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The board of directors' report regarding the state of the corporation's affairs for the period ended March 31, 2023 (hereinafter: the "**Board of Directors' Report**") reviews the principal changes which occurred in the operations of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Company**") during the first three months of 2023 (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 Capital Markets, Insurance and Savings (hereinafter: the **"Commissioner"**). The Board of Directors' Report, with respect to credit card businesses, has been prepared in accordance with the reporting directives of the Commissioner of Banks (hereinafter: the "**Commissioner**"), and based on the assumption that the reader also has the Company's full periodic report for the year ended December 31, 2022 (hereinafter: the "**Periodic Report**" and/or the "**Annual Financial Statements**").

Forward looking information

The Company's periodic report, as presented below, may include, in addition to information pertaining to the past, also forward looking information, as defined in the Securities Law - 1968. Forward looking information, insofar as any has been which included, is based, inter alia, on the estimates and assumptions of Group management, and on future forecasts which are associated with economic and other developments in Israel and around the world, legislative and regulatory provisions, competition in the branch, accounting and taxation changes, and technological developments. Although the Company and the consolidated companies believe that their assumptions are reasonable as of the reporting date, they are by nature uncertain, and actual results may differ significantly from the forecast, and the readers of the report should therefore address this information with the required caution.

1. Structure of the Group, operating segments and developments in the Group

1.1 Structure of the Group

Company 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.

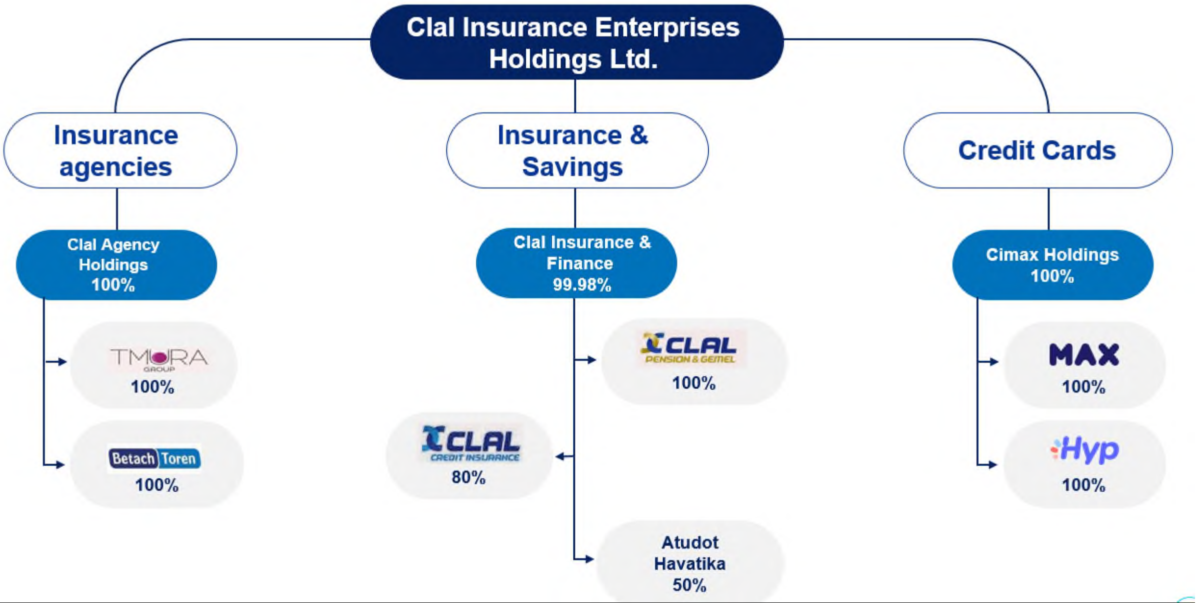
For additional details regarding the holdings in the Company and changes during the reporting period, see Note 1 to the financial statements. Additionally, for details regarding an allocation of Company shares within the framework of the closing of the Max transaction, see Note 7 to the financial statements.

1.2 Operating segments and developments in the Group

1.2.1 For a description of the Group's operating segments and the Group's holding structure until the closing date of the Max transaction in March 2023, see section 1.1 in the chapter "description of the corporation's business" in the periodic report for 2022.

1.2.2 Further to that stated in Note 11 to the financial statements, on March 27, 2023 the Company completed the acquisition of CIMax Holdings Ltd. hereinafter: "**CIMax**"). Presented below are details regarding the Group's operating segments and resulting holding structure.

1.2.3 The holding structure is presented below:



	Clal Insurance Enterprises Holdings Ltd.	
Insurance agencies	**Insurance and savings**	**Credit cards**
Clal Insurance Agency Holdings 100%	Clal Insurance and Finance 99.98%	CIMax 100%
Temura 100%	Clal Pension and Provident Funds 100%	Max 100%
Betach Thorne 100%	Clal Credit Insurance 80%	Hyp 100%
	Atudot Havatika 50%	

1.2.4 Beginning from the publication date of the report, upon the closing of the Max transaction, the Company has four significant operating segments:

A. Long term savings segment

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; and the **optional layer** - pension savings beyond the compulsory layer, which are managed by institutional entities, and 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**").

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).

B. <u>Non-life insurance segment</u>

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.

C. <u>Health insurance segment</u>

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.

D. <u>Credit card activity segment</u>

Through **Max IT Finance Ltd.** (hereinafter: "**Max**"), activities involving the issuance, clearing and processing of payment cards, and the provision of payment solutions and financial products, including credit to private and business customers. Max was formed on February 15, 2000, and began its business activity on May 15, 2000. Some of the services which Max provides are given through the subsidiaries Max IT Credit Ltd., Max IT Deposits Ltd., Max IT Deductions Ltd., and Max Insurance Agency (2020) Ltd.

This segment also includes Milo Holdings Ltd., which holds Hyp Payment Solutions Ltd. (hereinafter: "**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 (hereinafter: "**Checkout**") 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 discounting companies. Hyp also provides a bookkeeping management and digital invoice production system;

Milo also holds 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[1].

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[1] 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.

2. *Board of Directors' Remarks Regarding the Corporation's Business Position*

The activity of the Group's member companies is subject to continuous regulation, and to regulatory changes and reforms. The activities and results of Clal Insurance are also significantly affected by changes in the capital markets, including, inter alia, due to interest rate changes, which affect Clal Insurance'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. Closing of transaction involving the acquisition of CIMax Holdings Ltd.

Further to that stated in Note 42(J) to the financial statements for 2022, on March 27, 2023, the Company completed its acquisition of CIMax Holdings Ltd. The Company first consolidated the assets and liabilities of CIMax and companies under its control in the financial statements as of March 31, 2023. For additional details, see Note 5 to the financial statements.

B. Capital markets and increase of the interest rate curve

The results during the reporting period were mostly influenced by financial effects. On the one hand, a mixed trend was seen in marketable capital markets, 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 (the Company has a liability to policyholders in the amount of approximately NIS 795 million, before tax, where until it has been recovered, the Company will not collect variable management fees. As of December 31, 2022, the balance amounted to approximately NIS 753 million). On the other hand, the risk-free interest rate curve increased, 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 below. For details regarding the Company's sensitivity to changes in the capital market and to interest rates, see Note 38 to the annual financial statements.

C. Rating and issuance of bonds by the Company

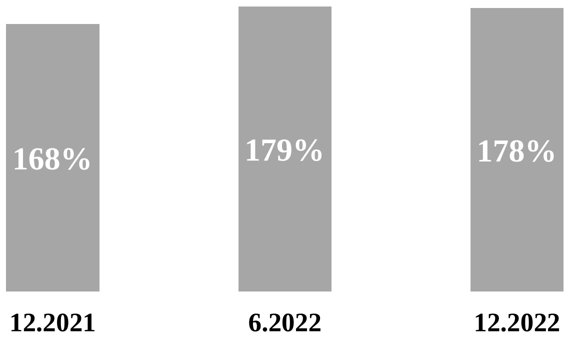
In February 2023, the Company performed an issuance of NIS 249.1 thousand par value of bonds (Series A), and of NIS 150 thousand of bonds (Series B), in accordance with a shelf offering report dated February 9, 2023, which was published by virtue of the Company's shelf prospectus. The issuance costs amounted to a total of approximately NIS 3 million. The net issuance proceeds amounted to approximately NIS 397 million.
In January and February 2023, Maalot announced a rating of (AA-), stable rating outlook, for the Company and for the bonds it has issued, as stated above.

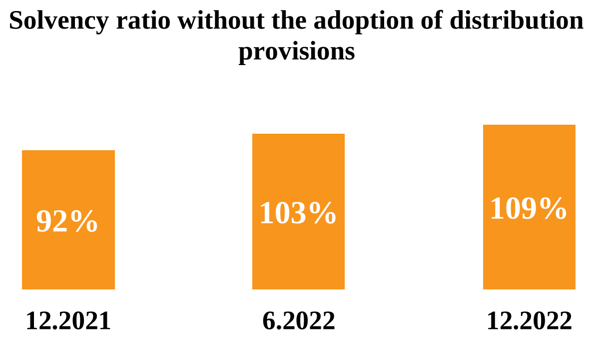
D. Economic solvency ratio in Clal Insurance

Clal Insurance published an economic solvency ratio report as of December 31, 2022, in which the ratio, without the distribution provisions, was 109%, as compared with a ratio of 103% as of June 30, 2022.

In consideration of the distribution provisions, the ratio was 178% as of December 31, 2022, as compared with 179%, respectively, as of June 30, 2022. For additional details, see section 2.5 below, Note 7 to the financial statements, and the solvency ratio report which is attached as Annex to the report.

Solvency ratio





E. Consolidation activity upon the acquisition of Max -

In accordance with accounting standards, the Company recorded a provision for credit default upon the acquisition of Max in the amount of approximately NIS 220 million before tax. For additional details, see Note 3(C)(2) to the financial statements.

F. Financial effects after the reporting date

During the period after the reporting date and until the approval date of the financial statements, the trend of increases in the interest rate curve continued.

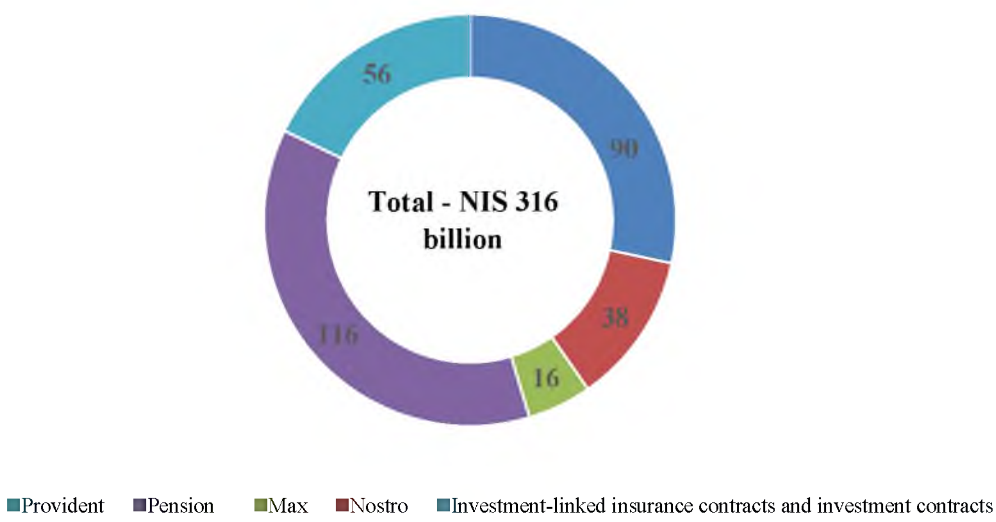
At this stage it is not possible to estimate the continued developments in the market and in the interest rate curve, or their effects on the results for the first quarter of 2023, and the foregoing does not constitute any estimate of the Company's projected financial results in 2023, or regarding the economic solvency ratio, due, inter alia, or regarding the economic solvency ratio, inter alia, with reference to continued developments in the aforementioned markets.

During the period after the reporting date and until the approval date of the financial statements, increases occurred in some of the marketable capital markets, which resulted in offsetting the increase which occurred during the reporting period, such that proximate to the approval date of the report, the balance of variable management fees the Company will refrain from collecting was similar to the balance as of December 31, 2022.

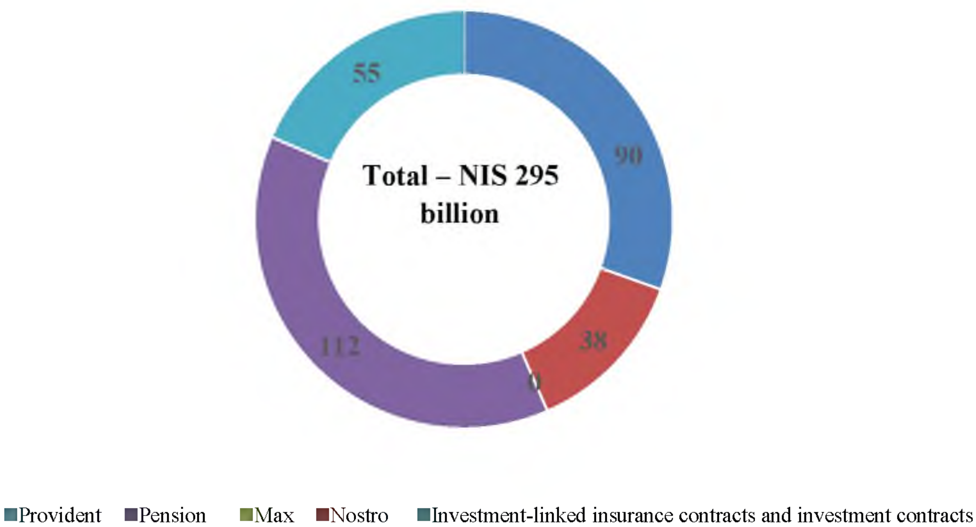
2.2 Financial information by operating segments (for details regarding operating segments, see Note 4 to the financial statements).

