Commissioner's advance written approval.

[35] An update to the insurer license of Clal Insurance, Clal Pension and Provident Funds and Clal Credit Insurance was attached the Commissioner's letter.

Note 42: Additional Events During and After the Reporting Period (Cont.)

J. Acquisition of Max IT Finance Ltd. (Max) (Cont.)

8.4 Receipt of control permit from the Governor of the Bank of Israel

On February 23, 2023, the Company received a permit from the Governor of the Bank of Israel, for the control and holding of the means of control of Max and WPI (the "**Control Permit**").

A. The control permit established several conditions and restrictions pertaining to the holding of the means of control of WPI and Max, of which the following primary ones are as follows:

(1) The Company's minimum holding rate in Max will be no less than 30% of any type of means of control (the "**Control Core**"). The control permit establishes restrictions on a pledge of 20% of Max's means of control which constitute a part of the control core, and conditions which apply to the transfer of the means of control of WPI and of Max which are not party of the control core.

(2) Financial ratios in the Company and in WPI will be maintained, mostly including the following: (A) The ratio between the Company's equity and total assets in the balance sheet will be at least 50%; (B) The ratio between WPI's equity and total assets in the balance sheet will be at least 50%, and in certain conditions - at least 45%. For this purpose, the calculation was done with certain adjustments. These ratios are required both with respect to the standalone report and with respect to the consolidated report, with the main adjustments being that the calculation in the Company's consolidated report will be done while presenting the assets and liabilities of Clal Insurance Group and of Max according to the equity method, and in the calculation of the Company's stand-alone report will include adding the existing debt in WPI. As of the present date, the Company and WPI (according to information which was submitted to the Company by WPI) are fulfilling these ratios.

(3) Subject to the exceptions specified in the control permit, which apply, *inter alia*, to the existing operations of Clal Insurance Group, the Company will consolidate its operations in Max's operating segment, under Max. The foregoing does not impose any restrictions other operations or investments which are made by the subsidiaries, or operations or investments which are made by Clal Insurance Group on behalf of the members and policyholders of Clal Insurance Group, or operations which are performed in the ordinary course of business of the Group's institutional entities which do not compete against Max's business.

B. Under the permit, the Company undertook to inject capital into Max, or alternatively, undertook not to prevent Max from raising additional capital, in a manner which could dilute the Company's stake therein, in order to allow Max to fulfill the requirements of the regulatory capital adequacy requirements.

C. In addition and in parallel to the control permit, the Company received notice from the Banking Supervision Department, stating that it will not recommend the implementation of enforcement measures against the Company's shareholders, who, on the closing date, hold over 5% of the Company's share capital (the "**Relevant Shareholders**"), subject to the fulfillment of all of the following conditions:

(1) Within seven days after the closing date of the transaction, the relevant shareholders will notify the Banking Supervision Department of their holding of Company shares which requires a permit.

(2) In their notice, the relevant shareholders will specify whether they intend to submit, within 30 days after the closing date, a request for a permit to hold the means of control in a company holding a clearing entity, or whether they intend to reduce their holdings during the aforementioned period, to a rate which will not exceed 5% of the means of control in the Company, and will take action in accordance with its notice.

(3) The relevant shareholder will not acquire additional means of control in the Company unless it has received a permit for this purpose from the Governor of the Bank of Israel.

8.5 The Company is evaluating the sources for payment of the deferred payment, whether in cash and/or through the addition of a business partner and/or an allocation of Company shares, as stated above, and

from additional sources of financing which it will consider.
For details in connection with Alrov's notice in connection with the transaction, and the Company's response, see Note 1(B).

Note 42: Additional Events During and After the Reporting Period (Cont.)

K. Activities in Clal Agency Holdings Ltd. (hereinafter: "Clal Agencies"), a subsidiary of the Company which coordinates the Group's holdings in insurance agencies

Acquisition of 30% of the shares of Newcom Insurance Agency

In April, Clal Agencies engaged in an agreement to acquire 30% of the shares of Newcom Pension Insurance Agency (2004) Ltd. (hereinafter: "**Newcom**"), for a total consideration of approximately NIS 18.2 million.

Newcom is an insurance agency owned by the partners Azriel Shabtai and Yaron Tavor (hereinafter: the "Sellers"), which was formed in 2004, and which specializes in sales, through call centers, of health insurance, life insurance, pension savings and financial products.

In accordance with the agreement between the parties, Clal Agencies has the option to acquire up to 100% of the agency's shares, subject to the conditions and dates which were determined.

The sellers will continue managing the agency for at least five years, with an option for the Company to extend the employment agreement for another five years.

The suspensory conditions were fulfilled in September 2022, and accordingly, the transaction was closed.

L. Sale of Houston toll road

In 2015, Clal Insurance invested a total of approximately USD 9 million in the nostro portfolio, and a total of approximately USD 35 million in the members portfolio, in a capital expenditure in the company that won a tender of the Ministry of Transport in Texas, USA, for building a toll road in Houston, Texas (the "**Company**").

During the reporting period, Clal Insurance revalued its investment in the Company in accordance with the sale agreement with respect to the shares of Clal's institutional entities in the Company, which was signed with ACS Infrastructure. Following the revaluation, Clal Insurance recorded investment income during the reporting period in the amount of approximately NIS 116 million.

The closing of the transaction is subject to regulatory approvals and to the fulfillment of additional suspensory conditions, according to the standard practice for agreements of this kind.

M. Events after the reporting period

1. *Bond issuance in the Company*

After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report dated February 9, 2023, which was published by virtue of the Company's shelf prospectus. The issuance costs amounted to a total of approximately NIS 3 million. The net issuance proceeds amounted to approximately NIS 397 million. For additional details, see Note 25D above.

2. The Company's rating

After the reporting date, in January and February 2023, Maalot announced a rating of (AA-), stable outlook, for the Company and the bonds it has issued, up to a total of NIS 400 million. For additional details, see Note 25d above.

Note 42: Additional Events During and After the Reporting Period (Cont.)

N. Market developments during and after the reporting period

During the reporting period, declines were recorded in markets for marketable capital, which led to loss in the nostro portfolio and to negative real returns in the profit sharing insurance policies which, until the loss has been recouped, will prevent the Company from collecting variable management fees in the amount of approximately NIS 753 million before tax.
During the period after the reporting date and until the approval date of the financial statements, there were price declines in capital markets which resulted in an increase of this balance in the amount of approximately NIS 87 million, such that, proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting amounted to a total of approximately NIS 840 million, before tax.

At this stage it is not possible to estimate the continued developments in the market and in the interest rate curve, or their effects on the results for 2023, and the foregoing does not constitute any estimate of the Company's projected financial results in 2023, or regarding the economic solvency ratio, due, *inter alia*, or regarding the economic solvency ratio, *inter alia*, with reference to continued developments in the aforementioned markets.

Annex A - Details of Other Financial Investments of Consolidated Insurance Companies Registered in Israel

The following data were included in the consolidated financial statements:

	As of December 31, 2022			
NIS in thousands	Fair value through profit	Available for sale	Loans and receivables	Total
Marketable debt assets (1)	**129,788**	**6,865,433**	**-**	**6,995,221**
Non-marketable debt assets	**1,047**	**-**	**23,023,113**	**23,024,160**
Stocks (2)	**-**	**1,824,254**	**-**	**1,824,254**
Others (3)	**371,880**	**4,233,464**	**-**	**4,605,344**
Total other financial investments	**502,715**	**12,923,151**	**23,023,113**	**36,448,979**

	As of December 31, 2021			
NIS in thousands	Fair value through profit	Available for sale	Loans and receivables	Total
Marketable debt assets (1)	49,013	6,411,421	-	6,460,434
Non-marketable debt assets	1,906	-	22,078,790	22,080,696
Stocks (2)	-	2,037,280	-	2,037,280
Others (3)	658,084	3,918,360	-	4,576,444
Total other financial investments	709,003	12,367,061	22,078,790	35,154,854

1. Marketable debt assets

	As of December 31			
	2022		2021	
NIS in thousands	Book value	Amortized cost 1)	Book value	Amortized cost 1)
Government bonds				
Presented at fair value through profit or loss:				
Available for sale	**4,206,452**	**4,382,685**	3,544,520	3,373,217
Total government bonds	**4,206,452**	**4,382,685**	3,544,520	3,373,217
Other debt assets				
Non-convertible				
Presented at fair value through profit and loss:				
Designated upon initial recognition	**103,378**	**68,210**	17,316	15,096
Available for sale	**2,658,981**	**2,845,259**	2,866,901	2,709,815
Total other non-convertible debt assets	**2,762,359**	**2,913,469**	2,884,217	2,724,911
Convertible				
Presented at fair value through profit and loss:				
Designated upon initial recognition	**26,410**	**31,528**	31,697	33,146
Total other convertible debt assets	**26,410**	**31,528**	31,697	33,146
Total marketable debt assets	**6,995,221**	**7,327,682**	6,460,434	6,131,274
Fixed impairment applied to income statement	**1,090**		25	

1) Amortized cost - Cost less principal payments plus (less) cumulative amortization using the effective interest method of any difference between the cost and the repayment amount, and less amortization with respect to impairment applied to profit and loss.

Annex A - Details Regarding Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Stocks

	As of December 31			
	2022		2021	
NIS in thousands	Book value	Depreciated	Book value	Depreciated
Marketable				
Presented at fair value through profit or loss:				
Available for sale	**904,289**	**913,805**	1,123,531	935,606
Total marketable stocks	**904,289**	**913,805**	1,123,531	935,606
Non-marketable				
Presented at fair value through profit or loss:				
Available for sale	**919,965**	**776,954**	913,749	744,747
Total non-marketable stocks	**919,965**	**776,954**	913,749	744,747
Total stocks	**1,824,254**	**1,690,759**	2,037,280	1,680,353
Fixed impairment applied to income statement	**195,817**		179,252	

3. Other financial investments

	As of December 31			
	2022		2021	
NIS in thousands	Book value	Depreciated	Book value	Depreciated
Marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**292,568**	**269,537**	340,883	340,884
Available for sale	**562,984**	**589,426**	1,070,273	1,042,841
Derivative instruments	**5,908**	**9,314**	5,350	2,102
Total marketable financial investments	**861,460**	**868,277**	1,416,506	1,385,827
Non-marketable				
Presented at fair value through profit or loss:				
Designated upon initial recognition	**25,585**	**25,439**	7,238	9,102
Available for sale	**3,670,480**	**2,613,958**	2,848,087	2,114,021
Derivative instruments	**47,819**	**9,953**	304,613	9,809
Total non-marketable financial investments	**3,743,884**	**2,649,350**	3,159,938	2,132,932
Total other financial investments	**4,605,344**	**3,517,627**	4,576,444	3,518,759
Fixed impairment applied to income statement	**174,488**	**-**	118,776	-

Company name	:	Clal Insurance Enterprises Holdings Ltd. (hereinafter: the “**Company**”)
Company number in registrar	:	52-003612-0
Address	:	36 Raul Wallenberg St., Kiryat Atidim, Tower 8, Tel Aviv 6136902
Email address	:	TomerDa@Clal-Ins.co.il
Telephone	:	03-6387403
Fax	:	03-7965678
Balance sheet date	:	31.12.2022
Publication date of the report	:	30.03.2023

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1. Details required in connection with a material valuation (Regulation 8B)

None

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Attn.:
Shareholders of Clal Insurance Enterprise Holdings Ltd.

Re: Auditors' Special Report Regarding the Separate Financial Information in Accordance with Regulation 9C In Accordance with the Securities Regulations (Periodic and Immediate Reports), 1970.

We audited the separate financial information presented in accordance with Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970, of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "Company") as of December 31, 2022 and 2021, and for each of the three years the last of which ended December 31, 2022, and which is included in the Company's periodic report. The Company's Board of Directors and management are responsible for the separate financial information. Our responsibility is to express an opinion regarding the separate financial information, based on our audit.

We have not audited the separate financial information from the financial statements of investees, whose assets, after deducting the attributable liabilities, net, amounted to a total of approximately NIS 75,274 thousand and approximately NIS 69,190 thousand as of December 31, 2022 and 2021, respectively, and where the Company's share in the profits (losses) of those companies amounted to a total of approximately NIS 6,084 thousand, approximately NIS 18,573 thousand and approximately NIS 167 thousand for the years ended December 31, 2022, 2021 and 2020, respectively. The financial statements of those companies were audited by other auditors, whose reports were presented to us, and our opinion, insofar as it refers to the amounts which were included with respect to those companies, is based on the reports of the other auditors.