Summary data from the Group's consolidated financial statements

Managed assets as of March 31, 2023

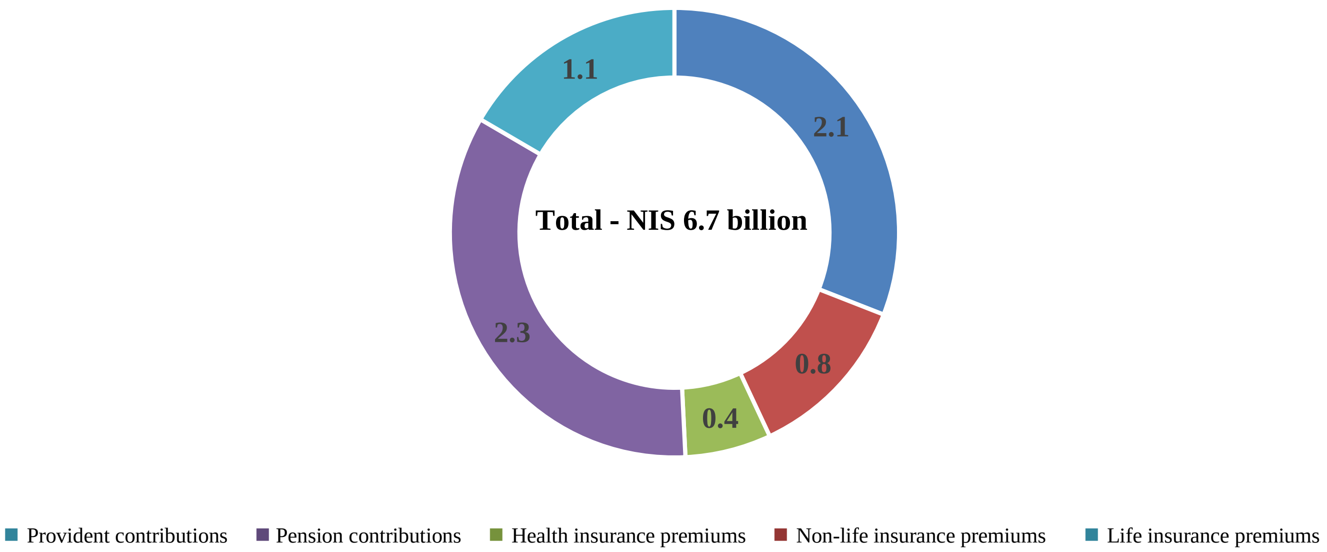


Managed assets as of December 31, 2022

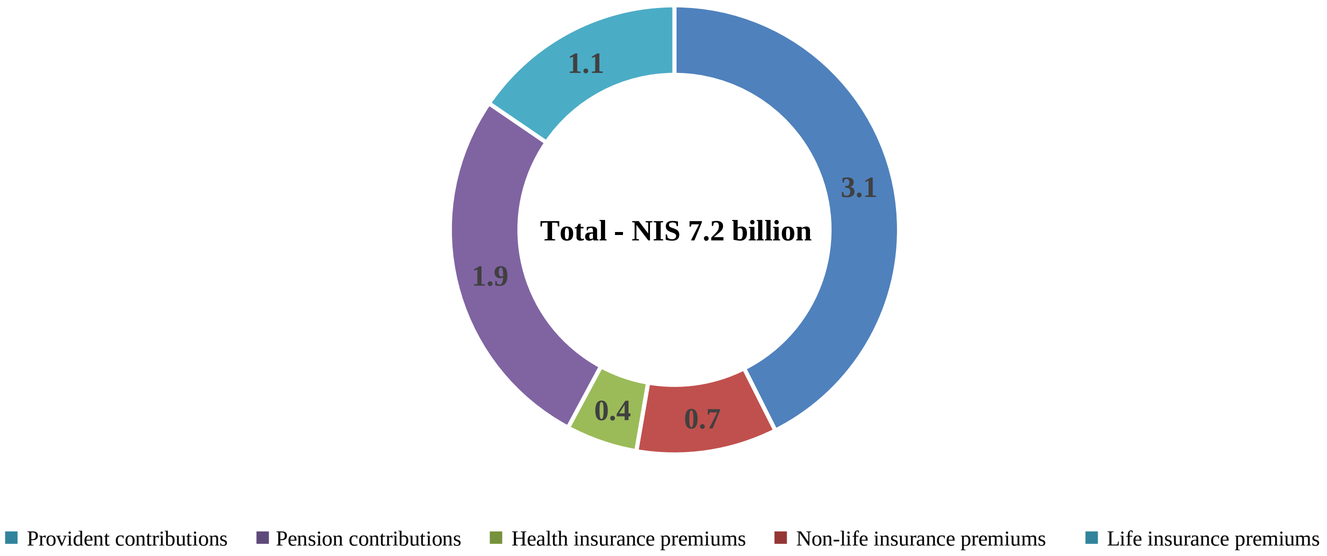


Total assets managed in provident funds, except for the tracks of guaranteed-return provident funds, pension funds, ETF's and customer portfolios, are not included in the Company's financial statements. Receipts with respect to investment contracts are not included under the item for premiums, but rather are carried directly to liabilities with respect to insurance contracts and investment contracts.
For additional details regarding the premiums in the various operating segments, see Note 4 to the interim consolidated financial statements.

Gross premiums earned, contributions and receipts for the period 1-3/2023



Gross premiums earned, contributions and receipts for the period 1-3/2022



Presented below are details regarding main components in comprehensive income. It is noted that in light of the closing of the acquisition of CIMax on March 27, 2023, CIMax's operating results will be consolidated beginning on April 1, 2023, as part of the Company's financial statements beginning from the second quarter, and are not included in these results, except for the provision for credit default, as specified below:

		1-3		Year
		2023	2022	2022
NIS in millions	Item	Unaudited		Audited
Life insurance	2.2.1.1	**114**	244	(96)
Pension	2.2.1.4	**6**	7	18
Provident	2.2.1.3	**(3)**	2	(2)
Total long term savings division		**118**	253	(81)
Non-life insurance	2.2.2	**(44)**	(102)	(91)
Health	2.2.3	**(9)**	256	353
Financing expenses	2.2.6	**(52)**	(46)	(194)
Other	2.2.4	**45**	(28)	(341)
Total comprehensive income (loss) before tax		58	332	(354)
Taxes (tax benefit) on comprehensive income		**14**	110	(121)
Total comprehensive income (loss) for the period, net of tax, before the consolidation activity in the acquisition of Max		44	222	(233)
Provision for credit default due to the acquisition of Max *)		**(220)**	-	-
Tax benefit with respect to consolidation activity upon acquisition of Max		**(74)**	-	-
Total comprehensive income (loss) for the period, net of tax		**(101)**	222	(233)
Attributable to Company shareholders		**(102)**	221	(237)
Attributable to non-controlling interests		**1**	-	3
Return on equity in annual terms, excluding the activity of initial consolidation in the acquisition of Max (in percent) **)		**2.2**	11.4	(3.1)
Return on equity in annual terms (in percent) **)		**(5.1)**	11.4	(3.1)

*) As part of the consolidation of Max in accordance with accounting standards, the Company recorded a the Company recorded for credit default due to the acquisition of Max, beyond the transition to fair value. For additional details, see Note 3 to the financial statements.

**) 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 shareholders in the company.

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

On March 27, 2023, the Company completed the acquisition of CIMax (see Note 5 to the financial statements). As a result, in the financial statements as of March 31, 2023, the Company consolidated for the first time the balances of assets and liabilities of CIMax and companies under its control.
The operating results of CIMax and companies under its control will be included in the results of the Company’s financial statements beginning from April 1, 2023, except as specified below:
In accordance with accounting standards, upon purchasing a portfolio of loans within the framework of an acquisition, the buyer company is required to create a provision for credit default on the acquired portfolio, with respect to the unimpaired portfolio.
With respect to the foregoing, the Company recorded a provision for credit default in the amount of approximately NIS 220 million before tax (approximately NIS 146 million after tax), in addition to an expense which was recorded in Max’s financial statements. Due to the provision, comprehensive loss after tax during the reporting period amounted to a total of approximately NIS 102 million.
Without the aforementioned provision, comprehensive income after tax attributable to the Company’s shareholders in the reporting period amounted to a total of approximately NIS 44 million, as compared with comprehensive income of approximately NIS 221 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 the operating segments in the motor and elementary insurance branches relative to the corresponding period last year, due to the increase in average premiums and the decrease in the number of claims, while on the other hand, a change for the worse was recorded in the individual long-term care branch, as specified below in sections 2.2.2-2.2.3.

During the reporting period, an increase was recorded in contributions which were received from the provident activity and the pension activity, while on the other hand, a decrease was recorded in receipts from investment contracts, which was due, inter alia, to the declines in capital markets, such that total gross premiums earned, contributions and receipts in respect of investment contracts amounted to a total of approximately NIS 6.7 billion, as compared with a total of approximately NIS 7.2 billion in the corresponding period last year, a decrease of approximately 6%. The decrease was mostly due to the decrease in receipts from investment contracts, as stated above.

The decrease in receipts from investment contracts, as stated above, the impact of the increase of inflation in 2022 and during the reporting period, and approximately NIS 10 million in special expenses which were recorded during the reporting period, resulted in a situation where 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, increased to a rate of approximately 12% during the reporting period, similarly to the fourth quarter of 2022, as compared with a rate of approximately 11% in the corresponding period last year.

Financial effects, investment income and capital markets:

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 106 million, as compared with the decrease of the reserves in the amount of approximately NIS 563 million in the corresponding period last year, as specified in the following table.

On the other hand, during the reporting period, a recovery was seen 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 186 million, and income was recorded from investments not allocated to segments in the amount of approximately NIS 52 million, as compared with the negative financial margin in life insurance in the amount of approximately NIS 128 million, and income from investments not allocated to segments in the amount of approximately NIS 30 million in the corresponding period last year.

Additionally, in light of the negative returns in capital markets last year, the Company did not collect variable management fees, during the reporting period and during the corresponding period last year, and there is a liability to policyholders with respect to negative returns in the portfolio of profit-sharing policies in life insurance, in the amount of approximately NIS 795 million, where until it has been recovered, Clal Insurance will not collect variable management fees (as of December 31, 2022 - approximately NIS 753 million).

Consolidation activity - provision for credit default in the acquisition of Max:

As part of the consolidation of Max in accordance with accounting standards, the Company recorded consolidation activity in the amount of approximately NIS 220 million before tax (a total of approximately NIS 146 million after tax),

return on equity in annual terms during the reporting period, without consolidation activity in the acquisition of Max, as stated above, amounted to a positive rate of 2.2%, as compared with a positive rate of 11.4% in the corresponding period last year.

Return on equity in annual terms during the reporting period amounted to a negative rate of 5.1%, as compared with a positive rate of 11.4% 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.

Total managed assets by the Group thereby amounted, as of March 31, 2023, before the consolidation of Max's data, to a total of approximately NIS 300 billion, as compared with a total of approximately NIS 295 billion as of December 31, 2022, an increase of approximately 2%.
Out of the foregoing total of assets, over NIS 100 billion represented assets managed by the new pension fund.

Additionally, in light of the completion of the acquisition of CIMax, the Group consolidated, as of the reporting date, the assets of CIMax, which mostly include approximately 16 billion in receivables with respect to credit card activity (for additional details, see Note 5 to the interim consolidated financial statements).

As of the balance sheet date, total managed assets in the Group, including the assets of CIMax, amounted to approximately NIS 316 million.

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 in the corresponding periods last year, respectively, as specified below, include (inter alia) the following special effects.

	1-3		Year
	2023	2022	2022
NIS in millions	Unaudited		Audited
Life insurance -			
Change in the discount interest rate used to calculate pension reserves	**71**	78	505
Profit (loss) with respect to change in pension reserves following the decreased forecast of future income (K factor)	**33**	233	637
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	**104**	310	1,142
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	-	-	(155)
Total special effects - life insurance	**104**	310	360
Financial effects on reserves in non-life insurance	**2**	17	219
Total special effects - non-life insurance	**2**	17	219
Financial impact in the liability adequacy test (LAT)	-	236	279
Total long-term care in the health segment	-	236	279
Consolidation activity - Expenses with respect to credit losses in Max	**(220)**	-	-
Total special effects before tax	**(114)**	563	858

2.2.1. Long term savings
2.2.1.1. Life insurance operations

Life insurance	Q1		Note
	2023	2022	
Gross premiums earned	**1,652**	1,791	
Comprehensive income	**114**	244	Results during the reporting period and last year were mostly affected by the decrease in reserves due to the interest rate increase and additional financial effects, in the amount of NIS 104 million, as compared with the decrease in reserves in the amount of NIS 310 million last year. On the other hand, during the reporting period there was an increase in the financial margin and management fees to a total of NIS 186 million, as compared with the positive financial margin in the amount of NIS 128 million in the corresponding quarter last year, and underwriting improvement was recorded in profit from risk. During the reporting period and during the corresponding quarter last year, variable management fees were not collected.
Redemption rates of life insurance policies from the average reserve, in annual terms	**1.8%**	1.7%	

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):

Investment income (loss) applied to policyholders after management fees	**364**	(2,132)

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:

NIS in millions	Q1 2023	Q1 2022	Year 2022
Variable management fees *)	**-**	-	-
Fixed management fees	**148**	155	605
Total management fees	**148**	155	605
Total financial margin and management fees	**186**	128	461
Current premiums	**1,311**	1,323	5,352
Non-recurring premiums	**341**	468	1,492
Total gross premiums earned	**1,652**	1,791	6,844
Current premiums	**21**	9	52
Non-recurring premiums **)	**410**	1,256	3,621
Total premiums with respect to pure savings	**431**	1,265	3,674

*) As of March 31, 2023, the liability to policyholders is with respect to negative returns in the portfolio of profit-sharing policies in the amount of approximately NIS 795 million (as of December 31, 2022 - approximately NIS 753 million).
**) The decrease in the savings product was mostly due to the capital market effects, as stated above.

<u>Details regarding the rates of return in profit-sharing policies</u>

NIS in millions	Policies issued during the years 1992 to 2003 (Fund J) Q1 2023	Q1 2022	Year 2022	Policies issued beginning in 2004 (New Fund J) Q1 2023	Q1 2022	Year 2022
Real return before payment of management fees	**(0.57)**	(1.44)	(10.96)	**(0.42)**	(1.96)	(11.74)
Real return after payment of management fees	**(0.71)**	(1.58)	(11.47)	**(0.64)**	(2.18)	(12.55)
Nominal return before payment of management fees	**0.51**	(0.28)	(6.26)	**0.66**	(0.81)	(7.09)
Nominal return after payment of management fees	**0.36**	(0.42)	(6.80)	**0.44**	(1.03)	(7.93)

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

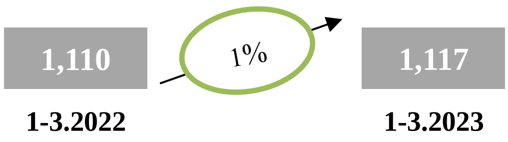
2.2 Financial information by operating segments (Cont.)

2.2.1. Long-term savings (Cont.)

2.2.1.3 Provident fund operations

	Q1		
	2023	2022	Note
Comprehensive income (loss)	**(3)**	2	The decrease in income and the transition to loss during the reporting period was mostly due to the increase in expenses and the effects of capital markets on liabilities to supplement returns for members of guaranteed-return provident funds.
Contributions	**1,117**	1,110	

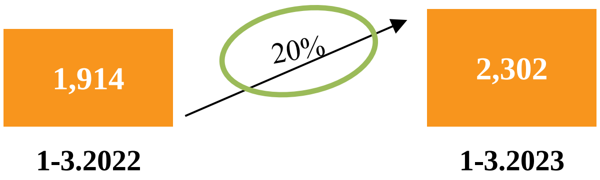
Provident fund contributions



2.2.1.4 Pension fund operations

	Q1		
	2023	2022	Note
Comprehensive income	**7**	7	
Contributions	**2,302**	1,914	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.

Contributions and pension



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:

	1-3		
	2023	**2022**	**Note**
Non-life insurance			
Gross premiums	**945**	852	The increase in premiums was mostly due to individual and commercial motor business operations in compulsory motor and in motor property, inter alia, due to the increase in average premiums in individual motor, and the increase in large businesses.
Comprehensive loss	**(44)**	(102)	The improvement in results was mostly due to the underwriting improvement in motor property and compulsory motor, and the increase in investment income. On the other hand, a decrease of reserves was performed due to the impact of the interest rate environment, in the amount of approximately NIS 2 million, as compared with a decrease of the reserves in the amount of approximately NIS 17 million in the corresponding period last year.
Motor property			
Gross premiums	**302**	250	The increase in premiums during the reporting period was mostly due to the increase in average premiums in individual motor.
Comprehensive loss before tax	**(27)**	(51)	The decrease in loss during the reporting period was mostly due to the improvement in the development of claims relative to the corresponding period last year, and the increase in average premiums, as stated above, as well as the decrease of reserves due to the impact of the interest rate environment in the amount of approximately NIS 6 million, and the increase in investment income.
Gross LR	**93%**	105%	
LR on retention	**86%**	99%	
Gross CR	**119%**	131%	
CR on retention	**115%**	127%	
Compulsory motor			
Gross premiums	**196**	182	The increase in premiums during the reporting period was mostly due to the increase in average premiums in individual motor.
Comprehensive loss	**(21)**	(54)	The improvement in results was mostly due to the increase in investment income and the improvement in underwriting profit. On the other hand, an increase of reserves was performed due to the impact of the interest rate environment, in the amount of approximately NIS 4 million, as compared with an increase of the reserves in the amount of approximately NIS 1 million in the corresponding period.

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 (Cont.)

	1-3		
	2023	**2022**	**Note**
Property and others			
Gross premiums	**260**	235	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	**18**	16	
Gross LR	**35%**	39%	
LR on retention	**33%**	23%	
Gross CR	**57%**	62%	
CR on retention	**69%**	65%	
Credit insurance			
Gross premiums	**31**	33	
Comprehensive income	**10**	4	
LR on retention	**21%**	26%	
CR on retention	**47%**	50%	
Liability branches			
Gross premiums	**156**	151	
Comprehensive income	**(24)**	(17)	The increase in loss was mostly due to the increase of reserves due to the impact of the interest rate environment, in the amount of approximately NIS 1 million, as compared with an decrease of the reserves in the amount of approximately NIS 16 million in the corresponding period last year. On the other hand, there was an increase in investment income relative 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.)

2.2.3. Health insurance

	Q1		
	2023	**2022**	**Note**
Premiums Earned Gross	**417**	369	The increase in premiums was due to the increase in the Company's individual health business operations and the international travel branch.
Comprehensive income (loss)	**(9)**	256	The transition to loss 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 236 million in the corresponding period last year, with no change in the provision during the reporting period. There was also negative development in the health fund collective and in individual long-term care.

	Q1		
	2023	**2022**	**Note**
Long-term care branch - comprehensive income (loss)			
Individual	**(6)**	245	The transition to loss 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 236 million in the corresponding period last year, with no change in the provision during the reporting period.
Collectives, including health funds	**(4)**	23	The transition to loss during the reporting period was mostly due to the negative development in the health fund collective.
Illness and hospitalization branch - comprehensive income (loss)			
Long term	**11**	(6)	The transition to income was mostly due to the decrease in loss from investment income during the reporting period, relative to the corresponding period last year.
Short term	**(10)**	(6)	

Details regarding investment income which was applied to policyholders in health insurance policies of the profit sharing long-term care type:

	Profit sharing long-term care policies of the individual and collective types		
	Q1		Year
NIS in millions	**2023**	**2022**	**2022**
Investment income (loss) applied to policyholders	**5**	(3)	(70)

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.2 Financial information by operating segments (Cont.)

2.2.4 *Other*

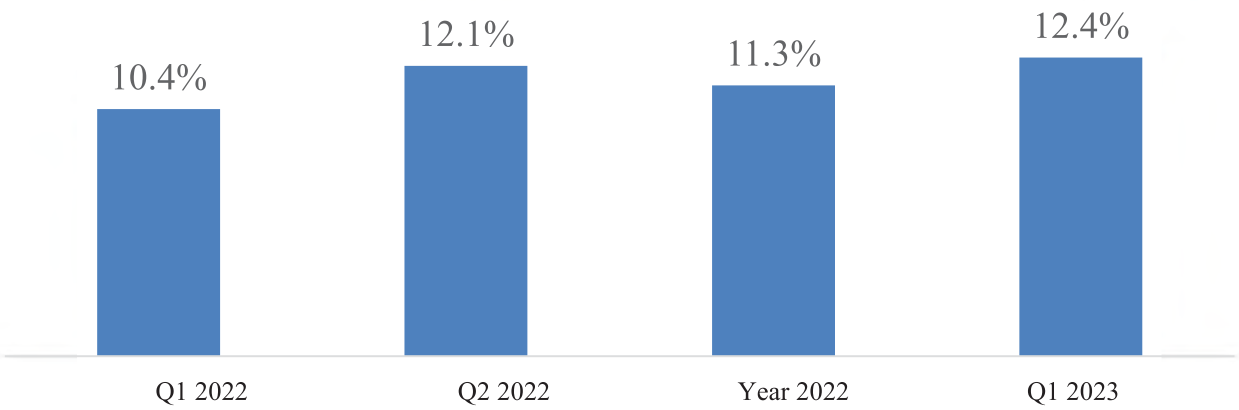
	Q1	
NIS in millions	**2023**	**2022**
Total comprehensive income	**45**	(28)

Reporting period - The transition to income during the reporting period was mostly due to investment income in the amount of approximately NIS 52 million, as compared with investment losses in the amount of approximately NIS 30 million in the corresponding period last year.

2.2.5 General and administrative expenses

During the reporting period, a relative increase was recorded in the level of expenses, mostly due to the decrease in deposits in financial savings products, in light of the market conditions, in addition to the increase in expenses, mostly due to the inflationary effects and the increase in business activities, an extraordinary expense during the quarter of approximately NIS 10 million. total expenses during the reporting period amounted to a total of approximately NIS 253 million, as compared with a total of approximately NIS 227 million last year.

Proportion of expenses and commissions relative to income*



*** The income includes premiums and contributions.**

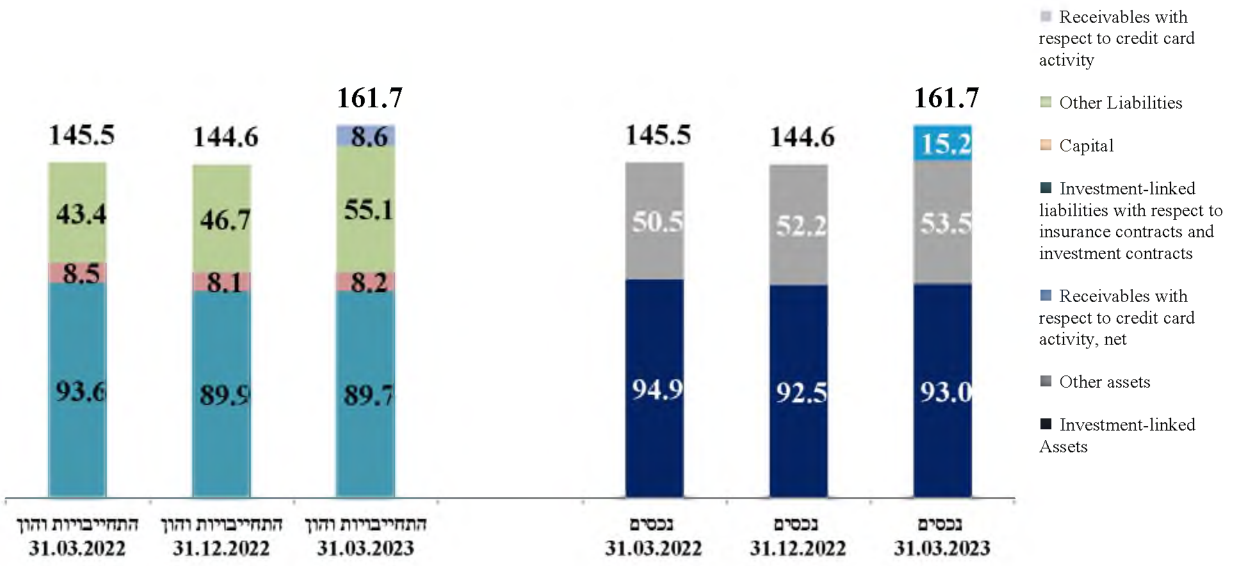
2.2.6 Financing expenses in operations which are not allocated to segments

Financing expenses in the reporting period amounted to a total of approximately NIS 52 million, as compared with approximately NIS 46 million in the corresponding period last year. The increase in the reporting period was mostly due to the increase in deferred liability notes used for capital as part of the economic solvency regime in Clal Insurance, in September 2022.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.3 Principal data from the consolidated statements of financial position

Presented below are principal data from the consolidated balance sheets (in billions of NIS):



Liabilities and capital | Assets

2.3.1 Assets

Total assets as of March 31, 2023 amounted to a total of approximately NIS 161.8 billion, as compared with a total of approximately NIS 144.6 billion as of December 31, 2022.
As stated above, the increase was mostly due to the consolidation of data of Max as of the balance sheet date.

Presented below are the main asset items in respect of Max:

	As of March 31
NIS in millions	2023
Receivables with respect to credit card activity	**14,380**
Of which: Balance of credit which is not guaranteed by banks	**13,781**
Of which: Receivables with respect to credit cards for private individuals	**3,854**
Of which: Balance of credit to private individuals	**8,796**
Amounts receivable with respect to credit card activity, net	**1,122**

2.3.2 Liabilities

Total liabilities as of March 31, 2023 amounted to a total of approximately NIS 153.5 billion, as compared with a total of approximately NIS 136.6 billion as of December 31, 2022.

The increase was mostly due to the increase in financial liabilities due to the preparation for the acquisition of CIMax, and the consolidation of data regarding Max, due to the completion of the acquisition as of March 31, 2023:

Presented below are changes in the foregoing liabilities due to the initial consolidation and the issuance of bonds, as stated above (NIS in millions):

Item in the balance sheet	Initial consolidation	Issuance of bonds	Note
Deferred payment presented under the item for other payables	**377**		**See Note 5 to the financial statements**
Payables with respect to credit card activity	**8,649**		
Financial liabilities:			
Bonds issued by the Company - liability component	**-**	**387**	**See section 2.6.4 below**
Bonds and deferred liability notes in Max	**496**		**See Note 6 to the financial statements**
Liabilities to banks in Max	**5,089**		
Loan in CIMax	**941**		
Total financial liabilities	**6,526**	**387**	
Total	**15,552**	**387**	

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.4 Quantitative data regarding credit card activity

Definitions:

Valid cards - Operational and issued cards, not including blocked cards, and not including prepaid cards.