We have conducted our audit in accordance with generally accepted auditing standards in Israel. In accordance with these standards, we are required to plan and perform the audit in order to obtain a reasonable measure of assurance that the financial statements are free of any material misrepresentation. Performing an audit includes testing, on a sample basis, the evidence provided to support the amounts and details presented in the separate financial information. An audit also includes performing an evaluation of the accounting principles which were applied in the preparation of the separate financial information and of the significant estimates which were made by the Company's Board of Directors and management, as well as an evaluation of the overall adequacy of presentation of the separate financial information in its entirety. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the separate financial information was prepared, in all material respects, in accordance with the provisions of Regulation 9C of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
March 30, 2023

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Data Regarding Financial Position

NIS in thousands	Additional information	As of December 31	
		2022	2021
Assets			
Investments in investee companies	2.5	**6,683,621**	6,961,225
Loans and balances of investee companies	2.5	**605,531**	583,652
Other accounts receivable		**258**	163
Other financial investments:			
Marketable debt assets	2.6	**3,521**	9,281
Stocks		**11,019**	15,233
Others		**180,597**	74
Total other financial investments	2.2 (a)	**195,137**	24,588
Cash and cash equivalents	2	**528,514**	166,379
Total assets		**8,013,061**	7,736,007
Capital			
Share capital	2.6	**161,864**	155,452
Premium on shares	2.6	**2,127,387**	1,641,507
Capital reserves		**921,234**	1,286,142
Retained earnings		**4,784,752**	4,641,888
Total capital		**7,995,237**	7,724,989
Liabilities			
Other accounts payable	2.2 (b)	**8,181**	5,478
Balances of investee companies		**627**	683
Current tax liabilities		**4,016**	-
Deferred tax liabilities		**5,000**	4,857
Total liabilities		**17,824**	11,018
Total capital and liabilities		**8,013,061**	7,736,007

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

March 30, 2023			
Approval date of the financial statements	Haim Samet Chairman of the Board	Yoram Naveh Chief Executive Officer	Eran Cherninsky Executive VP Finance Division Manager

Data Regarding Income

NIS in thousands	Additional information	For the year ended December 31 2022	2021	2020
Company's share in the income (loss) of investee companies, net of tax		**88,844**	1,058,912	440,711
Income (loss) from investments, net, and financing income				
From investee companies	2.6	**46,378**	31,802	4,027
Others	2.6	**9,525**	6,602	2,837
Total income		**144,747**	1,097,316	447,575
General and administrative expenses		**15,060**	10,686	8,899
Total expenses		**15,060**	10,686	8,899
Income (loss) before taxes on income		**129,687**	1,086,630	438,676
Taxes on income (tax benefit)		**9,159**	4,857	-
Income (loss) for the period		**120,528**	1,081,773	438,676

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

Data Regarding Comprehensive Income

	For the year ended December 31		
NIS in thousands	**2022**	**2021**	**2020**
Income for the period	**120,528**	1,081,773	438,676
Other comprehensive income:			
Components of other comprehensive income which, following initial recognition in comprehensive income, have been or will be transferred to the statement of income:			
Change, net, in the fair value of available-for-sale financial assets carried to capital reserves	**(2,804)**	2,430	6,112
Change, net, in the fair value of available-for-sale financial assets transferred to profit and loss	**(437)**	(6,571)	(668)
Impairment loss of available-for-sale financial assets transferred to profit and loss	**-**	2,491	-
Other comprehensive income (loss) with respect to investee companies	**(361,667)**	317,856	147,073
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**(364,908)**	316,206	152,517
Taxes (tax benefit) with respect to other components of comprehensive income (loss)	**-**	-	-
Other comprehensive income (loss) for the period which following initial recognition in comprehensive income has been or will be transferred to the statement of income, net of tax	**(364,908)**	316,206	152,517
Components of other comprehensive income which will not be transferred to the statement of income:			
Other comprehensive income with respect to investee companies which will not be transferred to profit and loss, net of tax	**7,719**	3,655	10,550
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**7,719**	3,655	10,550
Other comprehensive income (loss) for the period	**(357,189)**	319,861	163,067
Total comprehensive income for the period	**(236,661)**	1,401,634	601,743

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

Data Regarding Cash Flows

NIS in thousands	Additional information	For the year ended December 31 2022	2021	2020
Cash flows from operating activities				
Income for the period		**120,528**	1,081,773	438,676
Adjustments:				
Company's share in the income (loss) of investee companies		**(88,844)**	(1,058,912)	(440,711)
Dividends from investee companies		**12,500**	38,555	3,996
Accrued interest with respect to bank deposits		**(8,008)**	(95)	(1,010)
Accrued interest and linkage differentials with respect to capital note to investee company		**(36,132)**	(31,787)	(4,028)
Loss (profit) from other financial investments		**(658)**	(4,486)	(1,331)
Taxes on income		**9,159**	4,857	-
		(111,983)	(1,051,868)	(443,084)
Changes to other items in the data regarding financial position, net:				
Change in other accounts receivable		**(95)**	(22)	(24)
Change in other accounts payable		**2,703**	(1,969)	1,888
		2,608	(1,991)	1,864
Cash which were received during the period for:				
Net cash from operating activities with respect to transactions with investee companies		**7,141**	14,543	-
Interest received		**8,008**	95	1,010
Income tax received (paid)		**(5,000)**	-	-
Net cash from operating activities		**21,302**	42,552	(1,534)
Cash flows from investing activities				
Repayment of capital regime interest to investee		**21,856**	21,067	-
Investment in capital notes of investee companies	2.6, 2.7	**-**	(58,000)	(485,500)
Investment in available for sale financial assets		**(180,522)**	(64,498)	(152,163)
Consideration from sale of available for sale financial assets		**7,390**	182,545	19,298
Investments in investee companies	2.7	**-**	(14,923)	-
Net cash from (used in) investing activities		**(151,276)**	66,191	(618,365)
Cash flows from financing activities				
Consideration from issuance of share capital (after deducting issuance costs)	2.6	**492,109**	-	-
Net cash used in financing activities		**492,109**	-	-
Increase (decrease) in cash and cash equivalents		**362,135**	108,743	(619,899)
Cash and cash equivalents at beginning of period		**166,379**	57,636	677,535
Cash and cash equivalents at end of period		**528,514**	166,379	57,636

2.1 General

Presented below are financial data regarding the Company's consolidated financial statements as of December 31, 2022 (hereinafter: the "Consolidated Reports") which are published within the framework of the periodic reports (in Chapter C - financial statements), which are attributed to the Company itself (hereinafter: the "Separate Financial Information"), and which are presented within the framework of Regulation C9 and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 2010 (hereinafter: the "Regulation" and the "Tenth Addendum", respectively), regarding the corporation's separate financial data. The separate financial information should be read together with the consolidated reports.

Significant accounting policies applied in the separate financial information:

The accounting policies specified in the consolidated reports were applied consistently in all periods which are presented in the separate financial information by the Company, including the manner in which the financial data were classified in the consolidated reports, with the required adjustments, as specified below:

A. Presentation of financial data

1. Data regarding the financial position

These data include information regarding the amounts of assets and liabilities which are included in the consolidated reports attributed to the Company itself (except with respect to investee companies), including details by types of assets and liabilities. These data also include information regarding the net amount, based on the consolidated reports, attributed to the shareholders of the Company itself, of the total assets less total liabilities with respect to investee companies, including goodwill.

2. Data regarding comprehensive income

These data include information regarding the amounts of assets and liabilities which are included in the consolidated report, segmented between profit and loss and other comprehensive income, as attributed to the Company itself (except with respect to investee companies), including details by types of assets and liabilities. The data also include information regarding the net amount, based on the consolidated reports, attributed to the shareholders of the Company itself, of the total income less total expenses with respect to the results of operations of investee companies, including impairment of goodwill, impairment or cancellation of investment in an associate company, and impairment or cancellation of an investment in a company under joint control accounted by the equity method.

3. Data regarding cash flows

These data include details regarding the cash flow amounts which are included in the consolidated reports attributed to the Company itself (excluding with respect to investee companies), and are taken from the consolidated statement of cash flows, segmented by cash flows from operating activities, investing activities and financing activities, including specification of their components. Cash flows with respect to operating activities, investing activities and financing activities in respect of transactions with investee companies are presented separately, net, under the relevant activity, according to the characteristics of the transaction.

B. Transactions between the Company and investee companies

1. Presentation

The inter-company balances in the Group, and income and expenses due to inter-company transactions, which were canceled within the framework of the preparation of the consolidated reports, were presented separately from the balance with respect to investee companies and income with respect to investee companies, together with similar balances vis-à-vis third parties.

Unrealized profit and loss which are due to transactions between the Company and its investee companies were presented under the balance with respect to investee companies and under income with respect to investee companies.

2. Measurement

Transactions which were performed between the Company and its consolidated companies were measured in accordance with the principles of recognition and measurement, as set forth in International Financial Reporting Standards, which establish the accounting treatment for transactions of this kind which are performed vis-à-vis third parties.

2.2 Financial instruments

A. Financial investments

The composition is as follows:

NIS in thousands	As of December 31 2022	2021
Marketable debt assets		
Corporate bonds	**3,521**	9,281
Total marketable debt assets	**3,521**	9,281
Stocks (1)		
Non-marketable - available for sale	**10**	10
Marketable - available for sale	**11,009**	15,223
Total stocks	**11,019**	15,233
Other financial investments (money market funds)	**180,597**	74
Total financial investments	**195,137**	24,588

(1) The forecasted exercise date of the shares has not yet been determined.

B. Other accounts payable

The composition is as follows: *)

NIS in thousands	As of December 31 2022	2021
Expenses payable	**3,007**	1,376
Institutions	**1,572**	21
Suppliers	**40**	28
Others **)	**3,562**	4,053
Total	**8,181**	5,478

*) The balances of payables are unlinked.
**) Primarily with respect to the provision for claims. For additional details, see Note 42 to the consolidated reports.

2.3 Cash and cash equivalents

Composition and linkage:

NIS in thousands	Interest as of December 31, 2022 %	As of December 31 2022	2021
Unlinked NIS	3.02-3.08	**525,694**	165,967
Linked to the EUR	-	**243**	228
Linked to the USD	-	**2,576**	183
Linked to the GBP	-	**1**	1
Total		**528,514**	166,379

Most of the cash and cash equivalents are checking account balances and short term deposits in banking corporations. The interest rates on checking account balances are based on interest rates with respect to daily deposits. See Note 42(j) to the consolidated reports.

2.4 Taxes on income

A. For details regarding the tax environment in which the Company operates, see Note 23(a) to the consolidated reports.

B. For details regarding deferred tax liabilities which were not recognized, and losses and deductions for tax purposes which are transferable to subsequent years, see Note 23(f) to the consolidated reports.

2.5 Investee companies - investments, balances, engagements and material transactions

The composition is as follows:

NIS in thousands	Additional information	As of December 31 2022	As of December 31 2021
Investments in investee companies		**6,683,621**	6,961,225
Capital note to Clal Insurance	2.6	**485,618**	461,270
Capital notes to Clal Finance	2.7	**50,644**	50,644
Capital notes to Clal Agencies	2.8	**58,000**	58,000
Current balances		**11,269**	13,738
Total loans and receivables of investee companies		**605,531**	583,652
Total		**7,289,152**	7,544,877

A. For details regarding the list of main investee companies, see Note 9(b) to the consolidated reports.

B. For details regarding the Company's undertakings regarding the capital supplementation required of its investee companies, see Note 16(e) to the consolidated reports.

C. The Company's expenses include participation in the proportional part, in accordance with the Group's cost allocation mechanism.

2.6 Issuance of capital by the Company and investment in a Tier 1 capital instrument which was issued to it by Clal Insurance

Issuance of capital by the Company

In January 2022, the Company performed an issuance of approximately 6,411 thousand shares, in the amount of approximately NIS 506 million, at a share price of NIS 78.95. After issuance costs, the net amount received by the Company amounted to approximately NIS 492 million.

In February 2023, after the reporting date, the Company performed a debt raising, through the issuance of two bond series (one of which is convertible into Company shares), in a net total of approximately NIS 397 million. For additional details, see section 2.10 below.

For details regarding the designation of the proceeds from the share issuance, see section 5 below.

It is noted that in March 2023, after the end of the reporting period, and as part of the consideration in the transaction to acquire Max IT Finance Ltd. ("Max"), the Company allocated to offerees, on the transaction closing date, 4,970,310 ordinary Company shares with a par value of NIS 1 each (the "**Allocated Shares**"). The allocated shares constituted, immediately after their allocation, approximately 6.29% of the Company's issued and paid-up capital, and approximately 6.05% of the Company's issued and paid-up capital, fully diluted. For additional details regarding the acquisition of Max, see Note 42(j) to the consolidated financial statements.

Investment in a Tier 1 capital instrument which was issued to it by Clal Insurance

In October 2020, the Company invested in an additional Tier 1 capital instrument which was issued to it by Clal Insurance, in the amount of NIS 450 million, at an annual interest rate of 4.53%, linked to the consumer price index. For additional details, see Note 25 to the consolidated financial statements.

2.7 Michlol Finance Ltd. (hereinafter: “Michlol”)

In March 2020, Clal Insurance exercised an option to acquire 20% of Michlol’s share capital, and signed an amendment to the credit facility agreement from 2018, in which changes were made to the terms of the credit facility and Sale Law guarantees which Clal Insurance gave to Michlol, and it also received an additional 8% of Michlol’s share capital. Upon the receipt of the shares, Clal Insurance sold, at a price which was determined in a valuation, all of its shares in Michlol to Clal Finance Ltd. (hereinafter: “Clal Finance”), a wholly owned subsidiary of the Company, which was previously an inactive company. Michlol also allocated to Clal Finance 7% of Michlol shares, in accordance with Michlol’s value according to a valuation which was prepared.

On August 22, 2021, Michlol completed its initial public offering. Following the dilution due to the issuance, and the Company’s acquisition in the issuance, the Group holds (directly and indirectly) a stake of 24.9%, as compared with a stake of approximately 35% prior to the issuance.

Additionally, an option without consideration for 2,546,585 shares of Michlol was given to Clal Finance, in accordance with the determined conditions. Following the issuance and the receipt of the aforementioned option, the Group recorded profit in an immaterial sum. In August 2021 the option was issued, and it is exercisable beginning from 18 months after the listing date, until 5 years from that date. It is clarified that, in any case, in accordance with the permit that was given to the Company, the Company may not hold over 24.9% of Michlol’s issued and paid-up capital.

Clal Insurance is continuing to provide credit and Sale Law guarantees to Michlol, under the credit facility agreement.

For the purpose of acquiring the shares of Michlol, in 2020 and in 2021 Clal Finance issued to the Company a capital notes in the amount of NIS 50,644 thousand.

The capital notes are not linked to the consumer price index, and do not bear interest. The repayment date of the capital notes will be as agreed upon between the parties, but no earlier than after five years after their issuance date.

2.8 Acquisition of shares of Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd. (hereinafter: “Davidoff”)

On February 18, 2021, Clal Agency Holdings Ltd. (hereinafter: “Clal Agencies”), a wholly owned subsidiary of the Company, engaged in an agreement for the acquisition of all (100%) of Davidoff shares from Psagot Investments in Insurance Agencies Ltd., which is a pension arrangement agency. Davidoff is a pension arrangement agency which has been engaged in the branch for 15 years, and is specialized in the provision of operating and marketing services for insurance, pension and finance products. Davidoff has agreements with most of the insurance companies and investment houses in Israel, and serves hundreds of employers and thousands of customers. In June 2021, after the suspensory conditions for its completion were fulfilled, the acquisition of Davidoff was completed. in consideration of the share purchase, Clal Agencies paid to the seller a total of approximately NIS 68.5 million, plus a total of approximately NIS 5.6 million for the cash balance and adjustments with respect to Davidoff’s working capital. The financing of the transaction was provided through capital notes from the Company to Clal Agencies in the amount of approximately NIS 58 million, and the remainder out of Clal Agencies’ independent sources. The aforementioned capital notes do not bear interest and/or linkage differentials, and were issued for a minimum period of 5 years. In May 2022, the merger of Davidoff into Tmura Insurance Agency (1987) Ltd., a subsidiary of Clal Agencies, was completed.

2.9 Acquisition of Max IT Finance Ltd.

For details regarding the acquisition of Max IT Finance Ltd., see Note 42(j) to the financial statements.

2.10 Events after the reporting period

A. The Company’s rating

After the reporting date, in January and February 2023, Maalot announced a rating of (AA-), stable rating outlook, for the Company and for the bonds it has issued, up to a total of NIS 400 million (see section B below). For additional details, see Note 25d to the consolidated reports.

B. Bond issuance in the Company

After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report dated February 9, 2023, which was published by virtue of the Company's shelf prospectus. The issuance costs amounted to a total of approximately NIS 3 million. The net issuance proceeds amounted to approximately NIS 397 million. For additional details, see Note 25d to the consolidated reports.

For details regarding the designation of the issuance proceeds from the debt raising, see section 5 below.

C. Closing of the Max transaction

For details regarding the acquisition of Max IT Finance Ltd., see Note 42(j) to the financial statements.

3. Report Regarding the Liabilities of the Reporting Corporation and its Consolidated Companies by Repayment Dates as of December 31, 2022 (Regulation 9D)

As of December 31, 2022, the Company and the consolidated companies have no liabilities in accordance with Regulation 9D.

4. Condensed quarterly statements of comprehensive income (Regulation 10A)

Condensed quarterly statements of comprehensive income for 2022

NIS in thousands	Q1	Q2	Q3	Q4	Total
Gross premiums earned	2,887,343	2,826,196	2,903,178	2,892,526	**11,509,243**
Premiums earned by reinsurers	398,871	414,544	424,978	426,681	**1,665,074**
Premiums earned on retention	2,488,472	2,411,652	2,478,200	2,465,845	**9,844,169**
Income (loss) from investments, net, and financing	(30,287)	(4,324,217)	(1,209,188)	1,467,092	**(4,096,600)**
Income from management fees and portfolio	298,596	297,373	300,661	301,131	**1,197,761**
Income from commissions	92,646	91,991	90,732	107,637	**383,006**
Other income	136	200	564	(430)	**470**
Total income	2,849,563	(1,523,001)	1,660,969	4,341,275	**7,328,806**
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	1,710,725	(1,362,681)	813,743	3,587,471	**4,749,258**
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	256,583	310,785	225,328	215,540	**1,008,236**
Payments and changes in liabilities with respect to insurance contracts and investment contracts on	1,454,142	(1,673,466)	588,415	3,371,931	**3,741,022**
Commissions, marketing expenses and other acquisition	520,834	531,350	567,666	576,127	**2,195,977**
General and administrative expenses	227,398	226,943	236,369	250,548	**941,258**
Impairment of intangible assets	-	-	-	8,157	**8,157**
Other expenses	7,163	3,072	3,888	3,512	**17,635**
Financing expenses	54,826	69,265	53,089	57,403	**234,583**
Total expenses	2,264,363	(842,836)	1,449,427	4,267,678	**7,138,632**
Share in the results of associate companies accounted by the equity method, net	(2,819)	1,535	2,363	2,345	**3,424**
Income (loss) before taxes on income	582,381	(678,630)	213,905	75,942	**193,598**
Taxes on income (tax benefit)	196,792	(238,287)	72,794	36,262	**67,561**
Income (loss) for the period	385,589	(440,343)	141,111	39,680	**126,037**
Company shareholders	384,379	(442,350)	139,925	38,574	**120,528**
Minority interests	1,210	2,007	1,186	1,106	**5,509**
Income (loss) for the period	385,589	(440,343)	141,111	39,680	**126,037**
Earnings per share attributable to Company					
Basic earnings (loss) per share (in NIS)	5.27	(5.97)	1.89	0.52	**1.63**
Diluted earnings (loss) per share (in NIS)	5.16	(5.97)	1.88	0.52	**1.62**
Number of shares used to calculate earnings per share					
Basic	72,979	74,061	74,061	74,061	**73,796**
Diluted	74,469	74,061	74,299	74,140	**74,327**

4. Condensed quarterly statements of comprehensive income (Regulation 10A) (Cont.)

Condensed quarterly statements of comprehensive income for 2022 (Cont.)

NIS in thousands	Q1	Q2	Q3	Q4	Total
Income (loss) for the period	385,589	(440,343)	141,111	39,680	**126,037**
Components of other comprehensive income					
Foreign currency translation differences for operations carried	2,520	13,465	(520)	3,325	**18,790**
Foreign currency translation differences applied to the	-	-	(438)	-	**(438)**
Change, net, in the fair value of available for sale financial assets carried to capital reserves	278,903	(479,381)	(71,859)	(26,298)	**(298,635)**
Change, net, in the fair value of available for sale financial assets transferred to profit and loss	(571,096)	346,895	(143,047)	(25,637)	**(392,885)**
Impairment loss with respect to available for sale financial assets transferred to the statement of income	30,806	13,400	62,267	7,935	**114,408**
Tax impact	88,917	36,908	52,070	13,640	**191,535**
Total components of net profit which will subsequently be	(169,950)	(68,713)	(101,527)	(27,035)	**(367,225)**
Actuarial income (loss) from defined benefit plan	8,764	338	1,572	680	**11,354**
Taxes with respect to other components of comprehensive	(2,801)	(83)	(499)	(232)	**(3,615)**
Total components of net income (loss) which will not subsequently be reclassified to profit and loss	5,963	255	1,073	448	**7,739**
Other comprehensive income (loss) for the period, before	(163,987)	(68,458)	(100,454)	(26,587)	**(359,486)**
Other comprehensive income (loss) for the period	221,602	(508,801)	40,657	13,093	**(233,449)**
Attributable to:					
Company shareholders	221,131	(509,720)	40,141	11,787	**(236,661)**
Non-controlling interests	471	919	516	1,306	**3,212**
Total comprehensive income (loss) for the period	221,602	(508,801)	40,657	13,093	**(233,449)**

5. Use of consideration from securities (Regulation 10C)

On January 16, 2022, the Company issued 6,410,700 shares with a par value of NIS 1 each, as part of a public offering in accordance with the Company's shelf offering report dated January 13, 2022, which was published by virtue of the shelf prospectus dated August 29, 2019, which was extended until August 28, 2022. The issuance proceeds, after deducting issuance costs, amounted to a total of approximately NIS 492 million.

On February 13, 2023, the Company issued, as part of the preparation for closing the WPI acquisition transaction (as specified in Note 42 to the financial statements), and for the purpose of creating a liquidity cushion and financial flexibility for the Company, two bond series, as part of a public issuance in accordance with the Company's shelf offering report dated February 9, 2023, which was published by virtue of the shelf prospectus dated July 25, 2022, which was published on July 24, 2022, as specified below:

NIS 249,100,000 par value of the Company's bonds (Series A), bearing annual interest at a rate of 4.7%.

NIS 150,000,000 par value of the Company's convertible bonds (Series B), bearing annual interest at a rate of 2.8%, and convertible into Company shares such that each NIS 85 par value of the bonds (Series B) will be convertible into one ordinary share of the Company, as specified in the trust deed of the bonds (Series B).

The principal of the bonds will be repaid in a single payment 5 years after the issuance date.

The gross issuance proceeds with respect to the two series, after deducting issuance costs, amounted to a total of approximately NIS 397 million.

A total of approximately NIS 600 million out of the proceeds which were received by the Company with respect to the issuance of the shares and the bonds, and a total of approximately NIS 200-300 million out of the Company's liquid assets was used for the payment with respect to the acquisition of WPI's issued and paid-up capital on the transaction closing date.

In accordance with the Board of Directors' resolution from March 2023, after the issuance proceeds have been used to execute the purchase, as stated above, the remaining issuance proceeds, which will not be used for the above acquisition, will be used for the Company's operating activities and/or in accordance with the Company's goals and strategy, including the liquidity cushion and/or the execution of new transactions and/or the execution of the deferred payment, as defined in Note 42 to the financial statements, with respect to the WPI acquisition transaction, in accordance with the resolutions of the Company's Board of Directors, from time to time. It is clarified that the Company may, from time to time, in its exclusive discretion, change the designation of the issuance proceeds.

The Company will invest the remaining issuance proceeds which will not be used in the acquisition, in the Company's discretion, in cash and cash equivalents and liquid securities, according to a mix which will be determined by the Company's investment committee and/or by the Company's Board of Directors, from time to time.

5. Investments in subsidiaries and related companies which are material active companies as of the date of the statement of financial position (Regulation 11)

Company name	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in % In capital	In voting rights	In the right to appoint directors
Clal Insurance Company Ltd. ("Clal Insurance") [1]	Ordinary shares with a value of NIS 1	119,038,221	119,038,221	6,496,776	99.98	99.98	99.98
Clal Agency Holdings (1998) Ltd. ("Clal Agencies") [2]	Ordinary shares with a value of NIS 1	99	99	152,119	100.00	100.00	100.00
Clalbit Systems Ltd. ("Clalbit Systems) [3]	Ordinary shares with a value of NIS 1	1,000	1,000	8,594	100.00	100.00	100.00
Clal Finance Ltd. [4]	Ordinary shares with a value of NIS 1	170,000,000	17,000,000	31,938	100.00	100.00	100.00
<u>Subsidiaries and related companies of Clal Insurance</u>							
Clal Credit Insurance Ltd. ("Clal Credit") [5]	Ordinary shares with a value of NIS 1	8,537,280	8,537,280	261,144	80.00	80.00	80.00
ADC Holdings Ltd. [6]	Ordinary shares with a value of NIS 1	500	500	13,145	33.00	33.00	33.00
Clal Pension and Provident Funds Ltd. [7] ("Clal Pension and Provident Funds")	Ordinary shares with a value of NIS 1	129,071	129,071	698,268	100.00	100.00	100.00
Clalbit Finance Ltd.	Ordinary shares with a value of NIS 1	1,000	1,000	-	100.00	100.00	100.00

[1] For details regarding the Company's undertaking to supplement the equity of Clal Insurance, which was in effect during the reporting year, and the undertaking which was given after the reporting year, the updated control outline, and changes which were applied, see Note 16(d)(3) to the financial statements.

[2] In 2021, Clal Agency Holdings issued to the Company a capital note in the amount of NIS 58 million

[3] Includes holding of 1 ordinary share through Betach - Thorne Insurance Agency Ltd.

[4] For the purpose of acquiring the shares of Michlol, in 2020 and in 2021 Clal Finance issued to the Company a capital notes in the amount of NIS 50,644 thousand.

[5] Control permits which were previously given to the Group's member companies included an undertaking of Clal Insurance to supplement the equity of Clal Credit Insurance which was in effect during the reporting year. For details regarding the current control outline and changes which were applied, see Note 16(e)(9) to the financial statements.

[6] Formerly Shagrir Towing Services Ltd.

[7] As part of previous permits for the control of the Group's member companies, an undertaking of the Company was given to supplement the equity of Clal Pension and Provident Funds which was in effect during the reporting year. For details regarding the updated control outline and changes were applied, see Note 16(d)(4) to the financial statements.

6. Investments in subsidiaries and related companies which are material active companies as of the date of the statement of financial position (Regulation 11) (Cont.)

Company name	Stock number on the stock exchange	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in %			Share price on the stock exchange, in NIS, as of the date of the statement of financial position
						In capital	In voting rights	In the right to appoint directors	
Atudot Pension Fund for Workers & Independent Workers Ltd.		Ordinary shares with a value of NIS 1	4,000,000	4,000,000	43,030	50.00	50.00	50.00	
Canaf - Clal Financial Management Ltd. (“Canaf”)		Ordinary shares with a value of NIS 1	1,000	1,000	4,452	100.00	100.00	100.00	
<u>Subsidiaries and related companies of Clal Finance</u>									
Michlol Finance Ltd. (“Michlol”) [8]		Ordinary shares with a value of NIS 1	10,187,492	10,187,492	69,603	24.9	24.9	24.9	671
		Ordinary share options	2,546,585	2,546,585	5,671				

[8] Formerly: Michlol Urban Real Estate Renewal Solutions Ltd.

6. Investments in subsidiaries and related companies which are active companies as of the date of the statement of financial position (Regulation 11) (Cont.)

Company name	Stock number on the stock exchange	Share class and par value	Number of shares	Total value Denominated in NIS	Value in the separate financial report as defined in Regulation 9C NIS in thousands	Holding rates in % In capital	In voting rights	In the right to appoint directors
<u>Subsidiaries and related companies of Clal Agencies</u>								
Betach - Thorne Insurance Agency Ltd. (Betach - Thorne) [9]		Ordinary shares with a value of NIS 1	20,339	20,339	40,517	100.00	100.00	100.00
		Class A management shares with a value of NIS 1	418	418	-	-	-	100.00
		Class B management shares with a value of NIS 1	418	418	142,142	-	-	100.00
		Ordinary shares with a value of NIS 1	4,359	4,359	-	100.00	100.00	-
Tmura Insurance Agency (1987) Ltd. ("Tmura") [10]		Preferred shares with a value of NIS 1	1,392	1,392	-	100.00	-	-
Newcom Pension Insurance Agency (2004) Ltd. [11]		Ordinary shares with a value of NIS 1	300	300	18,591	30.00	30.00	30.00
<u>Subsidiaries and related companies of Tmura</u>								
Tmura Mele'a Insurance Agency Ltd.		Ordinary shares with a value of NIS 0.001	100,000,000	100,000	3,132	100.00	100.00	100.00
<u>Subsidiaries and related companies of Batach Thorne</u>								
Batach Thorne International Underwriters Non-Life Insurance Agency (2019) Ltd.		Ordinary shares with a value of NIS 1	3,000	3,000	937	100.00	100.00	100.00

[9] Formerly Batach Ltd.

[10] For additional details regarding the acquisition of all shares of Davidoff Pension Arrangements Life Insurance Agency (2006) Ltd. by a subsidiary of the Company, Clal Agencies Ltd., and its merger into Tmura during the reporting year, see Note 42 to the financial statements.

[11] - 30 months after the closing date of the transaction (i.e., beginning on 9/2022), Clal Agency Holdings will have the option to buy shares of Newcom such that its stake will amount to 60% of Newcom's issued share capital; 48 months after the closing date, Clal Agency Holdings will have the option to buy shares of Newcom such that its stake will amount to 80% of Newcom's issued share capital; and 60 months after the closing date, Clal Agency Holdings will have the option to buy shares of Newcom such that its stake will amount to 100% of Newcom's issued share capital.