Active cards - Valid cards which were used to perform at least one transaction during the last quarter.

Issuance turnover - Turnover from transactions with all of the Company's cards, excluding cash withdrawals in Israel, and after deducting canceled transactions.

Banking cards - Cards which the Company issues in collaboration with banks to their customers.

Extra-banking cards - Cards which the Company issues to the customers of all banks, some in collaboration with business entities, such as organizations and clubs.

Number of valid credit cards as of March 31, 2023 (in thousands):

	Active cards	Inactive cards	Total
Bank cards	**1,601**	**237**	**1,838**
Extra-banking cards	**1,197**	**343**	**1,540**
Total	**2,798**	**580**	**3,378**

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.5 Capital and capital requirements

A. Capital requirements in accordance with the provisions for implementation of an economic solvency regime in Clal Insurance (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 May 30, 2023, the Company approved and published the economic solvency ratio report as of December 31, 2022, which is attached as an annex to this report, and is available on the Group's website at https://www.clalbit.co.il/aboutclalinsurance/financialstatementsandpressrelease/

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.

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, and received the Commissioner's approval for the recalculation and for the deduction amount, in the scope of NIS 5,617 million, as stated above. As of December 31, the amount has been deducted, as required.

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 December 31, 2022.
The solvency ratio as of December 31, 2022 does not include the impact of the Company's business activities during the period after December 31, 2022 and until the publication date of this report. For details regarding additional events during and after the reporting period, see Note 2.1 above.

The calculation which the Company conducted as of December 31, 2022 was audited by the auditors.The audit was conducted in accordance with ISAE 3400 - The Examination of Prospective Financial Information.

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.5 Capital and capital requirements (Cont.)

A. Capital requirements in accordance with the provisions for implementation of an economic solvency regime in Clal Insurance (see section 1 below) (Cont.)

Presented below are data regarding the solvency ratio and minimum capital requirement of Clal Insurance in accordance with the Solvency II regime.

1. **Economic solvency ratio**

	As of December 31	
	2022	2021
NIS in millions	Audited	
Equity for the purpose of the solvency capital requirement	**14,340**	**15,520**
Solvency capital requirement	**8,075**	**9,261**
Surplus	**6,264**	**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 capital instruments	**-**	-
Deviation from quantitative limits	**-**	-
Equity for the purpose of the solvency capital requirement	**14,340**	**5,5201**
Surplus	**6,264**	**6,259**
Economic solvency ratio (in percent)	**178%**	**168%**

For details regarding the solvency ratio without implementation of the transitional provisions in the distribution period, and without the stock scenario adjustment, 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 2.1 and 2.2 above.

2. Minimum capital requirement (MCR)

	As of December 31	
	2022	2021
NIS in millions	Audited	
MCR	**2,018**	**2,315**
Equity for the purpose of MCR	**10,706**	**11,575**

3. Solvency ratio without implementation of the transitional provisions in the distribution period, and without the stock scenario adjustment

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.

Presented below are data regarding the economic solvency ratio of Clal Insurance, 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 the stock scenario adjustment, as of December 31

	2022	2021
NIS in millions	**Audited**	
Equity for the purpose of the solvency capital requirement	**10,984**	**11,058**
Solvency capital requirement	**10,099**	**12,034**
Surplus (deficit)	**884**	**(976)**
Economic solvency ratio in percent	**109%**	**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 capital instruments	**-**	**-**
Deviation from quantitative limit	**-**	**-**
Equity for the purpose of the solvency capital requirement	**10,984**	**11,058**
Surplus (deficit)	**884**	**(976)**
Economic solvency ratio in percent	**109%**	**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 deficit relative to target	**-**	**-**

*) Subject to the Commissioner's approval, see 5 below.

4. Capital target of Clal Insurance

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 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 December 31, 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.

B. Capital requirements and capital adequacy in Max

1. Capital and capital adequacy

0ax's reported equity amounted, as of March 31, 2023, to NIS 1,712 million, as compared with NIS 1,656 million at the end of 2022, an increase of approximately 3% due to the profit during the period and receipts on account of shares, after deducting the impact of the initial adoption of the new accounting principles regarding the provisions for credit losses (CECL) as described above, and as compared with NIS 1,459 million as of March 31, 2022, an increase of approximately 17%. The equity of Max at the end of the first quarter of 2023 included share capital in the amount of NIS 26 million, receipts on account of shares in the amount of NIS 19 million, premium on shares in the amount of NIS 355 million, capital reserve in the amount of NIS 83 million, accumulated other comprehensive loss in the amount of NIS 13 million, and retained earnings in the amount of NIS 1,242 million.

Tier 1 equity amounted, at the end of the first quarter of 2023, to NIS 1,719 million, as compared with NIS 1,656 million a of December 31, 2022, and as compared with NIS 1,459 million as of March 31, 2022.

Total capital at the end of the first quarter of 2023 amounted to NIS 2,066 million, as compared with NIS 1,999 million a of December 31, 2022, and as compared with NIS 1,780 million as of March 31, 2022.

The capital adequacy ratios are calculated as the ratio between capital to the weighted risk assets. The Tier 1 equity ratio is calculated as the ratio between the amount of Tier 1 equity to the weighted risk assets. The total capital ratio is calculated as the ratio between the total capital amount and the weighted risk assets.

The Tier 1 equity ratio as of March 31, 2023 amounted to 10.6%, as compared with 10.4% as of the end of 2022, and as compared with 10.4% as of March 31, 2022. The ratio of total capital to risk components amounted, as of March 31, 2023, to a rate of 12.7%, as compared with 12.5% at the end of 2022, and as compared with 12.7% as of March 31, 2022.

The Company's leverage ratio as of March 31, 2023 was 8.7%, as compared with 8.8% at the end of 2022, and as compared with 9.0% as of March 31, 2022.

For additional details regarding the regulatory directives regarding capital adequacy and the leverage ratio, see Note 5 to the financial statements of Max, which are attached as an annex.

2. Capital adequacy targets which were determined by the Bank of Israel

In accordance with Proper Conduct of Banking Business Directive 472, "Clearing entities and clearing of transactions made with payment cards", for a clearing entity whose balance of receivables in their last annual financial statements exceeds NIS 2 billion - the equity requirement will be calculated in accordance with the provisions of Proper Conduct of Banking Business Directive 201-211 (Capital Measurement and Adequacy). It was further determined that notwithstanding that stated in section 40 of Proper Conduct of Banking Business Directive 201, the ratio of Tier 1 equity will be no less than 8%, and the total capital ratio will be no less than 11.5%.

Since April 1, 2015, Max has adopted Proper Conduct of Banking Business Directive No. 218, regarding the leverage ratio (hereinafter: the "Directive"). In accordance with the directive, it is required to maintain a leverage ratio of no less than 5%, on a consolidated basis. Proper Conduct of Banking Business Directive 250, regarding amendments to Proper Conduct of Banking Business Directives for the purpose of responding to the coronavirus pandemic, included, inter alia, in the transitional provision which was published on November 15, 2020, an expedient which permitted a leverage ratio of no less than 4.5%, on a consolidated basis. In the circular of the Banking Supervision Department dated May 15, 2022 it was determined that the expedient regarding the leverage ratio will apply until June 30, 2024, provided that the leverage ratio is no less than the leverage ratio as of December 31, 2023, or the minimum leverage ratio which applied to the banking corporation prior to the transitional provision, whichever is lower.

3. Capital adequacy targets which were determined by Max

Max's capital is intended to support all risks associated with its activity, and it is necessary to support the multi-year business activities, including support for growth in the business lines, expansion of the activity, and entry into new fields of activity which are complementary and supplementary to its activity.
Max also conducts an analysis regarding its performance in an extreme scenario, and has set targets which it would like to meet in case of the occurrence of an extreme scenario.
The policy of Max, which was approved by its board of directors, is to maintain a capital adequacy ratio which is greater than the minimum threshold which was defined by the Bank of Israel, and is greater than the capital requirements which are required to cover the risks in accordance with the results of the Company's internal capital adequacy assessment process (ICAAP).

Max's board of directors approved an internal Tier 1 equity target of 10%, a target which is higher by 200 base points (2 percentage points than the minimum Tier 1 equity ratio required by the Banking Supervision Department, and an internal target of 12% for the total capital ratio.

4. Ratio of total capital adequacy to risk component in Max (*):

Presented below are details regarding the risk assets, and the capital requirements with respect thereto:

NIS in millions	As of March 31, 2023 Unaudited	
	Risk assets	Capital
Credit risks - standard approach		
of banking corporations	**571**	**66**
of corporations	**1,373**	**158**
Retail to individuals	**9,823**	**1,130**
of small businesses	**1,121**	**129**
Other assets	**839**	**96**
Credit valuation adjustment (CVA)	**2**	**-**
Total credit risk	**13,729**	**1,579**
market risk - standard approach	**28**	**3**
operational risk - standard approach	**2,495**	**287**
Total risk assets and capital requirements	**16,252**	**1,869**
Capital base	**2,066**	
Total capital ratio	**12.70%**	
Tier 1 equity ratio	**10.60%**	

* Calculated in accordance Proper Conduct of Banking Business Directive 201-211, regarding “Capital measurement and adequacy”, and in accordance with Proper Conduct of Banking Business Directive 472, regarding “Clearing entities and clearing of payment card transactions”, which entered into effect on September 1, 2016.

2.6 Analysis of the development of cash flows, financing sources and liquidity

2.6.1 Cash flows for the first quarter of 2023

The consolidated cash flows which were used for operating activities during the reporting period amounted to a total of approximately NIS 3,953 million. Most the amount was used in a net purchase of financial investments. The consolidated cash flows used in investing activities amounted, during the reporting period, to a total of approximately NIS 325 million, and mostly included a total of approximately NIS 294 million as part of the initial consolidation of CIMax, and represent the difference between the cash balance spent in the transaction, and the cash which was consolidated for the first time. Consolidated cash flows from financing activities amounted, during the reporting period, to a total of approximately NIS 304 million, and included, inter alia, a total of approximately NIS 400 million due to an issuance of bonds by the Company, against a total of approximately NIS 72 million which were used to repay financial liabilities. The Group’s balances of cash and cash equivalents decreased from a total of approximately NIS 12,050 million at the beginning of the reporting period to a total of approximately NIS 8,136 million at the end of the reporting period.

Presented below are the cash flows due to the initial consolidation of CIMax Ltd. For additional details, see the statement of cash flows in the financial statements:

NIS in millions	
Transferred consideration	**(790)**
Cash of the acquired company	**496**
Total cash flows used for investment in acquisitions of newly consolidated companies	**(294)**

2. Board of Directors' Remarks Regarding the Corporation's Business Position (Cont.)

2.6 Analysis of the development of cash flows, financing sources and liquidity (Cont.)

2.6.2. Financing sources and liquidity

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.

It is clarified that some of the investee companies are subject to regulatory directives beyond the distribution restrictions prescribed in the Companies Law - 1999:

A. **Clal Insurance** - The dividend flows from Clal Insurance depend on the solvency ratio target which was determined by the board of directors, which is greater than the minimum target determined by the Banking Supervision Department. The dividend flows also depend on the policy which has been determined by the board of directors, see section 2.1 above. For the purpose of conducting a conservative evaluation of the Company's future cash flows, the Company does not assume a dividend payment, at this stage. The Company considers as a liquidity source the interest receipts which are received from its holding of a hybrid Tier 1 instrument of Clal Insurance, and classifies that holding as a financial investment.

B. **Max** - Dividend distributions in Max are subject to directives issued by the Commissioner of Banks, including the fulfillment of the capital adequacy restrictions by virtue of the Basel Accords. Dividend distributions are permitted subject to the provisions of the Companies Law - 1999, which prescribe, inter alia, that the Company is entitled to perform a distribution out of its profits provided that there is no reasonable concern that the distribution could prevent the Company from serving its current and anticipated liabilities when they come due.

In the circulars which were published by the Banking Supervision Department on July 26, 2021 and September 30, 2021, it was determined that in light of the improvement in economic activity, and the increased trend of gradual resumption of pre-pandemic levels of activity, the banks and credit card companies may be permitted to distribute dividends, albeit in a limited scope, since the consequences of the crisis have not yet fully materialized. The position of the Banking Supervision Department was that a distribution in an amount higher than 30% of the profits during the years 2020-2021 is not considered cautious and conservative capital planning.

On December 27, 2021, the Banking Supervision Department published a circular which canceled the restriction on dividend distributions which had been determined in the circulars.
For additional details regarding the restrictions on dividend distributions in Clal Insurance and in Max, see Note 7 to the consolidated interim financial statements.

The Company also controls the following entities, which are not subject to special regulatory restrictions beyond the Companies Law:
A. **Clal Agency Holdings** - The Company presents, as part of its net financial assets, the net financial assets of Clal Agency Holdings. These assets include a short term loan which was given by Clal Agency Holdings, or agencies controlled by Clal Insurance, for the purpose of the central management of net financial assets.

B. **Clal Finance** - As specified in Note 9 to the financial statements for 2022, Clal Finance holds a stake of approximately 24.9% in Michlol Finance Ltd. Michlol Finance is a company listed on the Tel Aviv Stock Exchange. The market value of the Company's shares, in accordance with the share price on the stock exchange, is NIS 65 million. Clal Finance also has an option to acquire an additional approximately 7%.
This investment is presented under investments in investee companies at book value, and was not included under financial investments in this section.

As of the balance sheet date, following the consolidation of data regarding Max, and the financial preparations to acquire it, the Group has 3 types of financial liabilities, deferred liability notes which were issued for capital purposes, and balances which are used for the operating activities of Clal Insurance, bonds which were issued for capital purposes and balances which are used for Max's operating activities, and liabilities as part of the Max acquisition transaction, bonds issued by the Company in the amount of approximately NIS 387 million, a deferred payment in the amount of approximately NIS 370 million, due for payment in April 2024, and a loan in the amount of approximately NIS 941 million in CIMax.

Presented below is a table specifying the net financial debt (the table includes the following companies: the Company, CIMax Holdings Ltd., Clal Holdings Ltd. and Clal Agency Holdings, as stated above, and does not include Clal Insurance and Max, which are also subject to regulatory restrictions, beyond the restrictions which apply to a distribution as prescribed in the Companies Law - 1999):

	As of March 31
NIS in millions	**2023**
Financial assets	
Cash and cash equivalents	**190**
Other financial investments, mostly a money market fund in the Company	**191**
Tier 1 hybrid capital instrument of Clal Insurance *)	**472**
Total assets	**853**
Less current maturities	
Financial liabilities - current **)	**102**
Current financial assets less current maturities	**745**
Non-current financial liabilities	
Financial liabilities - non current:	
Bonds issued by the Company, liability component	**383**
deferred payment with respect to Max transaction	**370**
Other liabilities - loan in CIMax, without the interest layer	**875**
Total liabilities	**1,628**
Net financial debt	**877**

*) Other financial investments include investment in a Tier 1 hybrid capital instrument of Clal Insurance in the amount of NIS 491 million (the fair value was calculated as of March 31, 2023 in the amount of approximately NIS 472 million).

**) Mostly includes the interest layer in the CIMax loan in the amount of approximately NIS 67 million. For additional details, see Note 6 to the financial statements.

2.6.3. 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, debt service 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, and Note 7 to the financial statements.

2.6.4 Specific disclosure for the holders of the Company's bonds

A. Data regarding bonds

Series / issuance date	Bonds (Series A)	Bonds (Series B) (Convertible bonds)
Issuance date	February 2023	February 2023
Par value on the issuance date (in NIS)	249,100,000	150,900,000
Book value as of March 31, 2023 (in NIS)	Approximately NIS 247 million	Approximately NIS 150 million **)
Market value as of March 31, 2023 *)	Approximately NIS 244 million	Approximately NIS 144 million
Interest type	Fixed, unlinked	Fixed, unlinked
Stated interest rate	4.7%	2.8%
Effective interest rate as of the issuance date	4.9%	4.9%
Listing on the stock exchange	Yes	Yes
Principal payment dates	February 28, 2028	February 28, 2028
Interest payment dates	The interest will be paid in a single annual payment, on February 28 of each of the years 2024-2028	The interest will be paid in a single annual payment, on February 28 of each of the years 2024-2028
Interest payable as of March 31, 2023 (increase after interest rates)	Approximately NIS 1.5 million	Approximately NIS 0.5 million
Are the liability certificates convertible	No	Yes
Linkage base and terms	The liability certificates (principal and interest) are not linked to any index and/or foreign currency	The liability certificates (principal and interest) are not linked to any index and/or foreign currency
Pledged assets	None	None
The Company's right to perform prepayment or forced conversion	The Company is entitled to repay the liability certificates through full or partial prepayment, at a frequency which will not exceed once per quarter. The payment with respect to prepayment to the holders of the liability certificates will be the higher of either: a. market value; b. par value; c. the balance of cash flows (principal and interest), discounted by the government bond yield, plus interest of 1%.	The Company is entitled to repay the liability certificates, through full prepayment, beginning from 30 days after the date of listing on the stock exchange, and no later than 180 days after the date of their listing, as stated above. The payment with respect to prepayment to the holders of the liability certificates will be the par value of the liability certificates (accrued principal and interest), plus a non-recurring prepayment penalty at a rate of 2% of the par value. The Company is not entitled to perform a forced conversion of the liability certificates.
Materiality of the series	The series is material, according to the definition of the term in Regulation 10(B)13)(A) of the Securities Regulations (Periodic and Immediate Reports) - 1970	The series is material, according to the definition of the term in Regulation 10(B)13)(A) of the Securities Regulations (Periodic and Immediate Reports) - 1970
Cross default clause exists ***)	Yes	Yes

*) The market value includes accrued interest as of March 31, 2023.
**) Including the equity component, in the amount of approximately NIS 13 million, which is presented under equity.
***) For additional details, see section 8.1.14 in the trust deeds (Series A) and (Series B), which were attached to the shelf offering report dated February 9, 2023.

B. Details regarding the conversion component in the bonds (Series B)

Parameter	Bonds (Series B) (convertible bonds)
Details of the security to which the bonds may be converted	Bonds which are convertible into ordinary Company shares
Conversion ratio	Each NIS 85 par value of the bonds will be convertible into one ordinary Company share
The main conditions of the conversion, including the suspensory conditions for the performance of a conversion, and the existence of adjustments for distribution	The bonds are convertible on any stock exchange trading day, until February 18, 2028; if the Company distributes, during the period of application of the conversion right, bonus shares and/or dividends and/or offers shares by way of rights, the number of shares arising from the conversion will be adjusted. For additional details, see section 6.3.3 of the trust deed which was attached to the shelf offering report dated February 9, 2023.

C. Details regarding rating

	Bonds (Series A)	Bonds (Series B) (convertible bonds)
Name of rating company	Maalot	Maalot
Rating on the issuance date	ILAA-	ILAA-
Current rating	ILAA-	ILAA-

The trustee for the liability certificates (Series A) and (Series B) is Hermetic Trust (1975) Ltd. The names of the individuals responsible for the liability certificates are Adv. Dan Avnon and/or Adv. Meirav Ofer, tel: 073-2171000, fax: 03-5271451, email: hermetic@hermetic.co.il, mailing address: Champion Tower, 13th Floor, Derech Sheshet HaYamim 30, Bnei Brak.

D. Contractual restrictions and financial covenants

As part of the trust deed for the bonds (Series A and Series B), the Company has undertaken that so long as the bonds (Series A and Series B) have not yet been repaid in full, it will not create any floating charge on all of its assets, unless it has received the bondholders' advance consent for this purpose or has created, in favor of the bondholders, a floating charge of the same priority, pari passu. The Company also accepted restrictions pertaining to a dividend distribution, extensions of Series A and Series B, and undertook to fulfill financial covenants stipulating that the Company's equity will not fall below NIS 3.2 billion, and that the ratio of net financial debt to total assets will not exceed 50%.
For additional details, see section 6.3.1, of the deeds of trust (Series A) and (Series B), which were attached to the shelf offering report dated February 9, 2023.
An adjustment mechanism was also established, according to which the interest rate will increase due to the non-fulfillment of any of the financial covenants.
The covenants will be adjusted insofar as the initial adoption of accounting standards result in any change therein which has a non-negligible impact. For additional details, see section 6.4 of the deeds of trust (Series A) and (Series B), which were attached to the shelf offering report dated February 9, 2023.
An adjustment mechanism was also established, according to which the interest rate will increase in case of a reduction in the Company's rating. For additional details, see section 6.3.5 of the deeds of trust (Series A) and (Series B), which were attached to the shelf offering report dated February 9, 2023.
As of the balance sheet date, the Company is fulfilling the foregoing covenants. The ratio of net financial debt as of March 31, 2023 is 10%, and equity amounts to a total of approximately NIS 8.3 billion. Additionally, as of the balance sheet date and as of the publication date of this report, and during the period beginning from the issuance date of the liability certificates, the Company fulfilled, and is fulfilling, all of the conditions and undertakings in accordance with the deeds of trust, and no conditions have been fulfilled which would have constituted grounds for demanding the immediate repayment of the liability certificates. Additionally, the Company did not receive any notice from the trustee for the liability certificates regarding any non-fulfillment of the conditions and undertakings in accordance with the foregoing deeds of trust.
The main terms of the deeds of trust (Series A and Series B) which were signed between the Company and the trustee are attached to the shelf offering report dated February 9, 2023, and the full text of the trust deed is kept at the Company's registered office, and may be reviewed, following advance coordination, on any business day, during ordinary work hours.

3. *Material developments and changes in the macroeconomic environment during the reporting period*

Parameter	Data for the period
Developments in the Israeli economy and employment rate	National accounting figures indicate growth of 2.5% in the first quarter of 2023. In 2022, the annual figure was 6.5%. The growth figure was a positive surprise, since the market forecasts were at 1.8%. The figure was surprising mostly in light of the decrease in private consumption during the first quarter, a component which was central to growth in the fourth quarter. During the quarter, the Bank of Israel published a growth forecast for 2023 which stands at 2.5%, where in the past, it forecasted 2.8%. The decrease in growth was due to the decrease in global growth and the impact of the increase in the Bank of Israel interest rate. Additionally, the Bank of Israel and published estimates of the damage which the economy could suffer due to various developments in the local environment. Deficit - After the government concluded 2022 with a budget surplus of NIS 9.8 billion (0.6% of GDP), in light of the increase in tax collection, in April 2023 a deficit of 0.3% of GDP was recorded, due to the decrease in tax collection, a figure indicating weakening of the economy. Job market - The unemployment rate fell from 4.2% at the end of 2022 to 3.6% in April 2023 (figures adjusted for seasonality). The number of available jobs remained high, but fell in recent months. The average market salary is increasing at an annual rate of 4%, lower than the inflation rate. In the housing market, a trend of decreasing demand for apartments began already in 2022, with decreases seen in the number of transactions, due to the interest rate increase. This trend continued in the first quarter of 2023 with even greater momentum. A downturn was recorded in the rate of increase of the housing prices index, whereby the annual rate of increase fell to 11% in the months February-March 2023, as compared with the record annual rate of 20%. Israel's credit rating - the credit rating agency Moody's left Israel's rating unchanged at a1, but reduced the forecast from positive to stable. On the other hand, the rating agency S&P left Israel's credit rating at AA-, and the rating outlook as stable. The rating agency Fitch left the credit rating at A+, and the rating outlook as stable.
Inflation data	The global economy is undergoing high rates of inflation, in direct continuation of the high rates in 2022. in Israel, the rate of inflation lessened slightly during the first quarter of the year, although the rate is still high, such that, at the end of the quarter the annual inflation rate was 5%, and expectations for next year are around 3%-3.5%. One of the factors which are affecting (directly and indirectly) the rate of increasing inflation is the exchange rate, whereby the NIS fell by 2.6% vs. the USD, and by 4.3% vs. the EUR. The items for housing (rent and home maintenance) and food also contributed to the high rate of inflation.

3. Material developments and changes in the macroeconomic environment during the reporting period (Cont.)

Exchange rates

During the first quarter of the year, the NIS fell vs. the USD by around 2.6%, after falling by around 13% in 2022. Relative to the EUR, the NIS weakened in the first quarter by around 4.3%, and in 2022, it weakened by around 6.5%, mostly due to the political crisis and the legal reform in Israel.

Development of the interest rate and yields

After in 2022 the Bank of Israel raised the market interest rate 6 times, from 0.1% to 3.25%, the Bank of Israel continued raising the interest rate another 2 times, to 4.5%, in an attempt to contain inflation.
The figures which support continued interest rate increases include the strong labor market, the low unemployment rate (albeit with a decline in the participation rate), and strong growth (in annual terms), against the increasing risk of adverse effects on business activity in the economy and the increasing burden of debt, on the level of both consumers and companies.

Developments in the capital market in Israel and around the world (in terms of local currency)

In percent	Q1		Year
Stock indices in Israel	2023	2022	2022
Tel Aviv 35	**(3.2)**	2.2	((9.2
Tel Aviv 90	**(9.0)**	2.3	(18.2)
Tel Aviv 125	**(4.8)**	2.0	((11.8
Tel Aviv Growth	**(5.7)**	(1.5)	(32.3)
Bond indices			
Non-life	**0.0**	(3.4)	(8.3)
Telbond CPI-linked	**0.3**	(2.4)	(8.4)
Telbond NIS-linked	**(0.7)**	(3.5)	(7.0)
Government CPI-linked	**0.7**	(3.9)	(9.8)
Government NIS-linked	**(0.4)**	(4.5)	(8.8)
Global stock indices			
Dow Jones	**(1.5)**	(3.8)	((9.1
NASDAQ	**14.5**	(9.0)	((34.0
Nikkei Tokyo	**6.5**	(3.4)	(9.4)
CAC - Paris	**10.6**	(7.0)	(8.5)
FTSE - London	**1.5**	1.6	1.3
DAX - Frankfurt	**10.4**	(9.1)	(11.5)
MSCI WORLD	**6.4**	(4.5)	(20.6)
S&P 500	**7.4**	(4.7)	(18.5)

For details regarding the effects on the financial results, see section 2 above and Note 6 to the financial statements.