7. Loans and capital notes to the Company's subsidiaries and related companies

Loan provider	Loan recipient	Balance of loans and capital notes (including accrued interest), NIS thousands	Interest rate in %	Linkage type	Repayment years
Loans from the Company					
The Company	Clal Insurance	485,618	4.53%	CPI-linked	2069. An early redemption may be performed beginning on October 31, 2030, with the Commissioner's approval.
The Company	Clal Finance	35,500		Unlinked capital note	As will be determined between the parties, and no earlier than 5 years after the loan provision date
The Company	Clal Finance	15,144		Unlinked capital note	As will be determined between the parties, and no earlier than 5 years after the loan provision date
The Company	Clal Agencies	58,000		Unlinked capital note	As will be determined between the parties, and no earlier than 5 years after the loan provision date
Loans from Clal Agencies					
Clal Agencies	Clal Leaders Insurance Agency Ltd. [12]	15,176	-	Unlinked capital note	Undetermined

[12] Inactive company

7.1 Changes in loans to subsidiaries and to related companies during the reporting period (Regulation 12)

None.

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2022 (Regulation 13)

8.1 The Company and subsidiaries

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
					NIS in thousands				
Directly held subsidiaries and related companies of the Company									
Clal Insurance Company Ltd.	55,068	5,578	(356,445)	(2,205)	(301,377)	3,373	-	-	-
Clal Agency Holdings (1998) Ltd.	26,960	-	(69)	-	28,674	(69)	12,500	-	-
Clalbit Systems Ltd.	1,117	-	585	-	(532)	-	-	-	-

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2022 (Cont.) (Regulation 13)

8.1 The Company and subsidiaries (Cont.)

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
					NIS in thousands				
Subsidiaries and related companies of Clal Insurance									
Clal Credit Insurance Ltd.	22,310	5,578	8,819	2,203	27,888	11,022	-	-	-
ADC Holdings Ltd.	831	-	-	-	831	-	-	-	-
Clal Pension and Provident Funds Ltd.	14,503	-	(10,323)	-	4,180	-	-	-	-
Atudot Pension Fund for Workers & Independent Workers Ltd.	4,212	-	(2,628)	-	1,584	-	-	-	927
Canaf - Clal Financial Management Ltd.	(1,941)	-	677	-	(1,264)	-	-	-	-
Subsidiaries and related companies of Clal Finance									
Michlol Finance Ltd.	26,442	-	26,442	-	26,442	-	-	-	-

8. Income and loss of material active subsidiaries and active related companies, and (direct and indirect) income from them, for the year ended December 31, 2022 (Cont.) (Regulation 13)

8.1 Clal Holdings and subsidiaries (Cont.)

	Income (loss) for the year		Other comprehensive income (loss) for the year		Total comprehensive income (loss) for the year		Revenue		
	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Attributable to company owners	Attributable to non-controlling interests	Dividend	Interest	Management fees and directors compensation
	NIS in thousands								
Subsidiaries and related companies of Clal Agencies									
Betach - Thorne Insurance Agency Ltd.	1,947	-	307	-	2,254	-	6,900	-	125
Tmura Insurance Agency (1987) Ltd.	32,219	(69)	1,407	-	33,626	(69)	15,000	-	125
Newcom Pension Insurance Agency (2004) Ltd.	(380)	-	-	-	(380)	-	-	-	-
Second tier subsidiaries - Clal Agencies									
Tmura Mele’a Insurance Agency Ltd.	2,735	-	-	-	2,735	-	-	-	-
Batach Thorne International Underwriters Non-Life Insurance Agency (2019) Ltd.	670	-	-	-	670	-	-	-	-

9. List of groups of loan balances which were given as of the date of the statement of financial position (Regulation 14)

N/A.

10. Trading on the stock exchange (Regulation 20)

A. Securities listed for trading during the reporting year -

During the reporting year, 11,890 ordinary shares of the Company were listed, due to the exercise of options which were provided to Company officers and employees.

In January 2022, the Company performed an issuance of approximately 6,410,700 ordinary Company shares. For additional details, see section 2.6 above.

After the reporting date, in February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand par value of bonds (Series B).

As part of the consideration in the Max transaction, the Company allocated to offerees, on the transaction closing date, 4,970,310 ordinary Company shares with a par value of NIS 1 each (the "**Allocated Shares**"). The allocated shares constituted, immediately after their allocation, approximately 6.29% of the Company's issued and paid-up capital, and approximately 6.05% of the Company's issued and paid-up capital, fully diluted. For additional details, see Note 42(j) to the consolidated financial statements.

B. Suspension of trading of securities during the reporting year

During the reporting year, the trading of ordinary company shares on the stock exchange was suspended (excluding timed suspensions with respect to the publication of financial statements and/or other material reports).

11. Compensation to interested parties and corporate officers (Regulation 21)

Presented below are details regarding the compensation which was given in 2022 (NIS in thousands), as recognized in the financial statements for 2022:

1. Each of the five highest recipients of compensation among the corporate officers in the Company or in companies under its control, if the compensation was given in connection with their tenure in the Company or in companies under its control, and regardless of whether the compensation was given by the Company or by companies under its control;

2. Each of the three highest recipients of compensation in the Company, to whom the compensation was given in connection with their tenure in the Company itself, and who is not listed in section 1 above;

3. Any interested party in the Company who is not listed in sections 1 and 2 above, except for a subsidiary of the Company, if the compensation was given to them by the Company or by a corporation under its control, in connection with the services which they provided as a senior position holder in the corporation or in a corporation under his control, regardless of whether or not a employer - employee relationship exists, including if the interested party is not a corporate officer.

	Details of compensation recipient							Compensation for services					Other compensation			Total
Name	Gender	Position	Scope of position	Rate of holding in capital	Salary [1]	Additional provision	Bonus [2]	Share-based payment	Manage-ment fees	Consult-ing fees	Comm-issions	Other	Interest	Rent	Other	
Yoram Naveh [3]	Male	CEO of the Company and Clal Insurance	100%	0.01	3,137	-	-	-	-	-	-	-	-	-	-	3,137
Eran Cherninsky [4] [5]	Male	Finance Division Manager	100%	-	1,823	-	475	317	-	-	-	-	-	-	-	2,615
Haim Samet [9]	Male	Chairman of the Board	80%	-	2,560	-	-	-	-	-	-	-	-	-	-	2,560
Yossi Dori [4][7]	Male	Investments Division Manager	100%	-	1,663	-	301	317	-	-	-	-	-	-	-	2,281
Hadar Brin Weiss [4] [8]	Female	General Counsel	100%	-	1,481	-	376	317	-	-	-	-	-	-	-	2,174

It is hereby clarified that the details regarding the compensation which was given in 2022, as provided in the table above, are as recognized in the financial statements for 2022, and are not necessarily identical to the calculation which is performed for the purpose of the correspondence between the corporate officers' compensation and the Company's compensation policy, which is attached as an annex to the periodic report for 2022.

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table:

1. Salary linked to the consumer price index, according to the definition of CPI linkage in the Company's compensation policy (see section 1 of the compensation policy) ("CPI Linkage"), except with respect to the CEO and Chairman, whose salaries were restricted during the reporting year, according to the compensation limit set forth in section 2(a) of The Compensation of corporate officers in Financial Corporations Law ("Special Approval and Non-Permission of Expense for Tax Purposes Due to Extraordinary Compensation"), 2016 (in this section: the **Executive Compensation Law**" and the "**Compensation Limit**"), and it is linked to the CPI, in accordance with the mechanism specified therein. The amount specified in the table includes provisions for compensation, including loss of working capacity, and the provision for severance pay as required by law for all components of compensation (which are not included in the calculation of the compensation limit, with reference to the compensation in accordance with section 2(a) of the Executive Compensation Law. Provisions for severance pay, annual holiday and/or redemption of vacation days for those who have concluded their employment, convalescence pay and other benefits, including grossing-up of vehicle and cellphone expenses. According to the mechanism set forth in the Executive Compensation Law, the cost of salary of an employee in a financial corporation which exceeds the compensation limit will not be deductible for tax purposes by the Company, in accordance with the mechanism set forth in the Executive Compensation Law. It is noted that, in accordance with the compensation policy, the Company may bear an additional expense with respect to excess employment cost, as required, with respect to components which were paid which exceed that cost. The Compensation Committee and the Board of Directors determined, with respect to officers other than the CEO and Chairman, that their employment cost will not exceed NIS 3 million.

2. In general, the data refer to the entire amount of the variable bonus, paid in cash, to which a corporate officer is entitled with respect to the reporting year, without taking into account the distribution arrangements with respect to the deferred bonus, if and insofar as required. The amounts of variable compensation, if and insofar as any are paid, which are effectively received, may be lower such that, with respect to corporate officers and senior positions holders, 50% of the variable compensation is paid in cash, and 50% is deferred to be paid CPI-linked, over 3 years, and its payment is made conditional upon the fulfillment of the targets specified in the relevant compensation policy. During the reporting year, with respect to office holders who were given equity compensation, in general, the Company will view the equity compensation part which was granted (according to the value which was recorded in the financial statements during the reporting year), as a compensation component which was distributed and deferred, and regarding the part of annual variable compensation in cash which that office holder is entitled to receive - to release and pay it in cash, without deferral, except if the equity compensation component is insufficient, in which case the part of the variable bonus which is paid in cash will also be distributed and deferred. There is no certainty that the deferred compensation amount will be paid. It is noted that insofar as the total compensation given to a senior position holder in a certain year does not exceed the payment cap[1], and does not exceed 40% of the fixed component in that year, the distribution mechanism will not apply, as specified in the Company's compensation policy Shortly after the approval of the financial statements, deferred bonuses which were recorded in the reports for 2020 and 2021, and which have not yet been paid, will be released. For additional details regarding annual bonuses to the Group's officers, see remark 4 below.

3. For details regarding the employment terms of Mr. Yoram Naveh, the Company's CEO, see Note 39(b)(5) to the Company's financial statements.

[1] As defined in section 32(17) of the Income Tax Ordinance (New Version).

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table: (Cont.)

4. In general, the employment terms of the Company's corporate officers, including those specified in the above table (excluding the CEO and the Chairman, and unless specified otherwise), (hereinafter in this section: the "**corporate officers**"), were specified in a personal employment agreement which defines the base salary and the social and pension conditions, according to the conventional practice for corporate officers in Clal Group, including provisions for pension insurance with respect to the severance, compensation, holiday and convalescence components. In accordance with the terms of the corporate officers' employment agreements, in case of dismissal or resignation, the party terminating the engagement must provide notice to the other party fourth months in advance. In general, in case of termination of employment, as stated above, the corporate officers will be entitled, in addition to the severance pay, to a one-time bonus in the amount of 4.5 to 6 monthly salaries (base salary), without social benefits and without a vehicle, provided that the termination of the working relationship was not due to the resignation of the corporate officer during the period of two years following the employment commencement date, subject to the fulfillment of the terms of the compensation policy, and with reference to the transitional provisions which were determined in the Commissioner's circular regarding the compensation policy in institutional entities from April 2014, as amended in October 2015 and in July 2019 (hereinafter, jointly: the "Compensation Circular"), as relevant (the "Severance Package"). The corporate officers are entitled to receive severance pay, whether upon resignation or upon dismissal, except in case which by law do not confer eligibility for severance pay. As part of their employment terms, the corporate officers are entitled to vehicles which the Company provides to them, and regarding which the Company bears the applicable grossing-up of tax. The corporate officers are also entitled to an annual bonus in accordance with the conventional criteria in the Group for managers of their rank, and in accordance with the Company's compensation policy (as published in the Company's periodic report), where the maximum cash bonus of the corporate officers in consideration of annual profit (without taking into account the addition of a special discretionary bonus, as specified below) will not exceed NIS 500 thousand, and their eligibility for the non-discretionary bonus component depends on the Company's fulfillment of the minimum conditions for the receipt of an annual bonus, in accordance with the compensation policy and the corporate officers' fulfillment of the targets (which refer to their personal performance and/or to the performance of the unit for which they are responsible and/or for the Company's performance, where the goals may be quantitative or qualitative, measurable or discretionary). (hereinafter: the "Annual Bonus"). The targets for the receipt of the annual bonus will be determined for the officers each year, except with respect to the discretionary component, which is not dependent on targets and preconditions, and during the reporting year, its weight did not exceed 20% of the annual bonus. A discretionary special bonus may also be given with respect to significant efforts by the officer, including as part of the execution of a transaction which is not in the Company's ordinary course of business, in an amount which will not exceed 3 times the monthly base salary (this cost also includes the discretionary part of the annual bonus, as stated above), and except with respect to special bonuses, which have predetermined targets, as defined in the Company's compensation policy, which will not exceed 6 base monthly salaries ("Special Bonuses"). For additional details, see the annex to the periodic report. In any case, the corporate officers will not be entitled to an annual bonus, including special bonuses, exceeding NIS 1 million. For additional details, see the annex to the periodic report. During the reporting year, in light of the Company's financial results, the officers were not entitled to a bonus, except for special bonuses, as stated above, which were paid to certain officers.

It is noted that the compensation policy will not prejudice any rights which have accrued and/or which will be accrued with respect to previous periods prior to the application dates of the compensation circular and of the Executive Compensation Law, subject to and in accordance with the provisions of the law. The Company acquires corporate officers insurance for the corporate officers in the Group, and letters of exemption and letters of indemnity from the Company were given to each of the Company's corporate officers.

5. The share-based payment amount is based on the estimate of the warrants on their grant date, where the fair value of each tranche is distributed throughout the vesting period. For additional details regarding share-based payment, see Note 40 to the Company's financial statements.

6. Mr. Eran Cherninsky, Executive VP, has served as Financial Division Manager since October 2018. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. 66,000 warrants were granted to Eran Cherninsky in 2021. For details regarding the warrants plan for managers which was approved in 2021, see Note 40(a) to the financial statements. For details regarding a special bonus which was given to Mr. Cherninsky, and which was partially attributed to the reporting year, see subsection 4 above.

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table: (Cont.)

7. Mr. Yossi Dori, Executive VP, has served in the position of Investments Division Manager and CEO of Canaf, since August 2018. After the end of the reporting period, in March 2023, Mr. Dori concluded his tenure, following the announcement of his desire to conclude his tenure in November 2022. His employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. Mr. Yossi Dori has warrants which were allocated to him in accordance with the Company's options plan for 2015, which will expire proximate to the publication date of the report. For details regarding this plan, see Note 40(a) to the financial statements. 66,000 warrants were granted to Mr. Yossi Dori in 2021, some of which will expire due to the conclusion of his tenure in 2023. For details regarding the warrants plan for managers which was approved in 2021, see Note 40(a) to the financial statements. For details regarding a special bonus which was given to Mr. Dori during the reporting year, see subsection 4 above.