Global economic developments

The first quarter of 2023 was characterized by concerns of a global economic downturn, along with high inflation, which could lead to deflation, and to a dilemma regarding the actions required by the central banks - whether to continue fighting the high inflation by continuing to raise interest rates, or stop the wave of interest rate increases, and support economic growth. Additionally, for the first time since 2013, 3 banks collapsed in the United States. Although the banks were small, the crisis caused the Fed to use monetary expansion tools, and the government also intervened in order to bail out the holders of deposits in those banks.
Geopolitical tensions around the world continue, the Russia-Ukraine war is continuing, with no end in sight. However, the war's effects on the global economy have lessened, and concerns of an energy crisis in Europe have passed, thanks to a winter which was warmer than expected.
USA - In the first quarter, the trend of deceleration in the economy continued, with a moderate slowing of the inflation rate, and GDP grew by 1.1% in the first quarter (less than the forecasted increase of approximately 1.9%), and by 1.8% in annual terms throughout 2023. During the first quarter the Fed continued its interest rate hikes, and raised the interest rate by 50 basis points to 4.75%-5%, in response to the inflation, which remains high, which stands at 5% as of the end of the quarter (in annual terms), and the core inflation rate, which stands at 5.6%. Market forecasts predict one additional interest rate increase in the coming months, and most estimates predict interest rate reductions beginning in the second half of 2023. In addition to the interest rate increase, the Fed is continuing to implement 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 the first quarter of 2023), and an ongoing increase in the number of new workplaces opening each month.
As stated above, 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 many deposit holders requested, in a short time, to withdraw their funds, and the bank was unable to supply the extraordinary scope of withdrawals. 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. After the end of the quarter, in May, another bank (FRC) collapsed, and was bought by one of the largest banks in the world, due to a similar event.
Europe - The Euro Bloc economy grew in the first quarter at a rate of 1.3% in annual terms, and at a rate of 0.1% in quarterly terms. The ECB continued the trend of rapid interest rate hikes, and raised the interest rate to 3.5%, in response to rising inflation in the European Union (annual rate of 6.9% as of March 2023). As of the end of the first quarter, an additional increase of 50 basis points is expected. The ECB began reducing its bond purchasing plans. The unemployment rate stabilized, and stands at 6.6% as of March.
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. The deconfinement resulted in acceleration of the Chinese economy at a rate of 4.5% (in annual terms). The central bank and government are continuing the use of fiscal and monetary tools to support recovery in the economy.

4. Restrictions and supervision of the corporation's business

This chapter includes a review of highly significant laws, regulations, circulars, and position papers, or drafts of highly significant laws, regulations, circulars, and position papers, which apply to the activities of the Group's institutional entities and which are material to the Group's activities, which were published by the Knesset, the Government, or the Commissioner of Capital Markets, Insurance and Savings, as applicable, after the date of publication of the annual financial statements.

The review will also cover a summary of highly material laws, regulations, Proper Conduct of Banking Business Directives and position papers, or drafts of highly material laws, regulations, Proper Conduct of Banking Business Directives, which apply to the activities of issuance, clearing and processing of payment cards, as well as credit to private and business customers (hereinafter: the "**Activity of Max**"), and which are material to the Group, which were published by the Knesset, the government or the Commissioner of Banks, as applicable, after the publication date of the annual financial statements.

4.1 General

4.1.1 Holding by institutional entities of payment card companies

In May 2023, the recommendations of the Taskforce for Evaluating holdings of Institutional Entities in Payment Card Companies (hereinafter: the "**Taskforce**") were published. The taskforce found that positive benefits on competition in the credit market could result from the acquisition of payment cards by institutional entities. Alongside these benefits, the taskforce also identified potential risks; however, it found that a significant chance of their materialization had not been proven. Since a clear and unequivocal restriction against the holding of payment card companies by institutional entities was not found, nor a clear advantage in such holding, the taskforce recommended not to establish any new restrictions on the matter. However, for the sake of moderating possible negative risks, and promoting competition in financial and real markets, from a forward looking perspective, the taskforce recommended the following:

A. Cancellation of the prohibition against a large institutional entity acquiring, from a bank with an extensive scope of activity, the means of control of a payment card company (in other words, permitting the possibility of the sale of Israel Credit Cards Ltd. to institutional entities);
B. Creation of a clear structural separation between the payment card company and the holding institutional entity, both in terms of corporate governance aspects, and in terms of the transfer of information between the credit card company and the holding institutional entity. It was further proposed that the Ministry of Finance and the Capital Market Authority will establish restrictions regarding significant operational interfaces between institutional entities which will hold payment card companies, and the banks, which could constitute conflicts of interest;
C. Establishment of a monitoring staff to evaluate the effects of the holding of credit card companies by institutional entities;
D. A prohibition against control of payment card companies by banks.
E. Conducting an evaluation regarding the economic effects of the centralization of institutional entities, due to the scope and diversification of assets managed by them. The taskforce was divided regarding the question of when the foregoing evaluation should be conducted.

At this preliminary stage, it is not possible to estimate the significance of the taskforce's recommendations. However, insofar as recommendations are received regarding the permitting the possibility of the sale of Israel Credit Cards Ltd. to institutional entities, it could lead to increased competition in the credit market. The recommendations regarding structural separation will limit cooperation between the companies. The provisions which may be published in the future due to the evaluation of the impact of the holding of credit card companies by institutional entities, as well as the recommendation to conduct an evaluation regarding the centralization of institutional entities, may result in structural changes in the markets which are relevant to the Group's activity, which could be material.

The information presented regarding the taskforce's recommendations constitutes forward looking information, which is based on assumptions and estimates made by the Company, as of the publication date of the report. Actual implementation may differ significantly from the forecast, and depends, inter alia, on the recommendations which will be adopted, and their manner of adoption, on decisions which will be reached in the future due to an evaluation which will be performed regarding the centralization of institutional entities, if any, and on the conduct of competing entities vis-à-vis all of the Group's activities.

4.1.2 The Class Action Law

In May 2023, the report of the Inter-Ministerial Taskforce on Evaluating the Arrangements Prescribed in the Class Action Law - 2006 (hereinafter: "**Inter-Ministerial Taskforce**") were published. In the report, the Inter-Ministerial Taskforce recommended, inter alia, to add to the law a mechanism which will require that the defendant be contacted before the filing of a motion to approve, with respect to the types of grounds and claims which will be determined; Cancellation of certain exemptions from the fee payment requirement due to the filing of a motion to file a class action; The obligation to order trial expenses in case of the dismissal of a motion to approve / class action, except in case of special reasons which will be recorded, with the default being imposing the expenses on the class action plaintiff's attorney; Imposition of the obligation specify the number of class actions which were filed by a class action plaintiff; Establishment of a mechanism allowing the submission of additional requests on the same matter for the purpose of the selection of the claim and the leading attorney by the Court; Establishment of uniform and clear rules regarding compensation and professional fees; Establishment of mechanisms regarding the provision of remedy in kind; Establishment of an orderly mechanism for the approval of a settlement arrangement by a mediator; Provision of the possibility for organizations to file class actions.

At this preliminary stage, and before the Inter-Ministerial Taskforce's recommendations have been formulated into proposed legislation, the Company is unable to estimate the consequences of the foregoing recommendations, which could also have opposing and offsetting effects on the Company's financial results, and which, according to the Company's estimate, should not significantly change the scope of the exposure of the Group's member companies to class action proceedings.

4.1.3 Prohibition on money laundering

In May 2023, the Draft Prohibition on Money Laundering Order (Duties of Identification, Reporting and Record-Keeping of financial entities for the Prevention of Money Laundering and Terror Financing), 2023 (hereinafter: the "**Draft Prohibition on Money Laundering Order**"), was published, which replaced a previous draft which was published on the subject in October 2021.

The purpose of the draft is to establish provisions regarding prohibition on money laundering which will apply to all financial entities, and will replace the currently existing specific orders, including the Prohibition on Money Laundering Order (Duties of Identification, Reporting and Record-Keeping of Insurers, Insurance Agents and Managing Companies, for the Prevention of Money Laundering and Terror Financing), 2017, which applies to the Group's institutional entities, and will establish basic, identical and uniform provisions for all financial entities which report to the Israel Prohibition of Money Laundering and Financing of Terrorism Authority. As part of the draft order, it is proposed to authorize the financial regulators to establish details supplementary arrangements, through circulars and instructions, including arrangements which will address the unique characteristics of certain financial entities.

The draft order includes changes regarding the conduct which is required of the Group's institutional entities, relative to the current order, of which the main ones include changes to "know your customer" (which, inter alia, shall be referred to as "due diligence"), identification and authentication processes; specific provisions in connection with electronic transfer and transfer in virtual assets; and expansion of the standard reporting requirements to the Israel Prohibition of Money Laundering and Financing of Terrorism Authority.

According to the assessment of the Group's institutional entities, Draft Prohibition on Money Laundering Order, insofar as it is published as a binding order, could have certain effects on the sale process of insurance products and provident funds, both through the direct sale channels, and through agents. According to the assessment of Max, insofar as the draft order is accepted as a binding order, it could affect the activity of Max, mostly in connection with the processes of Max customers when joining the various services, and its adoption will involve additional operational preparation.

The information presented on all matters pertaining to the foregoing provisions in connection with the Prohibition on Money Laundering Order 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, and is dependent, inter alia, on the final wording of the Prohibition on Money Laundering Order which will be published, if published, on the operational preparations towards the implementation of the foregoing provisions, and the interpretation which will be given for the provisions which apply thereunder in the future by the authorized entities, and on the conduct of customers, insurance agents and competing companies.

4.2 Industry-wide directives for institutional entities

4.2.1 IFRS 17

For details regarding an update to the Commissioner's draft circular regarding the road map for the adoption of IFRS 17 - Insurance Contracts, see Note 3 to the financial statements.

4.3 Long-term savings

4.3.1 Discounts on premiums and compensation for agents

Further to that stated in section 6.1.4.1 of the chapter "description of the corporation's business", regarding the new mechanism for the repayment of fees in risk cancellation, and in section 10.8.2.2.A.2 of the chapter "description of the corporation's business" in the Company's periodic reports for 2022, regarding the Economic Program Bill (Legislative Amendments to Achieve Budgetary Goals for Budget Years 2023 and 2024) (hereinafter: the "**2023 Economic Arrangements Bill**"), regarding the obligation to repay a proportional part of the brokerage fees which will apply to insurance agents, including pension insurance agents, in case of the policy's cancellation, or withdrawal / transfer of the accrual, with respect to all insurance products -

In April 2023, a draft circular entitled "discounts and cancellations in life insurance - draft", and the Draft Control Financial Services Regulations (Provident Funds) (Distribution Fee for Pension Insurance Agents), 2023, were published, in which it is proposed to determine that –

A. Insurance companies will be entitled to offer to policyholders in life insurance a discount on the premiums, provided that the discount rate does not decrease throughout the entire insurance period.
B. Managing companies will be entitled to pay to pension insurance agents a one-time commission only if it was agreed, in the distribution agreement between them, that the agent will be required to repay the commission to the managing company, in accordance with the mechanism specified in section C below.
C. Institutional entities will receive from insurance agents the proportional part of the one-time commission, or a commission which is paid on an ongoing basis, and which is considered a substitute for the one-time commission, which was paid to them due to the marketing of life insurance policies, or from a distribution commission due to the addition of a member to a provident fund, with respect to the period remaining until the end of a period of 6 years after the date when the customer joined the insurance plan or the provident fund, in any of the following cases: (a) transfer of funds from a provident fund, fully or partially, to another provident fund, or withdrawal of all of the funds from the provident fund; (b) cancellation of the insurance contract; and (c) the 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.
D. The insurance company will not compensate the agent, whether directly or indirectly, due to the repayment of the foregoing commissions.

It is further proposed that the aforementioned provisions will enter into effect beginning on November 1, 2023, and will apply to joining and appointment of agents from that date onwards.

The purpose of the aforementioned provisions is to reduce the "exchange" phenomenon in the insurance and pension market, in which policies are canceled, and instead new policies are purchased for the same customer from another company, and therefore, this mechanism may result in extension of the average lifetime of the risk policies, and in extension of the average lifetime of savings products.

The information presented on all matters associated with the effects of the aforementioned provisions in connection with restrictions on the provision of discounts in premiums and the reimbursement of commissions 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, 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.

4.3.2 Engagement with pension advisers

Further to that stated in section 10.8.2.3 of the chapter "description of the corporation's business" in the Company's periodic reports for 2022, regarding the 2023 Economic Arrangements Bill, with respect to the engagement with pension advisers –

In May 2023 approval was given, as part of the Economic Program Law (Legislative Amendments to Implement the Economic Policy for Budget Years 2023 and 2024), 2023 (hereinafter: the "**2023 Economic Arrangements Law**"), for an amendment to the Advice Law, which mostly stipulates that an institutional entity may not unreasonably refuse to engage in an agreement, and will not request to terminate its engagement in an agreement to execute a transaction with a pension adviser. In accordance with the amended proposal, any refusal which is based on an agreement which is not profitable for the institutional entity will not be viewed as unreasonable refusal, when it pertains to the following matters: the rate and conditions of the distribution commission; the service given thereunder; its period, with respect to a certain type of pension product, provided that there is no agreement with similar conditions, as stated above, with another license holder.

It was further determined in the aforementioned amendment that the Commissioner's directives in connection with circumstances in which refusal to engage with a pension adviser will be considered unreasonable, beyond the circumstances which were specified in the regulations; and the establishment of criteria for the provision of services to license holders, deviation from which will be considered discrimination for the foregoing purposes - will be subject to the approval of the Finance Committee.

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 the current 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 rate of distribution commissions which a pension adviser is entitled to receive from an institutional entity.

The information presented on all matters associated with the foregoing provisions 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, 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.

4.4 Health insurance

4.4.1 Update in connection with the reduction of double health insurance

Further to that stated in section 8.1.2.1 of the chapter "description of the corporation's business" in the Company's periodic reports for 2022, regarding the Ash Committee report and the bill regarding double surgery insurance vis-à-vis Additional Health Services, in May 2023 approval was given, as part of the 2023 Economic Arrangements Law, for an amendment to the Control of Financial Services (Insurance) Law - 1981. In accordance with the amendment, beginning on December 1, 2023, or a date 6 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 proposed to apply the amendment to surgery insurance plans of the "Insurance From the First Shekel" type which will be signed or renewed beginning from the application date.

It was also determined that, on the renewal date of individual surgery policies of the "Insurance From the First Shekel" type, which were signed from 2016 onwards (hereinafter: "**Original Policy**"), the insurer will add the policyholders in the foregoing policy, which are members of Additional Health Services plan, to a policy with supplementary coverage for Additional Health Services (hereinafter: "**Supplementary Additional Health Services Insurance**"), instead of the original policy, unless the policyholder has announced that it is not interested in transferring to a supplementary Additional Health Services surgery insurance policy.