8. Ms. Hadar Brin Weiss, Executive VP, has served as Manager of the Legal Counsel and Regulation Division since January 2013. Her employment terms were defined in the personal employment agreement which generally corresponds to the employment agreement specified in subsection 4 above. 66,000 options were allocated to Ms. Brin Weiss in 2021. For details regarding the warrants plan for managers which was approved in 2021, see Note 40(a) to the financial statements. For details regarding a special bonus which was given to Ms. Brin Weiss, and which was partially attributed to the reporting year, see subsection 4 above.

9. For details regarding the employment terms of Mr. Haim Samet, the Chairman of the Board, see Note 39(b)(4) to the Company's financial statements.

A. Compensation plans

For details regarding the Company's equity compensation plans, see Note 40(a) to the Company's financial statements. For the Company's compensation policy, see the annex "**Compensation Policy**" in Part A of the Periodic Report.

B. Directors' compensation

The Company's payments in each of the years 2022 and 2021 to the Company's directors, with respect to their tenure on the Company's Board of Directors and in the various committees (excluding payments to the Chairman of the Company's Board of Directors), amounted to a total of approximately NIS 3,614 thousand and approximately NIS 3,029 thousand, respectively. The directors, excluding the Chairman of the Board, are paid the maximum amount permitted for an expert outside director, in accordance with the Company's grade, and in accordance with the Company's compensation policy. The Company participates in 20% of the employment cost of the shared directors, who serve both in the Company and in Clal Insurance (not including the salary of outside directors in the Company, who have also served as directors in Clal Insurance, who are not entitled to the renewal of their tenure as outside directors in the Company, to a salary with respect to their tenure in Clal Insurance, and their salary is paid by the Company), and Clal Insurance pays 80% of the cost. Since December 2021, when the Chairman of the Board, Mr. Haim Samet, was also appointed as the Chairman of the Board of Clal Insurance, Clal Insurance has paid 80% of the Chairman of the Board's employment cost. Until that date, the Company had paid his full salary, according to its amount at the time. For details regarding the employment terms of Mr. Haim Samet, the Chairman of the Board, see Note 39(b)(4) to the Company's financial statements. The aforementioned amounts are after the participation of Clal Insurance in the aforementioned insurance.

On March 8, 2022, the Companies Regulations (Rules Regarding Compensation and Expenses of Outside Director) (Transitional Provision), 2022 (the "Transitional Provision"), were published, which pertained to the manner of payment of compensation to directors in public companies and in bond companies during the period of the coronavirus restrictions. In accordance with the transitional provision, the board of directors of a company is entitled to determine, regarding compensation for participation, criteria for classification of an outside director's participation in a board meeting, or in meeting of any board committee, during the period of the restrictions, as defined below, via teleconference, as specified in section 101 of the Companies Law, as participation in an ordinary meeting, if the meeting would ordinarily have been held with in-person presence of the participants, and a restriction applied on holding the meeting with the in-person presence of all or some of the participants due to restrictions which were imposed with the aim of containing the spread of the coronavirus, or if there was another justification for participation therein via teleconference, due to the above restrictions ("Eligible Participation").

11. Compensation to interested parties and corporate officers (Regulation 21) (Cont.)

Notes regarding the data in the table: (Cont.)

Accordingly, during the reporting year the Board of Directors established the foregoing criteria, and evaluated, with respect to each online meeting, whether it should be classified as eligible participation, in accordance with the criteria which it determined, and insofar as a meeting was classified as eligible participation, it was considered as an ordinary meeting, and full compensation for participation was paid for it, instead of reduced compensation (60% of the compensation for participation) in respect of online meetings. The criteria which were determined by the Board of Directors, as stated above, applied to all outside directors who served in the Company during the period of the restrictions.

The transitional provision applies retrospectively beginning on March 15, 2020 (the application date), and continued for as long as the declaration of a special health situation or emergency situation remained in effect due to the coronavirus pandemic, by virtue of the Special Authorities for Responding to The Coronavirus Pandemic (Transitional Provision), 2020, i.e., until June 15, 2022 (the “Restrictions Period”).

In accordance with the Board of Directors’ resolution and the Company’s compensation policy, the above also applies to directors who are not outside directors, excluding the Chairman of the Board. By virtue of the compensation circular, the above also applies to outside or independent directors, or external representatives in institutional entities.

12. Controlling shareholder of the corporation (Regulation 21A)

As of the publication date of the report, the Company is a company without a control core.

During the years 2013 to 2019, as a precaution, the Company considered IDB Development Corporation Ltd. (“**IDB Development**”) as the Company’s controlling shareholder, for the purpose of Regulation 21A.

On December 8, 2019, the Company received a letter from the Commissioner (the “**Commissioner’s Letter**”), in which the Commissioner announced, inter alia, that in light of the changes which occurred in IDB Development’s stake in the Company, the Commissioner evaluated the issue of the control of the Company. In accordance with the Commissioner’s letter, as part of the aforementioned evaluation, the positions of the Ministry of Justice, the Israel Securities Authority and the Competition Authority were received as well. The findings of the aforementioned evaluation, which, according to the Authority’s position, are based on the Company’s representations, indicated that, as of this date, there is no entity which holds, directly or indirectly, the Company’s means of control, in a manner which would create an obligation to obtain a permit for the control of the Company in accordance with section 32(b) of the Control of Financial Services (Insurance) Law, 1981 (the “**Insurance Law**”), and therefore, the Company is required to receive a permit for the control of Clal Insurance from the Commissioner. The outline for exercising control, including the letters which were received, replaces the need for a control permit.

Further to the foregoing, on October 19, 2020 the Company and Clal Insurance received a letter from the Commissioner entitled “update regarding the outline for exercising the means of control of Clal Insurance” (which replaced the Commissioner’s letter on the subject dated July 21, 2020), specifying, inter alia, the Commissioner’s reference to the arrangements which will apply to exercising the Company’s means of control in the Company and Clal Insurance, the appointment of directors in Clal Insurance and in the Company, and participation in the Company’s general meeting (the “**Outline for Exercising the Means of Control**”). On November 30, 2020 and December 25, 2022, clarification letters were received from the Commissioner, in connection with the outline for exercising the means of control and control permit, as stated above.

On March 27, 2023, the Company received a letter from the Commissioner which included, inter alia, an update to the insurer license of the institutional entities which are controlled by the Company, and conditions which will apply to the Company in connection with the holding of the means of control of Clal Insurance; It was determined that the outline for exercising the means of control of Clal Insurance will remain in effect, and reference was given to aspects of the Company’s financial stability, and its obligation towards Clal Insurance, due to the transaction to acquire Max IT Finance Ltd.

For additional details regarding the control outline, including regarding the appointment of directors in the Company, see Note 1b(3) to the Company’s financial statements.

13. Transactions with the controlling shareholder (Regulation 22)-

In light of the provisions of section 12 above, the Company has no engagements with controlling shareholders as specified in section 270(4) of the Companies Law, 1999 (hereinafter: the "**Companies Law**"), including engagements which are not listed in section 270(4) of the Companies Law, and which are not insignificant.

Until December 9, 2019, the Company viewed IDB Development and its controlling shareholders as the Company's controlling shareholders, including the trustee for the control shares, and as a precaution only, and accordingly, it also viewed transactions with companies in which the aforementioned entities are interested parties (the "**Entities from the IDB Group**") as transactions in which the Company's controlling shareholder has a personal interest.

For details regarding transactions as specified in section 270(4) of the Companies Law, including engagements which are not listed in section 270(4) of the Companies Law, and which are not insignificant, which were in effect during the reporting year, with parties who were considered, on the date of the engagement, as controlling shareholders, or transactions in parties which were considered, as a precaution, as controlling shareholders, had a personal interest, see the Company's financial statements for 2019.

Presented below are details regarding the policies and criteria which have been adopted by the Company in connection with transactions and engagements with its interested parties, officers and related parties (and controlling shareholders, if any):

A. Policy regarding related parties

It is noted that the Control Law prescribes unique provisions regarding an insurer without a control core, inter alia, in connection with the method of appointment of directors and reports regarding the holding of means of control of an insurer with no controlling shareholder. Due to the Company's holding structure, being a company without a control core, and due to the fact that the provisions of the Control Law with respect to an insurer with no controlling shareholder do not apply to it, due to the different corporate structure of the large insurance companies in Israel, in these circumstances, including, inter alia, due to the fact that institutional entities have different characteristics, which not every public company has, and whose existence justifies different treatment, inter alia, in light of the fact that the institutional entities manage members' funds, on March 12 and 26, 2020, the Company's Audit Committee and Board of Directors approved a policy regarding approval of transactions with parties which are considered interested parties of the Company (who are not controlling shareholders), directors, and other entities, which included the determination of procedures for approving transactions with and investments in related parties, and the establishment of limits on exposure to related parties. This policy was updated by the competent organs in November 2020 and in March 2022. For details regarding the policy regarding related parties, see section 11.3.1.2(a) of the report regarding the description of the corporation's business.

B. Policy regarding the evaluation of significance

For details regarding the policy for the evaluation of materiality which the Company adopted, regarding the obligation to submit an immediate report regarding such transactions by virtue of Regulation 36 of the Periodic Report Regulations, and for the purpose of classifying transactions of the kind specified in sections 270(1), (4) and (4a) of the Companies Law, see section 11.3.1.3(a) of the report regarding the description of the corporation's business.

13. Transactions with the controlling shareholder (Regulation 22). (Cont.)

C. Insignificant transactions and policy regarding insignificance

The Company’s Audit Committee and Board of Directors adopted guidelines and rules for the classification of a transaction of the Company or its consolidated company with an interested party therein as an insignificant transaction, as determined in Regulation 41(a3)(a)(1) of the Securities Regulations (Annual Financial Statements), 2010 (the “**Financial Statements Regulations**”). These rules and guidelines also serve to evaluate the scope of disclosure in the periodic report and in the prospectus (including in shelf offering reports) regarding a transaction of the Company, a corporation under its control, or its related company, with the controlling shareholder or interested party, or regarding which the controlling shareholder or interested party has a personal interest in its approval, as determined in Regulation 22 of the Securities Regulations (Periodic and Immediate Reports), 1970 (the “**Periodic Reports Regulations**”) (hereinafter: “**Interested Party Transactions**”). It is noted that the aforementioned guidelines and rules are also used for transaction classification purposes, in accordance with the provisions of section 117(2a) of the Companies Law.

As stated above, as of the present date, the Company has no controlling shareholder, and accordingly, the criteria is being used by the Company mostly for the purpose of classifying transactions with interested parties who are not controlling shareholders, and as specified in the policy regarding related parties, in section 11.3.1.2(a) of the report regarding the description of the corporation’s business, and regarding the method for approving transactions with officers or in which officers have a personal interest, in accordance with the policy for the identification and approval of interested party transactions, as specified in section D below.

On March 14 and March 30, 2023, the Company’s Audit Committee and Board of Directors, respectively, discussed the aforementioned guidelines and rules, and the criteria which had been determined, and as part of the above, they were presented with the findings of the control unit on the subject (in accordance with the policy as specified below), and resolved to ratify them.

In their ordinary course of business, the Company, its consolidated companies and its related companies perform, or may perform, non-extraordinary insignificant transactions, with interested parties, as stated above, or with companies in which the interested party has a personal interest, and also with entities which have, or may have, undertakings to perform transactions, including transactions of the types and characteristics specified below:

1. <u>Transactions involving the purchase of services and/or products and/or investments:</u>

(A) Transactions with banking corporations and financial institutions, including deposits and associated banking services, credit agreements and credit facilities, credit card issuance, clearing and operation, payment solutions and financial products; **(B)** Transactions involving the purchase of products and services; (**C**) Management and other services for income-generating properties; (D) Financial investments within the framework of a consortium and/or the acquisition of securities within the framework of public offerings and/or private issuances to institutional entities and/or private transactions; (**E**) Investments in funds and/or acquisition of rights in funds; (**F**) Company rating services or issuances and underwriting for securities distribution, securities agency and brokerage; (**G**) Agency services with respect to insurance, pension and provident funds by insurance agencies; (**J**) Leasing, management and rental of properties; (**H**) Acquisition and sale of properties together with interested parties; (**I**) Investment/credit management services, including credit rating; (**J**) Acquisition of financial and/or economic services, including economic and business consulting, underwriting services, underwriting and investment banking services; (**K**) IT and software services.**(L)** Purchase and/or subsidization for the purchase of voucher cards

13. Transactions with the controlling shareholder (Regulation 22). (Cont.)

2. Transactions involving the sale of services and/or products

A) Sale of insurance policies which were issued by the insurers in Clal Group, in all insurance branches, to the interested parties in the Company and/or to other parties, in cases where the interested parties have a personal interest in the engagement and/or in the employees of the aforementioned entities, including policies which are shared by the Company and/or additional member companies of Clal Group (including employee trust insurance, real estate, property and liabilities insurance, managers' insurance, professional liability insurance, etc.); (B) Provision of insurance activity agency services by insurance agencies; (C) Provision of provident fund and/or pension fund management services to corporations and/or their employees, including loans based on the accrued savings in the provident funds or insurance policies; (D) Provision of banking, financial and/or economic services, including credit, factoring, financing, mortgage accompaniment and guarantees, issuance, clearing and operation of payment cards, and provision of payment solutions and financial products; (E) Property rentals.

It is noted that the approval process for related party claims, with respect to the receipt of insurance benefits, although it constitutes the implementation of the policy terms, was approved, for the sake of caution, by the Audit Committee and the Board of Directors, within the framework of a separate policy, in which policies were pre-approved with respect to the approval processes of such claims.

Policy regarding the evaluation of insignificance

Without derogating from the generality of the foregoing, the quantitative and qualitative evaluations will be conducted in the following manner:

1. Quantitative evaluation

A. Insurance transaction

In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, a transaction of this kind which is implemented in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if its scope is lower than NIS 15 million. For the avoidance of doubt, it is hereby clarified that the scope of the transaction will be evaluated according to the total income from the transaction in a calendar year, and in life insurance and long term saving products transactions, the scope of the transaction will be evaluated according to the total management fees with respect to the transaction in a calendar year.

B. Transactions involving the acquisition of products and/or services

In the absence of special qualitative considerations in light of the entire set of relevant circumstances, a transaction of this kind which is performed in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if it is in a scope lower than NIS 10 million, and if it does not involve the receipt of services from the controlling shareholder or a relative of his (management agreement) in accordance with the latter part of section 270(4) of the Companies Law.

C. Transactions involving investment and/or acquisition or sale of property, plant and equipment (non-current assets) / acceptance of monetary liability

In the absence of special qualitative considerations which arise in light of the entire set of relevant circumstances, a transaction of this kind which is performed in market conditions, in the ordinary course of business, and which does not have a significant influence on the Company, will be considered an insignificant transaction if all of the following criteria amount to a rate of less than one tenth of a percent (0.1%).

It should be noted that the evaluated data will be based on the Company's consolidated financial statements, audited or reviewed (the last statements to be published before the performance of the transaction).

13. Transactions with the controlling shareholder (Regulation 22). (Cont.)

D. Transactions involving investment and/or acquisition or sale of property, plant and equipment (non-current assets)

Two cumulative tests are applied:

- In a transaction involving nostro assets and/or profit sharing policies - the scope of assets which is the subject of the transaction, out of the aforementioned sources, divided by the total assets in the Company's consolidated balance sheet.
- In a transaction involving the assets of provident funds and/or pension funds - the scope of assets involved in the transaction from the aforementioned sources, divided by total members' assets in the provident funds and pension funds which are managed by the Group.
- In a sale transaction from nostro assets - the annual profit/loss attributed to the Company's shareholders, net, after tax, in terms of profit and loss or comprehensive income, actual or forecasted, as attributed to the transaction (whichever is more stringent), divided by the profit or loss attributed to the Company's shareholders, net after tax, in terms of the Company's average profit and loss or annual comprehensive income (in other words, over four quarters) over the last three years, calculated based on the last 12 quarters prior to the performance of the transaction, and for which audited or reviewed financial statements have been published. It is hereby clarified that the profit/loss in each quarter is calculated according to absolute values.

E. Acceptance of monetary financial liability

The scope of the liability, which is the subject of the transaction, divided by the total assets in the Company's consolidated balance sheet.

If the transaction involves a subsidiary, an evaluation should be performed regarding the transaction's impact on the Company, and in case an associate of the Company, the impact of the transaction should be evaluated relative to the Company's holding rate in the investee company, while applying the insignificance tests specified above.

2. Qualitative test

The evaluation of the qualitative considerations of the interested party transaction may lead to a situation wherein a transaction will be determined as insignificant, even though according to the quantitative evaluation in accordance with section 1 above, it has qualified as an insignificant transaction. Thus, for example, and for the sake of example only, a transaction will generally not be considered insignificant if it is perceived by Company management to be a highly significant event, even if it is insignificant according to the quantitative criteria specified above, such as in cases where the transactions involved highly significant chances, risks or exposures, the event could affect the Company's fulfillment of significant regulatory or contractual requirements, or if the transaction involves entry into a new and significant operating segment, or departure from a current and significant operating segment. It is hereby clarified, with respect to transactions which involve transferring all or part of a corporation's activity (including by way of transfer of securities), the tests set forth in Regulation 6(b) of the Securities Regulations (Transaction Between a Company and its Controlling Shareholder), 2001, will be taken into account.

Separate transactions which are dependent on one another, in a manner whereby they effectively constitute a part of the same engagement (for example, conducting centralized negotiations with respect to the entire set of transactions or frequent and repeated orders from the same supplier), will be evaluated as a single transaction.

A transaction which is classified as an insignificant transaction by an investee company will be considered as an insignificant transaction also on the level of the holding company. A transaction of an investee company which is classified as a non-insignificant transaction in an investee company may be classified as an insignificant transaction according to the relevant criteria on the level of the holding company.

13. Transactions with the controlling shareholder (Regulation 22) (Cont.)

Policy regarding the evaluation of insignificance (Cont.)

3. Non-extraordinary and highly insignificant retail transaction

Pre-approval was given for the performance of "retail" transactions in which the member companies in the Group sell deviation to private entities and small businesses, including non-life, health and life insurance policies, pension funds and provident funds and associated services, which are provided to individuals and to small employers. These transactions are approved insofar as the premium amount or management fees with respect to the transaction, as applicable, according to the Company's price list, do not exceed NIS 50,000 per year, except with respect to deposits to pension products. Insofar as the matter involves a deposit to a pension / savings product, a highly insignificant transaction is a transaction where the management fees collected with respect thereto are in accordance with the Company's price list[2], provided that, in the case of a one-time deposit, it does not exceed NIS 1.5 million per year. The aforementioned approval was given on the condition that the aforementioned transactions are performed in accordance with price lists which include prices (premiums, management fees), discount grades and predetermined underwriting terms, and apply to all of the Company's retail engagements (hereinafter: "**Highly Insignificant Current Transaction**").

The evaluation of the insignificance of a transaction will be performed according to the relevant criteria from among those specified above. The evaluation of the significance of a transaction will be performed according to the criteria set forth in the Company's significance policy, as specified in section 11.3.1.3(a) of the report regarding the description of the corporation's business.

In case of a transaction with an interested party which is a shareholder of the Company, the question of insignificance will be evaluated with respect to the Company's operations and results.

In case of a transaction with a corporate officer in which the controlling shareholder has a personal interest, the question of insignificance will be evaluated with respect to the operations and results of the Company which is engaging in the transaction.

If the transaction involves a subsidiary, an evaluation will be conducted regarding the impact of the transaction on the Company, and in case of an associate of the Company, the impact of the transaction will be evaluated relative to the Company's holding rate in the investee company, while applying the insignificance tests referenced above.

Each case will be evaluated on its own merits, and a quantitative and qualitative evaluation will be conducted regarding the relevant event, based on the entire set of information, data, facts and estimates pertaining to the case, in light of the entire set of circumstances which are relevant to the Company.

D. Policy regarding the identification and approval of transactions with interested parties -

The Companies Law determines that certain transactions in which the Company's corporate officers have a personal interest, and transactions of public companies with the controlling shareholder (including those in which the controlling shareholder has a personal interest) (hereinafter, jointly: "**Transactions with Interested Parties**"), require the receipt of special approvals, in accordance with the party to the transaction, the type of the transaction, and the transaction terms. It is emphasized that according to the conventional interpretation of the Companies Law, a transaction of a private company which is under the Company's control, with a controlling shareholder or in which the controlling shareholder has a personal interest, is generally considered as a transaction of the Company, as a public company (even if the public company is not party to the transaction), and require the receipt of approvals in the Company.

The Audit Committee adopted a policy regarding the identification and approval of transactions with interested parties, which regulates engagements of the Company with controlling shareholders and officers. Presented below are the main details of the policy which was last ratified by the Audit Committee on March 14, 2023. [3]

[2] It is hereby clarified that, in managers insurance or in a pension fund or provident fund, the Company's price list will be in accordance with the conventional arrangement for Company employees, including with respect to interested parties.

[3] With respect to controlling shareholder transactions, the policy formalizes the method used to perform a competitive process and alternative processes, as well as procedures regarding the process of classifying and approving transactions of this kind, due to the fact that, as of the present date, the Company has no controlling shareholder, and accordingly, these criteria are irrelevant to the Company.

D. Policy regarding the identification and approval of transactions with interested parties (Cont.)

Transaction approval processes:

- **Transaction with the controlling shareholder or in which the controlling shareholder has a personal interest:**
  - **Extraordinary transactions** - will be approved in accordance with the provisions of the Companies Law.
  - **Non-extraordinary and non-insignificant transactions** - will be presented for approval to the Audit Committee, for classification of the transaction and approval of the transaction itself.
  - **Non-extraordinary and insignificant transactions** - will be pre-approved, provided that they are implemented in accordance with the provisions of the policy. The evaluation pf the aforementioned transactions will be performed by the corporate officer who is responsible for the relevant segment in the Group (and insofar as he has a personal interest in the performance of the transaction - by his supervisor).

- **Transactions with corporate officers or in which corporate officers have a personal interest**[4]
  - **Extraordinary transactions** - will be presented to the Audit Committee and Board of Directors for approval.
  - **Non-extraordinary and non-insignificant transactions**[5] - Will be presented to the Audit Committee or Board of Directors for approval.
  - **Non-extraordinary and insignificant transactions** - On February 17, 2009, an amendment was implemented to the Company's bylaws, in which it was determined that a transaction with a corporate officer, or a transaction in which a corporate officer has a personal interest, will be approved by another corporate officer, provided that it is not an extraordinary transaction (excluding a transaction which pertains to terms of tenure and employment). The Company's Board of Directors determined, on the same date, that the evaluation regarding whether the transaction is insignificant will be performed by a relevant corporate officer, in accordance with an internal company policy regarding the on the same date and approval of transactions with interested parties, as approved by the Audit Committee and Board of Directors on an annual basis.
- **Non-extraordinary and highly insignificant retail transaction** - Pre-approval (including with respect to outside directors) for the performance of "retail" transactions of the Group's products, in accordance with the price list, as specified in section B above.

<u>Criteria for the classification of transactions</u>

The Companies Law determines that an "extraordinary transaction" is a transaction which fulfills one of the following three criteria:

(A) A transaction which is not in the Company's ordinary course of business; (B) a transaction which is not executed in market conditions; (C) a transaction which may significantly affect the Company's profitability, property or liabilities.

The relevant corporate officer, or the relevant organ, as stated above, will evaluate the transaction in question, and will determine whether the transaction fulfills the three criteria for qualification as an **extraordinary transaction**.

- For the purpose of the evaluation of exceptionality, a transaction will be considered a transaction **in the Company's ordinary course of business** following a factual evaluation, in light of the ordinary economic activity of the Company which is engaging in the transaction, in a manner whereby the type of product or service which are purchased, the liabilities or which are accepted in the Company's ordinary course of business, are within its operating segments, are required for its routine operations, or a transaction with similar characteristics as the types of transactions in which the engaging company has engaged in the past in the course of its business affairs, or in which companies of the same type as the Company customarily engages.

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4 Investment transactions with a related party in the investment segment will also be subject to the current provisions, in accordance with the law, and therefore, transactions involving members' funds or the funds of profit sharing policies will be presented for approval to the relevant Investment Committee, in addition to, or instead of, the approval of the aforementioned organs, and investment transactions involving nostro funds will be presented to the Audit Committee for approval, in addition to, or instead of, the aforementioned organs.

5 For the purpose of this policy, an "**Insignificant Transaction**" will be as defined in the Company's insignificance policy, as specified in section E below.

D. Policy regarding the identification and approval of transactions with interested parties (Cont.)

- For the purpose of the aforementioned exceptionality, a transaction will be classified as a **material transaction** in accordance with the significance policy which has been adopted by the Company, as specified in section 11.3.1.3(a) of the chapter “description of the corporation’s business”. A transaction will be classified as an **insignificant transaction** in accordance with the insignificant policy which has been adopted by the Company, as specified in section B above.

- For the purpose of the aforementioned evaluation of exceptionality, the evaluation of **market conditions** will be performed based on an external, objective indication of the market conditions of the transaction, and therefore, market condition identify similar transactions to those conducted with the controlling shareholder or with the corporate officer, which were performed with non-related parties, and to compare those transactions. The comparison will be performed, where possible, against similar transactions in terms of operating segment, type of product or service, and in terms of the financial scope of the engagement, which were executed relatively proximate to the date of the evaluated transaction, and with non-related parties, except in special cases, and for reasons which will be specified. As part of the above, efforts will be made to evaluate also similar transactions which were performed on the market by the Company between unrelated parties. Inter alia, market conditions can be based, inter alia, on price lists, opinions or criteria which have been determined by the Company for the purpose of conducting a competitive process or other dedicated process. It is clarified that an interested party transaction whose conditions, for the Company, are better than the market conditions, will be considered (from the Company’s perspective) as a transaction in market conditions.

The Company will followup, for the purpose of evaluating the adequacy of actual classification of the transactions by management, in accordance with the criteria which were determined;

- The relevant control units will periodically follow up on transactions with related parties.
- The Internal Auditor will conduct an internal audit regarding the compliance with the provisions of the policy once every two years.
- The audit committee will hold a discussion regarding the criteria specified in the policy each calendar year, and will approve them, including receiving a report regarding the audit report, and the aforementioned material control findings, while discussing the appropriateness of the criteria, and transactions which were executed and/or classified in accordance with the criteria during the past year.

14. Holdings of interested parties and corporate officers (Regulation 24)

14.1 In the corporation

A. **Stocks and other securities which are held by interested parties in the corporation -** For details on this matter, see the immediate report dated January 5, 2023 (reference number 2023-01-002985).

B.

Holding of the Company's warrants by corporate officers - For details on this matter, see the immediate report dated January 5, 2023 (reference number 2023-01-002985).

C. **Holding of the Company's liability certificates** - As of March 1, 2023

Name of interested party	Company number	Name of security	Number of security on the stock exchange	Amount	% of total Outstanding bonds
Phoenix Holdings Ltd.	520017450	Clal Holdings bonds (Series A)	1193481	11,609,384	4.66
Phoenix Holdings Ltd.	520017450	Clal Holdings bonds (Series B) (convertible bonds)	1193499	40,507,072	27
Harel Insurance Investments and Financial Services Ltd.	520033986	Clal Holdings bonds (Series A)	1193481	397,000	0.16

14. Holdings of interested parties and corporate officers (Regulation 24)

14.2 Stocks and other securities which are held by an interested party in the Company whose activity is material to the corporation's activity as of March 1, 2023

Name of interested party	Company number	Name of security	Number of security on the stock exchange	Amount	% of total Outstanding bonds
Phoenix Holdings Ltd.	520017450	Clalbit Finance Ltd. - bonds (Series F)	1132950	54,323,876	20.78
		Clalbit Finance Ltd. - bonds (Series I)	1136050	93,004,837	21.96
		Clalbit Finance Ltd. - bonds (Series J)	1136068	223,094,482	23.24
		Clalbit Finance Ltd. - bonds (Series K)	1160647	309,268,194	18.9
		Clalbit Finance Ltd. - bonds (Series L)	1179928	153,993,216	11.55
Harel Insurance Investments and Financial Services Ltd.	520033986	Clalbit Finance Ltd. - bonds (Series F)	1132950	11,147,357	4.26
		Clalbit Finance Ltd. - bonds (Series I)	1136050	3,956,325	0.93
		Clalbit Finance Ltd. - bonds (Series J)	1136068	45,669,895	4.76
		Clalbit Finance Ltd. - bonds (Series K)	1160647	224,102,186	13.70
		Clalbit Finance Ltd. - bonds (Series L)	1179928	132,784,290	9.95

* For details regarding the Company's holdings in subsidiaries, see Regulation 11 above.

14.3 Dormant shares - The Company has no dormant shares.

15. Registered capital, issued capital and convertible securities (Regulation 24A)

A. **Number of shares included in the corporation's registered capital** - 100,000,000 ordinary shares with a par value of NIS 1 each

B. **Number of shares included in the corporation's issued share capital** - 79,030,903 ordinary shares with a par value of NIS 1 each.