The amendment also includes the establishment of provisions which will apply with respect to the list of surgeons with whom the insurance company has arrangements for the provision of insurance coverage for surgeries in Israel (hereinafter: the "**List of Surgeons**"). In accordance with the amendment, it is proposed to determine that the insurance company will prepare a single list of surgeons which will apply to all insurance plans which include surgery insurance which it markets, and that at least half of the active surgeons in that list will be active surgeons in the health funds' list of surgeons.

It was further determined that the insurance company will not change or cancel a surgery arrangement with a surgeon if it would result in a decrease of the ratio between the number of surgeons who are included in the insurance company's list of surgeons, and are also included in the list of surgeons of a certain health fund, and the number of surgeons who are included in the insurance company's list of surgeons, unless the Commissioner has approved the change or cancellation.

The Company believes that the changes regarding double surgery insurance vis-à-vis Additional Health Services 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 change or discontinue their engagement.

At this preliminary stage, the Company is unable to estimate the long term effects of the 2023 Economic Arrangements Law regarding double surgery insurance vis-à-vis Additional Health Services, which could be significant, and which depends, inter alia, on the pricing which will be determined for the new policies, inter alia, in consideration of the fact that the scope of Additional Health Services may change from time to time, on the required tariff approvals, on the scope of sales and retention of policies of various types, and on the terms of engagement with suppliers.

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 conduct of competing companies, policy tariffs, customer preferences and the conduct of health funds and the Additional Health Services, inter alia, regarding the scope of services which will be given by them, and the cost thereof, as they stand from time to time, and accordingly, the indemnification requirements which will be addressed by them towards the insurance companies, over time.

4.4.2 Health insurance reform

Further to that stated in section 8.1.2.1 of the chapter "description of the corporation's business" in the Company's periodic reports for 2022, regarding the **reform in the health insurance segment** , in May 2023 drafts amendment to the reform's provisions were published, in which **the date of adoption of the reform's provisions was postponed to December 15, 2023, inter alia, in light of the corresponding reform as part of the 2023 Economic Arrangements Bill, regarding** double surgery insurance vis-à-vis Additional Health Services.

4.4.3 Service letters

Further to that stated in section 10.2.7(C) of the chapter “description of the corporation’s business” in the Company’s periodic reports for 2022, regarding amendments to the service letters circular from September 2022 and February 2023 – in May 2023 a draft amendment was published, in which the date of adoption of the foregoing two amendments was postponed to December 15, 2023, in accordance with the proposal to postpone the entry into effect of the provisions of the health insurance reform, as stated in section 4.3.1 above.

4.5 Activity of Max

4.5.1 Proper Conduct of Banking Business Directive 501 - Customer service and support system

In March 2023, a Proper Conduct of Banking Business Directive was published regarding the customer service and support system (Directive no. 501).
The directive established principles on all matters associated with the management of this infrastructure in the banking system, in the various service channels, and establishes, inter alia, duties regarding corporate governance, with respect to the board of directors’ responsibility, provisions were established which pertain to the formulation of a strategy regarding customer service and support; supervision of the implementation of the defined strategy, and approval of the customer service and support policy; and the establishment of reports to the board of directors, and the holding of discussions on the matter at least once per year. Regarding the responsibility of senior management, provisions were established which pertain to the responsibility for implementing the customer service and support strategy; establishment of authorities and areas of responsibility for effective management of the various service channels; allocation of resources as required to implement the policy; formulation of supervision and oversight mechanisms; and the obligation to conduct a routine process of making changes and adjustments to the customer service and support system.
The directive also includes principles regarding the provision of service and support to customers, with which banking corporations are required to comply, and imposes the obligation to publish a service charter, and to publish details regarding the customer service and support system.
Most of the directive’s sections will enter into effect within one year after the date of its publication.

According to the assessment of Max, in general, the Proper Conduct of Banking Business Directives regarding the customer service and support system are expected to have operational consequences with respect to the customer service and support processes in Max, for the purpose of complying with the arrangements which were determined in the directive, and the principles regarding the provision of customer service and support, and Max is preparing to adopt them.

The information presented on all matters associated with the adoption of the aforementioned provisions in connection with the Proper Conduct of Banking Business Directive regarding the customer service and support system constitutes forward looking information, which is based on Max’s estimates and assumptions as of the publication date of the report. Actual implementation may differ significantly from the forecast, and depends, inter alia, on the operational preparations for the adoption of the foregoing provisions, and on the interpretation which will be given for the Proper Conduct of Banking Business Directive by Bank of Israel and/or competing companies.

4.5.2 The Regulation of Engagement in Payment and Payment Initiation Services Law, 2023

In May 2023, approval was given, as part of the 2023 Economic Arrangements Law, for The Regulation of Engagement in Payment and Payment Initiation Services Law, 2023. The law establishes an obligation to obtain a license or regulator approval, and the conditions the receipt of the foregoing license or approval, including conditions pertaining to the receipt of a control permit, minimum equity requirements, mechanisms regarding information security, business continuity, and others, which will apply to any entity which is engaged in the provision of payment and payment initiation services, regulates permitted occupations for license holders, and establishes related provisions.
The law includes, inter alia, redistribution of the responsibility of the financial regulators, and as part of the above, establishes that entities which are engaged in the provision of payment services (payment account management, issuance of payment methods, clearing of payment activities, and provision of payment services) will work under the supervision of the Israel Securities Authority, while the banks and the credit card companies (including Max) will remain subject to the supervision of the Bank of Israel, subject to the granting of authority to the Minister of Finance - in consultation with the Israel

Securities Authority, the Governor of the Bank of Israel, and the Competition Commissioner - to also transfer these authorities to the supervision of the Israel Securities Authority.

The law also includes provisions regarding the regulation of payment initiation activity; provisions regarding the licensing and regulation of the activities of foreign payment service providers; provisions permitting payment companies to hold customer funds at stable payment service providers (including Max), subject to the instructions of the Israel Securities Authority; adjustments to the Payment Services Law, 2019, including regarding the consumer protections with respect to payment initiation services; and provisions regarding connectivity between providers of money transfer services and individuals (P2P services).

The law establishes the regulatory foundation for expanding Max's business activity in the future, in the domains which are regulated in the bill. It also could lead to changes in the competitive map in the payment market, result in the penetration of innovative payment services, and affect the manner of regulating the activities of entities which compete (in the future or in the future) with Max's activity, and in the encouragement of foreign service providers to enter Israel. The proposed arrangement structure, and the multiplicity of entities supervising financial services in the credit segment, may create uniformity regarding the conditions of activity in the market between the various entities.

The information presented on all matters associated with the Regulation of Engagement in Payment and Payment Initiation Services Law constitutes forward looking information, which is based on assumptions and estimates made by Max as of the publication date of the report. Actual implementation may differ significantly from the forecast, and depends, inter alia, on the interpretation which will be given for the provisions of the Regulation of Engagement in Payment and Payment Initiation Services Law by the competent entities, on the conduct of the various service providers, and on business decisions which will be made in the future.

4.5.3 Reporting obligations to the tax authorities

The Economic Arrangements Law included the proposal of several bills and legislative amendments which are relevant to Max, including amendments to the Income Tax Ordinance, which are intended to impose on financial entities (including Max) a semi-annual reporting requirement with respect to the activity of business customers, in addition to the establishment of provisions regarding the Tax Authority's right to contact credit card companies with specific requests for information. These proposals were not approved as part of the Economic Arrangements Law.

At this preliminary stage, Max is unable to estimate the impact of these legislative amendments. However, insofar as the amendments are promoted, in their current wording, they will impose on credit card companies (including Max) a reporting requirement which will involve operational consequences.

4.5.4 Bills and legislative amendments within the framework of the Economic Arrangements Law

In May 2023 the 2023 Economic Arrangements Law was passed, which included the establishment, inter alia, of the following:

A. Provisions which expand the authorities of the Commissioner of Banks to impose financial sanctions in case of breaches pertaining to the collection of fees in accordance with the price list which was determined by the Governor of the Bank of Israel, e.g., in case of deviation from Max's published price list, or the collection of a higher amount than had been agreed upon with the customer;

B. The provisions which were established as part of the Law to Promote Competition and Reduce Centralization in the Israel Banking Market (Legislative Amendments), 2017 (the "Strum Law"), regarding the prohibition which applies to the bank, against contacting customers regarding the renewal of credit cards except within the period of 45 working days before the conclusion date of the credit card contract, will remain in effect for a period of another two years, subject to the authority of the Finance Committee to extend these provisions by another two years;

C. As from February 1, 2024, the protection which had been given to the credit card companies pursuant to the Strum Law, in the form of a limit on the total credit facilities in credit cards of customers of a bank with extensive scope of activity, which issues payment cards – was canceled.

D. The directive which had been established in the Banking Law (Customer Service), 1981, within the framework of the Strum Law, regarding the prohibition against preventing competition and access to information – was amended. In accordance with the amendment, the banking corporation will be required to allow the operating entity (the financial entity which is engaged in the processing of payment cards which are issued by the bank) to obtain the customer's consent to make use of information regarding the customer which the processor entity has received through the performance of the issuance or processing, for the purpose of providing financial services to the customer, regarding which they are supervised.

At this preliminary stage, Max is unable to estimate the impact of these legislative amendments. However, the extension of the protections which were given to Max within the framework of the Strum Law could help it respond to the competitive conditions in the market.

The information presented above regarding the provisions within the framework of the 2023 Economic Arrangements Law constitutes forward looking information, which is based on assumptions and estimates made by Max as of the publication date of the report. Actual implementation may differ significantly from the forecast, and is dependent, inter alia, on the conduct of competing entities in the market, and the conduct of customers.

4.5.5 Draft Proper Conduct of Banking Business Directive regarding the management of information technology, information security and cybersecurity risks

In February 2023, a draft Proper Conduct of Banking Business Directive was distributed, which is intended to replace existing directives regarding information technology. The purpose of the directive is to adjust the current treatment of the family of information technology risks, including information technology risks, according to international regulations on the matter. The directive includes, inter alia, provisions regarding corporate governance and the framework of risk management, the framework of work regarding the management of information technology risks, provisions regarding the management of information technology risks, information security risks and cybersecurity risks, incident handling, reporting on these subjects, outsourcing, business continuity management, and a chapter regarding outsourcing, which constitutes an addendum and extension to the existing provisions on the subject.

At this preliminary stage, Max is studying the draft, and is therefore unable to estimate the impact of the draft directive on its activity, inter alia, in light of the fact that, due to its complexity, it is still being discussed between the Banking Supervision Department and the supervised entities. However, the draft, insofar as it is accepted as a binding directive, could have operational and automational effects on Max's activity.

The information presented on all matters associated with the possible implications of the provisions regarding the management of information technology, information security and cybersecurity risks constitutes forward looking information, which is based on Max's estimates and assumptions, and actual results may differ significantly from the forecast, inter alia, according to the final wording of the directive, insofar as it is published.

5. Exposure to and management of market risks

Effect of market risks on business results

A. According to the Securities Regulations (Immediate And Periodic Reports), 1970, reports regarding the exposure to and management of market risks refer to the exposures of the Company and its consolidated companies, excluding insurers in Israel and clearing entities.

Following the closing of the Max transaction and the Company's financial preparations, presented below is a description of the exposure and the sensitivity to changes in risk factors as of March 31, 2023, and for 2022 (in millions of NIS):

As of March 31, 2023:

Risk factor - linked interest

	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	(57)	(3)	(2)	472	2	3	68
Total	**(57)**	**(3)**	**(2)**	**472**	**2**	**3**	**68**

NIS interest rate risk factor

Risk factor	Profit / loss from the changes: Absolute increase of 2% in 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	Absolute decrease of 2% in market factor
Bonds (Series A)	20	4	2	(244)	(2)	(4)	(23)
Bonds (Series B)				130			
Bonds (Series B)	13	3	1	(147)	(1)	(3)	(16)
Syndicated loan in CIMax	20	3	2	(941)	(2)	(3)	(21)
Deferred payment	2	-	-	(377)	-	-	(2)
Total	**55**	**105**	**55**	**(1,710)**	**(55)**	**(105)**	**(62)**

As of December 31, 2022

Risk factor - linked interest

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	(62)	(3)	(1)	489	1	3	74
Total	(62)	(3)	(1)	489	1	3	74

* As of December 2022, no significant exposure to the interest rate risk factor was found.

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.

Main working assumptions:

A. Cash and cash equivalents, short-term assets and liabilities (up to one year) were not included in the evaluation of the exposure to changes in 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, 2022 and interest rates as of March 31, 2023, 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.