C. **Number of shares included in the corporation's issued capital, less dormant shares** - 79,030,903 ordinary shares with a par value of NIS 1 each.

D. **Number of shares which do not confer voting rights** - None.

E. There are no shares in the corporation's issued share capital which do not confer any rights whatsoever.

F. Convertible securities of the corporation - See the immediate report dated March 27, 2023 (reference number 2023-01-032427)

16. Register of shareholders (Regulation 24B)

for details, the immediate report dated February 13, 2023 (reference number - 2023-01-016530)

17. Directors of the corporation[6] (Regulation 26)

Name: **Haim Samet, Chairman**	ID number 007249675
Year of birth:	1945
Address for service of process:	15 Yitzchak Elhanan St., Tel Aviv, postcode 6525015
Citizenship:	Israeli
Membership in Board of Directors committees:	Chairman of the Class Actions Committee, Chairman of the Company's Investment Committee, member of the Information Technology Committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	Bachelor's degree in Law from The Hebrew University of Jerusalem. Holds a law license
Activity in the last five years and corporations in which serves as a director:	Began serving as a director in Clal Insurance in October 2021, and since December 2021, has served as the Chairman of the Board of Clal Insurance. Served as a director in Bank Leumi Le-Israel Ltd., serves as a senior partner in Shnitzer Gotlieb Samet & Co Law Office, served as Deputy and Acting Chairman of the Board, and Finance Committee Chairman of Tel Aviv Art Museum Ltd., Board of Trustees Member and former Audit Committee Chairman of Tel Aviv University. Director in Tkoa Mushroom Farm Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

6 As of the publication date of the report. The membership in the committees is also correct as of the publication date of the report. During the reporting year, the tenures of Mr. Sami Moualem and Mr. Roni Maliniak (OBM) concluded.

17. Directors of the corporation (Cont.)

Name: **Varda Alsheich**[7]	ID number 008059925
Year of birth:	1944
Address for service of process:	19 Yaakov Meridor St., Tel Aviv
Citizenship:	Israeli
Membership in Board of Directors committees:	Served as member of the Audit Committee, Compensation Committee and Class Actions Committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Bachelor's degree in Law from the Tel Aviv Branch of The Hebrew University of Jerusalem. Director training courses at IDC Herzliya and training courses in reading financial statements.
Activity in the last five years and corporations in which serves as a director:	Outside director in Danya Cebus Ltd. since May 2021. Director in Clal Insurance since October 2021. Until 2013, served as Vice President of the District Court of Tel Aviv-Yafo, and as the Director of the Liquidation, Receivership, Recovery and Bankruptcy Department. Since 2013: served as consultant and advisor in debt settlements and sale processes, and as an arbitrator and mediator at the Institute for Mediation in Tel Aviv. Member of committees which were established by companies on issues including derivative claims, consulting to law firms, and provision of opinions regarding past field of occupation.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **Hana Mazal (Mali) Margaliot**	ID number 024138497
Year of birth:	1969
Address for service of process:	36 Tchernichovsky St., Jerusalem
Citizenship:	Israeli
Membership in Board of Directors committees:	Audit Committee and Investment Committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2016
Education:	Actuary (F.IL.A.A), full member of the Israel Association of Actuaries; M.B.A. with a specialization in Finance and Information Systems from The Hebrew University of Jerusalem; B.A. In Economics and Communication from The Hebrew University; Actuarial certificate studies at Magid Institute. Holds a Financial Risk Management (FRM) certificate issued by GARP. Chartered Enterprise Risk Actuary (CERA) certified by CGR.
Activity in the last five years and corporations in which serves as a director:	Served as the Company's Acting Chair of the Board from August 2020 to February 2021, CEO and director in Galil Mor Financial Products Ltd., CEO of Mofet Financial Products Ltd. Served as an independent director in Israel Petrochemical Enterprises Ltd. and in Greenergy Renewable Energy Ltd. (formerly: Intercolony Investments Ltd.). Director in Michlol Finance Ltd.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No

[7] Concluded her tenure after the reporting year, on January 4, 2023

Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Maya Liquornik**	ID number 054133632
Year of birth:	1956
Address for service of process:	12 Beeri St., Tel Aviv, postcode 6468212
Citizenship:	Israeli
Membership in Board of Directors committees:	Audit Committee
Outside director:	No, independent director.
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	LLB - Tel Aviv University, MA in Middle East History
Activity in the last five years and corporations in which serves as a director:	Chair of the Board of NTA Metropolitan Mass Transit System Ltd., Served as senior and managing partner of Meitar Liquornik Geva Leshem Tal & Co. Law Office. Chair of Keshet Donor-Advised Fund (Public Benefit Company): Served until March 2023 on the Managing committee of the Israel Museum, independent director in Alony Hetz Properties and Investments Ltd. Member of the Committee for Evaluation of the Structure of Financial Regulations in Israel. Director in Max since March 28, 2023.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **Yair Bar Tov**	ID No. 56739246
Year of birth:	1960
Address for service of process:	96a HaHashmonaim St., Tel Aviv, postcode 6713343
Citizenship:	Israeli and Australian
Membership in Board of Directors committees:	Chairman of the Audit Committee, Compensation Committee, and Information Technology Committee, Member of the Balance Sheet Committee
Outside director:	Yes
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	Bachelor's degree in Computer Engineering - Ben Gurion University in Beer Sheva, Master's degree in Computer Engineering - Technion
Activity in the last five years and corporations in which serves as a director:	Served as an outside director in Cyren Ltd., as CEO of the cybersecurity company BISEC, and as VP Business Development Asia Pacific of Cyberproof Ltd. (owned by UST-Global). Since August 2021, serves as an outside director in Idomo Ltd. Since October 2021, serves as a director in Clal Insurance.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Shmuel Schwartz**	ID No. 030767032
Year of birth:	1950
Address for service of process:	12 Golei Kenya St., Tel Aviv, postcode 6971742
Citizenship:	Israeli
Membership in Board of Directors committees:	Chairman of the Audit Committee, Member of the Investment Committee, Audit Committee, Compensation Committee, and Class Actions Committee
Outside director:	Yes
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2021
Education:	B.A. in Economics and Accounting, Sociology and Anthropology - University of Haifa, MBA with a specialization in Finance - Tel Aviv University, Certified Public Accountant
Activity in the last five years and corporations in which serves as a director:	Study program manager and senior lecturer in CFO training courses at BIRAD Bar Ilan University, and senior lecturer in courses for directors. Business consultant, valuer of companies and businesses. Member of the professional council in the Institute of Certified Public Accountants in Israel. Until 2021, served as a director in the sectoral study fund for engineers - Menora Mivtachim and the Federation of Engineers Provident Fund Management Ltd., and as a director in S. Shlomo Insurance Ltd. Also serves as Chairman of the Gold Club (retiree club) of the Institute of Certified Public Accountants, since November 2021.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **Moshe (Muki) Abramowitz**	ID No. 007970197
Year of birth:	1944
Address for service of process:	18 Yair St., Ramat Gan, postcode 5223818
Citizenship:	Israeli
Membership in Board of Directors committees:	Member of the Balance Sheet Committee, Compensation Committee, Information Technology Committee
Outside director:	No, independent director
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2023
Education:	Bachelor's degree in Accounting from The Hebrew University of Jerusalem. Certificate - IT Systems Analyst from the Israel Institute of Productivity.
Activity in the last five years and corporations in which serves as a director:	2015-2018 - Outside director in Phoenix Holdings Ltd. and Phoenix Insurance Company Ltd. 2018-2021 - Chairman of the Board of Ayalon Insurance Company Ltd. Board member of the Association of the Museum of Israeli Art in Ramat Gan. Member of the audit committee and board of trustees of The Hebrew University of Jerusalem, director in Cultural and Social Programs - Public Benefit Company, member of the managing committee of Orna Porat Theater for Children and Youth. Until October 2018, served as member of Ramat Gan city council and as a member of the municipality's management board, Vice Mayor of Ramat Gan, and Chairman of Ramat Gan Economic Company. Director in Clal Insurance since March 28, 2023.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

17. Directors of the corporation (Cont.)

Name: **Aharon Fogel**	ID number 10176485
Year of birth:	1947
Address for service of process:	3 Tarsat St., Tel Aviv, postcode 6428303
Citizenship:	Israeli
Membership in Board of Directors committees:	Member of the Company's Investment Committee, Class Actions Committee and Information Technology Committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2023
Education:	B.A. In Economics and Statistics from The Hebrew University of Jerusalem. Studies towards a Master's degree in Economics at The Hebrew University of Jerusalem (without a degree).
Activity in the last five years and corporations in which serves as a director:	Since 2022 - Chairman of Rent-It (Housing Rental); 2019-2021 - Chairman of the Board of Ayalon Holdings; 2017 - present - Chairman of the Board of Green Onyx; 2016-2019 - Director in Direct Insurance Ltd.; 2014-2020 - Chairman of the Board of Zim Shipping Ltd.; Since 2013 - Member of the management board of Tel Aviv University; Since 2010 - Chairman of the Board of the Philharmonic Orchestra; Since January 2023 - Director in Haifa Port.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Name: **David Granot**	ID No. 0455333739
Year of birth:	1947
Address for service of process:	26 HaShomer St., Ra'anana, postcode 4340905
Citizenship:	Israeli
Membership in Board of Directors committees:	Member of the Balance Sheet Committee and Information Technology Committee
Outside director:	No
Employee of the corporation, or of a subsidiary, related company, or interested party:	No
Serves as a director since:	2022
Education:	B.A. In Economics from The Hebrew University of Jerusalem. MBA with a specialization in Accounting from The Hebrew University of Jerusalem.
Activity in the last five years and corporations in which serves as a director:	Since 2020 - Chairman of the Board of M.L.R.N. Projects and Commerce Ltd.; 2020-July 2022 - Investment Committee Chairman in the provident fund of Meitav DS; Investment Committee Chairman of Tel Aviv University; 2009-2017 - Outside director in Harel Insurance Investments and Financial Services Ltd. and Harel Insurance Company Ltd., and Nostro Investment Committee Chairman; 2011-2020 - Director in Alrov Properties and Lodgings Ltd. 2012-2021 - Outside director in Tempo Investments Ltd.; 2017-2019 - Director in Industrial Buildings Ltd. 2018 - June 2022 - Director in Protalix Biotherapeutics Ltd. Serves as an independent director in Ormat Technologies Ltd.; Independent director in Bezeq The Israeli Telecommunication Corporation Ltd., and in its private subsidiaries; Director in Sonol Israel Ltd.; Director in G.D. Goren Ltd.: Director in Rav Bariach (08) Industries Ltd. Credit Committee Chairman of Credito Fund.
Family member of another interested party in the corporation, to the best of his knowledge, and to the best of the corporation's knowledge:	No
Defined as a director with accounting and financial expertise or professional qualifications:	Has accounting and financial expertise

Corporate officers of the corporation[8] (Regulation 26A)

Name: **Yoram Naveh**	ID number 028865301
Year of birth:	1971
Position in the corporation:	CEO
Position in a subsidiary, related company or interested party of the corporation:	CEO of Clal Insurance, CEO of Clal Finance Ltd., Chairman of Clal Credit Insurance, Chairman of Clal Pension and Provident Funds, and serves as a director in additional companies of the Company. Director in Max since March 27, 2023
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Law and Economics from University of Haifa, Master’s degree in Law and Economics from Erasmus University of Rotterdam
Business experience in the last five years:	Since July 1, 2018, CEO of the Company and of Clal Insurance, served as Executive VP and Head of Resources Division in Clal Insurance, CEO and director in Clal Finance.
First year of tenure:	2014

Name: **Moshe Arnst**	ID number 24416604
Year of birth:	1969
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Long Term Savings Division Manager and CEO of Clal Pension and Provident Funds, serves as a director of Atudot.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	LL.B. from Bar Ilan University, M.B.A. with a specialization in Finance from Bar Ilan University.
Business experience in the last five years:	Long Term Savings Division Manager and CEO of Clal Pension and Provident Funds, until 2018 served as the Headquarters Division Manager in Clal Insurance. Served as a director in Clal Pension and Provident Funds, and as a director in Atudot and in subsidiaries of Clal Holdings Group.
First year of tenure:	2006

Name: **Eran Shahaf**	ID number 027985894
Year of birth:	1971
Position in the corporation:	Internal auditor
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Internal Auditor in Clal Insurance and in additional institutional entities of Clal Holdings Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Attorney, LL.B., B.A. In Logistics and Economics and M.B.A. from Bar Ilan University, LL.M. from Tel Aviv University.
Business experience in the last five years:	Internal auditor of the Company and of member companies in Clal Holdings Group; Board member of the Institute of Internal Auditors in Israel (IIA Israel) and Chairman of the Internal Auditors Committee of the institutional entities in the Institute;
First year of tenure:	2014

[8] As of the publication date of the report, including an officer whose tenure concluded after the reporting year. The officer’s first year of tenure means the year when they began serving as an officer in the Company, and not necessarily in their current position, or in the Company in general. Corporate officers in the Company, and, in accordance with the Company’s decision regarding the classification of the Company’s corporate officers, members of management of Clal Insurance, a subsidiary of the Company.

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Hadar Brin Weiss**	ID number 27788421
Year of birth:	1970
Position in the corporation:	General Counsel and Head of the Legal Consulting and Regulation Division
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, General Counsel and Head of the Legal Counsel and Regulation Division Manager of Clal Holdings, of the institutional entities, and of member companies of Clal Holdings Group. Director in Clal Pension and Provident Funds
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	LL.B. and LL.M. from Tel Aviv University
Business experience in the last five years:	General Counsel and Head of the Legal Consulting and Regulation Division in Clal Holdings Group
First year of tenure:	2013

Name: **Avi Ben Nun**	ID number 017879156
Year of birth:	1982
Position in the corporation:	Chief Risk Officer
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Head of the Risk, Control and Enforcement Division of Clal Insurance and of institutional entities in Clal Holdings Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	BA in Economics and Business Administration and MBA from The Hebrew University of Jerusalem
Business experience in the last five years:	Control and Enforcement Division Manager in Clal Group, VP Rating Activity Manager, and Financial Institutions Department Manager at Midroog
First year of tenure:	2020

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Elite Caspi**	ID number 59169730
Year of birth:	1964
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Head of the Non-Life Insurance Division in Clal Insurance; Serves as Chairman of the Board of Betach-Thorne and as a director in Clal Holdings Group and in subsidiaries of Clal Holdings Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Industrial Engineering and Management from Ben Gurion University; M.S.M. In Business Administration from Boston University in England.
Business experience in the last five years:	Non-Life Insurance Division Manager in Clal Insurance, Chair of the Board of Betach-Thorne and as a director in Clal Holdings Group and in subsidiaries of Clal Holdings Group.
First year of tenure:	2013

Name: **Galli Schved**	ID number 22387260
Year of birth:	1967
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Marketing and Strategy Unit Manager in Clal Insurance
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Food Sciences from The Hebrew University of Jerusalem, M.B.A. from UK Heriot Watt University
Business experience in the last five years:	Head of the Marketing, Strategy and Spokesmanship Division in Clal Insurance, VP Marketing and Strategy in Clal Insurance
First year of tenure:	2013

Name: **Dror Sessler**	ID number 054307145
Year of birth:	1956
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Claims Unit Manager in Clal Insurance, director in Clal Pension and Provident Funds
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor’s degree in Political Science from University of Haifa, Master’s degree in Public Policy from University of Haifa
Business experience in the last five years:	Claims Unit Manager in Clal Insurance, director in Clal Pension and Provident Funds
First year of tenure:	2015

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Shlomi Tamman**	ID number 54141767
Year of birth:	1957
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Agents Unit Manager
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Multidisciplinary Bachelor's from University of Haifa, Master's in Law from Bar Ilan University.
Business experience in the last five years:	Agents Unit Manager, Central Region Manager and Business Unit Deputy Manager in Clal Insurance in Clal Insurance, Central Region Manager in Clal Insurance and Tel Aviv Region Manager in Clal Insurance.
First year of tenure:	2015

Name: **Eran Cherninsky**	ID number 57693236
Year of birth:	1962
Position in the corporation:	Executive VP, Financial Division Manager
Position in a subsidiary, related company or interested party of the corporation:	Financial Division Manager in Clal Insurance; director in Clalbit Finance and in Clal Pension and Provident Funds, and in other subsidiaries of the Group. Director in Max since March 27, 2023
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	B.A. In Economics and accounting from Tel Aviv University, Certified Public Accountant, Member of the Professional Committee of the Institute of Certified Public Accountants in Israel.
Business experience in the last five years:	Financial Division Manager in Clal Insurance, CEO and CFO of Migdal Insurance and Financial Holdings Ltd. and of Migdal Insurance Agency Holdings and Management Ltd. Head of the Finance and Actuarial Division of Migdal Insurance Company Ltd.
First year of tenure:	2018

Name: **Liat Strauss**	ID number 035881549
Year of birth:	1978
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Service, Human Resources and Operations Unit Manager, and director in Clalbit Systems Ltd.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	Bachelor's degree in Humanities, University of Haifa.
Business experience in the last five years:	Service, Human Resources and Operations Department Manager, Senior VP, Service Department Manager in Clal Insurance.
First year of tenure:	2018

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Yosef Gil Dori**[9]	ID number 028047959
Year of birth:	1971
Position in the corporation:	Executive VP, Investments Division Manager
Position in a subsidiary, related company or interested party of the corporation:	CEO of Canaf, Investments Division Manager of Clal Insurance, director in subsidiaries of the Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	B.A. In Business Administration and MBA with a specialization in Finance, with honors, from The College of Management Academic Studies.
Business experience in the last five years:	CEO of Canaf and Investments Division Manager in Clal Insurance, Nostro Division Manager in the Investments Division of Clal Insurance
First year of tenure:	2018

Name: **Barak Benski**	ID number 033395286
Year of birth:	1976
Position in the corporation:	Executive VP, Investment Manager
Position in a subsidiary, related company or interested party of the corporation:	
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	BA in Business Administration from The College of Management Academic Studies, MBA from The College of Management Academic Studies. Investment consulting license from the Israel Securities Authority.
Business experience in the last five years:	Since November 2018 - Senior VP, members' investments division manager at Clal Insurance Company Ltd. 2015-11/2016 - Chief Long Term Savings Investment Manager at Meitav DS Provident and Pension Ltd.
First year of tenure:	2023

Name: **Miri Gelbert**	ID number 022921217
Year of birth:	1967
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP of Clal Insurance, CEO of Clalbit Systems Ltd., and Information Systems Supervisor in the institutional entities of Clal Group
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	MBA from Bar Ilan University and BA (Hons.) in Computer Science, Economics and Psychology from Bar Ilan University.
Business experience in the last five years:	CEO of Clalbit Systems Ltd. and Information Systems Supervisor in institutional entities in Clal Group, VP in Clal Insurance, Manager of the Organizational Information, Processes and Health Systems Department, and Manager of the Life Insurance and Strategic Project Management Department in Clal Group
First year of tenure:	2021

9 Mr. Yossi Dori concluded his tenure on March 1, 2023.

18. Corporate officers of the corporation (Regulation 26A) (Cont.)

Name: **Moshe Bar Siman Tov**[10]	ID number 033409897
Year of birth:	1976
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP of Clal Insurance, Health Division Manager
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	MBA from The Hebrew University, BA in Economics and Business Administration from The Hebrew University.
Business experience in the last five years:	Director General of the Ministry of Health, Director in E.I. Nofar Energy Ltd. and in UpHealth Inc.
First year of tenure:	2022

Name: **Eldad Eran**	ID number 069895050
Year of birth:	1967
Position in the corporation:	None
Position in a subsidiary, related company or interested party of the corporation:	Executive VP, Health Division Manager in Clal Insurance Company Ltd.
Interested party in the corporation:	No
Family member of another corporate officer or of another interested party in the corporation:	No
Education:	B.A. in Communications and Management from The College of Management Academic Studies, MBA from Kiryat Ono Academic College.
Business experience in the last five years:	Since 2011 - Lecturer on pension insurance at The College of Management Academic Studies, School of Economics. 2016-2022 - Senior VP, Manager of the Individual Health, International Travel and Foreign Residents Insurance Division at Harel Insurance Company Ltd.
First year of tenure:	2023

19. Authorized signatories of the corporation (Regulation 26B)

The Company has no independent authorized signatories.

20. Accountants of the Company (Regulation 27)

Kost Forer Gabbay and Kasierer:144 Menachem Begin Rd., Tel Aviv.

Somekh Chaikin:17 Ha’arbaa St., Tel Aviv.

21. Changes to bylaws or articles of association (Regulation 28)

No changes were made during the reporting year to the Company’s bylaws or articles of association.

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10 Mr. Moshe Bar Siman Tov concluded his tenure on January 15, 2023.

22. Resolutions and recommendations of the Board of Directors (Regulation 29)

(A) Recommendations of the Board of Directors to the general meeting and resolutions of the Board of Directors which do not require approval from the general meeting regarding:

1. **Dividend payment or performance of a distribution by other means, or distribution of bonus shares:**

   No dividends were distributed during the reporting year.

2. **Changes to the Company's registered or issued capital**: None. For details regarding an issuance of shares after the reporting date, see section 2.9 above.

3. **Changes to the corporation's bylaws or articles of association**: None.

4. **Redemption of shares**: None.

5. **Early redemption of bonds**: None.

6. **Transactions in non-market conditions between the corporation and an interested party**: None.

(B) Resolutions of the general meeting which were passed without the recommendations of the managers: None.

(C) Resolutions of special general meetings:

In a special annual general meeting of the Company which was convened on January 4, 2023, it was decided that the total number of directors in the Company will not exceed 8 directors, and it was also decided to approve an update to the compensation policy for the Company's officers, in accordance with section 267A of the Companies Law.

In a special general meeting of the Company which was convened at the request of a shareholder, Alrov Properties and Lodgings Ltd. ("Alrov"), which holds 15% of the Company's shares, which was convened on May 31, 2022, it was decided to appoint Mr. David Granot, a candidate proposed by Alrov, for tenure as an "ordinary director" (outside director).

23. Resolutions of the Company (Regulation 29A)

(A) Approval of actions in accordance with section 255 of the Companies Law: On September 2, 2021, the Audit Committee classified, in accordance with section 255(B) of the Companies Law, the issue of the Board of Directors' vote regarding the appointment of directors in Clal Insurance, as an action involving personal interest and which does not constitute a significant action (in light of the definition of a significant action in the Companies Law, as an action which may significantly affect the Company's profitability, assets or liabilities). In light of the above, and since it constitutes an immaterial action, the discussion regarding the appointment was held in the board of directors only, in the presence of all board members. For details regarding the board of directors' resolutions, see the immediate reports dated January 26 and February 14, 2023 (reference numbers 2023-01-011718 and 2023-01-014353).

(B) Actions in accordance with section 254(a) of the Companies Law, which were not approved: None.

(C) Transactions which require special approvals in accordance with section 270(1) of the Companies Law, provided that they constitute extraordinary transactions: None.

(D) Exemption, insurance or indemnity undertaking towards corporate officers which are in effect as of the reporting date:

22. Resolutions and recommendations of the Board of Directors (Regulation 29) (Cont.)

1. Presented below is a description of the arrangements which apply with respect to insurance for directors and corporate officers in the Company:

For a description of the arrangement which applies with respect to liability insurance for the Company's directors and corporate officers during the years preceding the reporting year, see Note 40(b)6(a) to the financial statements, and section 13c(1) above.

The Company's compensation policy, which includes a clause regarding exemption, indemnification and insurance for corporate officers (hereinafter: the "**Arrangements**"). The compensation policy determines that the Company will be entitled to purchase officers' liability insurance for the Group's officers, in insurance amounts which will not exceed USD 400 million, the annual premium cost and the deductible amount with respect to the policy will be according to the market conditions on the policy creation date, and at a cost which is immaterial to the Company. The Company will also be entitled to purchase run off officers' liability insurance in case of the transfer of the control of the Company and/or of a subsidiary.

In accordance with the aforementioned resolution, the Company engaged in an insurance policy which was issued by an insurer which is a non-related party, for the period from December 1, 2021 to November 30, 2022 (the "**Policy for 2022**"), and later engaged in an insurance policy which was issued by an insurer which is a non-related party, for the period from December 1, 2022 to November 30, 2023 (the "**Policy for 2023**"), in which the Company acquired insurance coverage for the Company and its investee companies. The total liability limit in the policy for 2022 and in the policy for 2023 is up to USD 130 million, with respect to a single claim or cumulatively (the coverage above USD 100 million will not apply to past activities).

23. Resolutions of the Company (Regulation 29A)

Presented below is a description of the arrangements which apply to the indemnification of directors and senior officers in the Company:

1.1 On October 10, 2002, the general meeting of the Company's shareholders approved an undertaking to indemnify corporate officers in the Company and in additional member companies of the Group, up to a rate of 25% of Clal Holdings' equity on the indemnification date. Accordingly, the Company issues letters of indemnity to officers in the Company and in certain subsidiaries.

1.2 On April 16, 2008, the Company's Audit Committee and Board of Directors approved the provision of updated letters of indemnity to corporate officers in certain member companies of Clal Holdings Group, including the Company, which are materially similar to the letters of indemnity which were approved, as stated above.

1.3 On May 3, 2012, the general meeting of the Company's shareholders approved the provision of new and amended letters of indemnity to the corporate officers of the Company and/or of additional member companies in the Group (hereinafter: the "**New Letter of Indemnity**"), in light of Amendment 16 to the Companies Law, and in accordance with the provisions of the Efficiency of Enforcement Procedures Law (Legislative Amendments), 2011, and the Law to Increase Enforcement in the Capital Market (Legislative Amendments), 2011 - on this matter, see the immediate report dated March 22, 2012 (reference number 2012-01-077232).

1.4 On July 28, 2013, the general meeting of the Company's shareholders approved the implementation of a correction to omissions in the definitions of "administrative procedure" and "payment to injured party due to breach" in the letters of indemnity, which were approved in the Company's general meeting on May 3, 2012. For additional details, see the immediate report regarding the convention of a general meeting of the Company dated July 22, 2013 (reference number 2013-01-098091).

1.5 The provisions of the new letter of indemnity take precedence over any previous agreement or understanding (prior to the signing of the new letter of indemnity), whether verbal or in writing, between the Company and a corporate officer on the subjects specified in the new letter of indemnity, including with regard to events which took place prior to the signing of the new letter of indemnity. The above is subject to the condition that a previous letter of indemnity which has been provided to a corporate officer, if any, will continue to apply and will remain valid with respect to any events which occurred prior to the signing of the new letter of indemnity (including in the event that legal proceedings with respect to the above have been filed against a corporate officer after the signing of the new letter of indemnity), in the event that the terms of the new letter of indemnity worsen the reimbursement terms for the corporate officer with respect to the above event, subject to all laws.

23. Resolutions of the Company (Regulation 29A) (Cont.)

1.6 The Company provides, from time to time, letters of indemnity to directors and/or corporate officers in the Company and/or in subsidiaries, as stated above, in accordance with the aforementioned resolutions.

1.7 In some of the Group’s subsidiaries, letters of indemnity were provided to their corporate officers in a manner whereby the indemnification amount therein does not exceed 25% of the equity of those companies, or NIS 1 million.

1.8 On December 18, 2016, the general meeting of the Company’s shareholders approved the compensation policy, which includes a clause regarding exemption, indemnification and insurance for corporate officers. Within the framework of the compensation policy, it was determined that the Company will be entitled to grant letters of indemnity, according to a wording which will be decided by the Company, and which has been approved and/or will be approved by the general meeting of the Company’s shareholders. Insofar as the Company wishes to make changes to the letters of indemnity, for any reason whatsoever, the Company will present the amended letters of indemnity to the competent organs for approval, in accordance with the provisions of the law. This provision is also included in the Company’s compensation policy.

2. Presented below is a description of the arrangements which apply with respect to the exemption for directors and senior officers in the Company:

2.1 On October 9, 2016, the Company’s Compensation Committee and Board of Directors approved the provision of an exemption from liability to the Company’s corporate officers due to a breach of duty of care towards it, subject to the receipt of the authorizations which are required by law in order to grant the exemption. The aforementioned exemption will not apply to any decision or transaction in which the controlling shareholder, or any corporate officer in the Company (including a different corporate officer than the one to whom the letter of exemption was given), have a personal interest.

2.2 On December 18, 2016, the general meeting of the Company’s shareholders approved the compensation policy, in which it was determined that the Company will be entitled to grant such an exemption. This provision is also included in the Company’s current compensation policy.

2.3 In accordance with the aforementioned resolutions, the Company grants letters of exemption to directors and corporate officers in the Company.

Clal Insurance Enterprises Holdings Ltd.

Haim Samet	**Yoram Naveh**
Chairman of the Board of Directors	**Chief Executive Officer**

Date: March 30, 2023