Linkage bases report - as of March 31, 2023

	Israeli currency		Foreign currency				Other non-	Credit card	Insurance	
NIS in millions	Unlinked	CPI-linked	USD	EUR	GBP	Other	monetary items	company in Israel	company in Israel	Total
Intangible assets	-	-	-	-	-	-	849	-	1,076	1,926
Deferred tax assets	-	-	-	-	-	-	47	101	5	153
Deferred acquisition costs	-	-	-	-	-	-	4	-	2,511	2,515
Property, plant and equipment	-	-	-	-	-	-	47	351	174	572
Right-of-use asset	-	-	-	-	-	-	93	193	400	686
Investments in associates	-	-	-	-	-	-	104	-	75	178
Investment property for investment-linked contracts	-	-	-	-	-	-	-	-	3,801	3,801
Other investment property	-	-	-	-	-	-	-	-	1,486	1,486
Reinsurance assets	-	-	-	-	-	-	-	-	4,544	4,544
Current tax assets	-	-	-	-	-	-	-	1	328	330
Receivables with respect to credit card activity, net	-	-	-	-	-	-	-	15,185	-	15,185
Other accounts receivable	35	9	-	-	-	-	1	43	3,201	3,290
Outstanding premiums	5	-	-	-	-	-	-	-	890	895
Financial investments for investment-linked contracts	-	-	-	-	-	-	-	-	80,823	80,823
Other financial investments										
Marketable debt assets	-	-	4	-	-	-	-	-	6,792	6,796
Non-marketable debt assets	-	-	-	-	-	-	-	-	23,787	23,787
Stocks	-	-	-	-	-	-	26	-	1,574	1,600
Other	177	-	-	-	-	-	-	3	4,815	4,996
Cash and cash equivalents for investment-linked contracts	-	-	-	-	-	-	-	-	5,418	5,418
Other cash and cash equivalents	222	-	2	-	-	-	-	494	1,998	2,717
Total assets	439	10	6	-	-	-	1,173	16,371	143,699	161,698

5. Exposure to and management of market risks (Cont.)

Effect of market risks on business results (Cont.)

Linkage bases report - as of March 31, 2023 (Cont.)

NIS in millions	Israeli currency		Foreign currency				Other non-monetary items	Credit card company in Israel	Insurance company in Israel	Total
	Unlinked	CPI-linked	USD	EUR	GBP	Other				
Liabilities										
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	-	34,287	34,287
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	-	-	-	-	-	89,740	89,740
Deferred tax liabilities	-	-	-	-	-	-	19	-	562	581
Liabilities with respect to employee benefits, net	21	-	-	-	-	-	-	24	48	93
Lease liabilities	-	110	-	-	-	-	-	193	480	783
Payables with respect to credit card activity	-	-	-	-	-	-	-	8,649	-	8,649
Other accounts payable	485	-	-	-	-	-	2	437	3,347	4,271
Current tax liabilities	-	3	-	-	-	-	-	22	1	26
Financial liabilities	1,333	-	-	-	-	-	-	5,585	8,123	15,041
Total liabilities	1,840	113	-	-	-	-	21	14,910	136,587	153,472
Total exposure	(1,401)	(103)	6	-	-	-	1,146	1,461	7,112	8,226

6. Risk review in Max

For an extensive description of Max's risks, and the method of managing them, see Max's financial statements for 2022 (pages 56-75).

General description of the risks and of the method for management thereof

Max is engaged in a wide variety of financial activities which involve taking risks, including credit risk, market risk and liquidity risk. These risks are associated with additional risks, including operational risks, including information security and cybersecurity risks, compliance risks, strategic risk, reputation risk, and ESG risks involved with business activities. Intelligent and comprehensive risk management comprising all of Max's fields of activity constitutes a part of Max's strategy, and a necessary condition for the realization of its long term goals.
For additional information regarding the risks, see layer 3 - report providing additional information regarding the risks, which has been published on Max's website.

Credit risk

In accordance with directive 311 regarding credit risk management, the risk is defined as the risk that a borrower, or counterparty, of Max, does not fulfill its contractual undertakings towards it.

<u>Management of credit risk</u>

In accordance with directive 311, the purpose of credit risk management is to maximize the return adjusted for Max's risk appetite, by ensuring that the credit risk exposure is consistent with Max's policy on the subject.

Credit policy
Max is working in accordance with a credit policy which is approved once per year by the Board of Directors, and which constitutes one of the central layers for expressing Max's credit strategy and risk appetite. The credit risks policy establishes, inter alia, the principles for the provision of credit, including guidelines regarding the method for initiated marketing of retail and business credit, the method of controlling and managing credit risks, and limits on the provision of credit, in order to monitor and manage the credit risk in the portfolio, in accordance with the risk appetite.
The credit policy serves as a framework for the establishment of procedures for the identification, measurement, monitoring and control of the credit risk in light of Max's risk appetite.
Max, as a leader in its field, has developed a professional operational infrastructure for intelligent and effective risk management with respect to business operations in the credit segment, in accordance with the needs of customers.

Three lines of defense
- First line of defense - the responsibilities of the first line of defense include the identification, assessment, measurement, monitoring, mitigation and reporting of the inherent risks in the products, operations, processes and systems for which it is responsible, and the management of an adequate control environment in connection with credit risk management. The first line conducts, inter alia, evaluations regarding internal and regulatory restrictions, monitors economic indicators, evaluation of authorities, and a specific evaluation of credit which has been provided.
- Second line of defense - the credit control unit, led by the Chief Risk Officer, is responsible, inter alia, for establishing the work methodology, and for challenging the first line of defense. Its responsibilities include formulating the risk appetite, formulating the credit policy, testing the restrictions which have been established in the policy, independent monitoring of the credit risk, including opinions regarding credit requests in material amounts, monitoring and followup regarding trends and risk factors, and submitting appropriate reports to Max's management and board of directors.
- Third line of defense - The internal audit unit conducts an independent review and challenges the risk management processes and systems in the Company, as well as various audits regarding credit, in accordance with the work plan.

In addition to directive 311, as described above, Max also works in accordance with and adopts the relevant directives of the Commissioner of Banks, including Proper Conduct of Banking Business Directive 313, regarding the liability limits of a single borrower and a group of borrowers, for the purpose of reducing the concentration of borrowers, Proper Conduct of Banking Business Directive 312, regarding the liability limits of related parties, in order to reduce the total liability of parties related to the Company, and to minimize risks arising from such transactions, and Proper Conduct of Banking Business Directive 450, regarding debt collection processes, in order to regulate the activities which are required for this purpose increasing fairness and transparency when collecting debts from its customers. Max has also prepared the adoption of Proper Conduct of Banking Business Directive 311, regarding consumer credit management, which was published in February 2021, and which has been incorporated into Max's credit policy.

Max operates in accordance with designated rules regarding the initiated marketing of retail loans. Max has call scripts for initiated contact, which include due disclosure to the customer in accordance with the banking rules (customer service, due disclosure and submission of documents), which were written in accordance with the ethical code of conduct, the management of conduct risks, and the guidelines in connection with the initiation and marketing of credit to customers, and with full due disclosure to customers.

Risk of credit to private individuals

Risk of credit to private individuals arises mostly from the exposure to current transactions with credit cards and products.

Max offers a variety of products involving credit to private individuals, as follows:

- Non-interest-bearing credit - Credit facility for credit card purchases.
- Interest-bearing credit - Loans, rolling credit, car loans, and credit transactions. The credit is mostly given at variable interest, and for various periods, depending on the product.
  Most of the portfolio is solo credit, without collateral, except for car loans, which are secured by a pledge on the car.

Model-based underwriting

Most of the consumer credit which is given in Max is performed through a model-based underwriting process, which is based on statistical rating models which include a scale of different rating levels, and additional rating in case of default, in addition to business rules.

The decision regarding the credit limit and the interest rate which are determined for a customer is made in accordance with the model, while incorporating business rules, which constitute another layer in the evaluation of the risk level.

The models rely on internal and external information sources which may indicate negative developments which have occurred in the customer's financial position, such as returned charges, deviation from facilities, and warnings from external information sources.

Max routinely develops and upgrades the models for new customers and existing customers as required, and also conducts periodic independent validations of them, in accordance with the standard practice and in accordance with the Bank of Israel's instructions, such that, at all times, it is possible to reliably estimate the risk level due to customers in the credit portfolio.

Max manages a credit underwriting model for new customers, and a separate underwriting model for existing customers:

- Application Scoring (AS) model - A statistical model which determines the customer's risk rating for new customers, which is used to determine eligibility and credit terms (facility and interest).

- Behavior Scoring (BS) model - A statistical model which determines the customer's risk rating for existing customers, based on data regarding the customer's conduct, through which the credit is managed and the required adjustments are made with respect to the credit facility, loans and interest rate which have been determined for the borrowers.

Underwriting of credit to private individuals

The underwriting process of private customers, as well as monitoring of changes in the risk level of existing customers, is mostly performed through a model-based process, which is based on statistical models for rating the customer's credit risk (credit scoring), as specified above.

0Max conducts routine control and monitoring processes with respect to the development of customer ratings in the models, and routinely monitors the risk profile in the portfolio. In addition to model-based underwriting, Max also conducts manual underwriting, which is done in cases where additional evaluation is required, beyond the model's offer which was given to the customer.

The credit is managed, inter alia, through restrictions which are derived from Max's risk appetite and credit policy.

Credit to private individuals for the purchase of vehicles

Credit financing to purchase vehicles is given to private individuals based on a structured underwriting process, and in accordance with the limits which the Company has established. All of the financed cars are pledged in favor of Max. Data regarding the development of the portfolio and monitoring of the risk indicators are routinely performed.

Initiation of credit to private individuals

Max operates in accordance with its strategy of expanding the portfolio of credit to private individuals, while continuing to maintain a high level of diversification. The Company defines, inter alia, the mix of products, the rate of growth and offers to its customers, in accordance with internal economic parameters and developments in macro-economic indicators.

Max has defined appropriate policies and work procedures for the marketing and initiation of credit to customers, while adjusting the offer in accordance with the customer's needs and characteristics. The process of approving, initiating and marketing credit is managed in accordance with the principles of the Company's ethical code of conduct, which reflects the core values adopted by Max: fairness, transparency, customer experience, initiative, partnership and excellence.

The initiation process also includes a strict evaluation of conduct risk, while adjusting the credit to the customer's needs, and maintaining transparency and fairness. Inter alia, providing full disclosure at the time of sale, with respect to all of the credit products, and the removal of customers, at their request, from initiated credit sale calls, etc.

Max routinely implements controls over the implementation of the policy and the processes which have been established in the various distribution channels. The policy has included qualitative and quantitative principles according to which the credit portfolio will be provided, managed and controlled, with the aim of improving its quality and reducing the risk involved in its management. Max monitors the alerts and updated information regarding the customers

in the credit portfolio, the portfolio's risk parameters, and economic indicators, in order to monitor changes in the risk profile. If necessary, Max works to reduce the risk, inter alia, by reducing facilities, while providing due disclosure to customers. Max has established internal limits on the diversification of the various credit products which involve different risk levels. Max established, inter alia, restrictions with respect to the credit facility for a borrower in accordance with different parameters, and in accordance with limits which it determined, including with reference to the mix of risk levels according to internal rating models and external information. During the reporting period, these characteristics remained without any significant change.

Max established a hierarchy of authorities for credit decisions, and conducts periodic discussions regarding the mix of risk in the portfolio, including monitoring risk indicators and reporting on the fulfillment of restrictions which were determined to Max's high committee on risks, the board committee on risks, and the board of directors, at least once per quarter.

In recent years, regulation has involved pro-consumer directives which affect the ability to receive repayment vis-à-vis customers trade receivables, and a change for the worse in the ability to repay the debts of individuals / private borrowers. These are being reflected in motions for bankruptcy, motions for receivership, issued receivership orders, bankruptcy orders and debt forgiveness orders. Max works on optimal and effective collection to reduce the number of write-offs.

Commercial credit

The risk arises from the exposure due to the acceptance of various credit products by the businesses, in accordance with their needs. Max offers a variety of credit products to business customers, mostly loans for different periods, and facilities to make purchases using business credit cards, along with autonomous guarantees to businesses to secure the payment of rent, and an additional expanding variety of products to address the business's needs for the purpose of working capital, construction, and other needs.

In the first quarter of 2023, Max began providing loans in a new fund for state-backed loans which offers loans to all of the companies.

Underwriting of commercial credit

This credit is given to small and micro businesses, and to limited liability companies. Max operates in accordance with a strict credit policy which includes internal limits on underwriting and management of the credit activity. A large part of the credit for businesses is for businesses with clear with the Company. The clearing does not constitute a collateral against the credit which is provided to the businesses, although it constitutes a source for the settlement of debt. Along with the activity with clearing customers, the Company also works and provides credit to non-clearing customers, including, inter alia, through state-backed funds, and short-term loans to finance supplier purchasing, backed by the policy of an external insurance company.

Troubled credit

Max has established procedures for identifying troubled credit and for the classification of debts as impaired. In accordance with these policies, Max classifies all of its troubled debts and off-balance sheet credit items under the following classifications: special supervision, subordinated or impaired.

Analysis of credit quality, troubled credit risk and non-performing assets:

	As of March 31			
	Commercial	Private	Others	Total
NIS in millions	Unaudited			
Credit risk with respect to performance grade credit (1)				
Balance sheet credit risk	**1,099**	**11,943**	**2,225**	**15,267**
Off-balance sheet credit risk	**430**	**17,628**	**9,268**	**27,326**
Total credit risk with respect to performance grade credit	**1,529**	**29,571**	**11,493**	**42,593**
Credit risk with respect to non-performance grade credit:				
Non-troubled	**10**	**325**	**-**	**335**
Troubled accruing	**13**	**277**	**-**	**290**
Troubled non-accruing	**9**	**105**	**-**	**114**
Total balance sheet credit risk	**32**	**707**	**-**	**739**
Off-balance sheet credit risk	**1**	**26**	**-**	**27**
Total credit risk with respect to non-performance grade credit	**33**	**733**	**-**	**766**
Total comprehensive credit risk of the public	**1,563**	**30,330**	**11,493**	**43,386**
Additional information regarding total non-performing assets:				
Non-accruing debts	**9**	**105**	**-**	**114**
Total non-performing assets	**9**	**105**	**-**	**114**

(1) Credit risk whose credit rating on the reporting date corresponds to the credit rating for the provision of new credit, in accordance with the Company's policy.

Note: Credit risk is presented before the effect of the provision for credit losses, and before the effect of the deductible collateral for the purpose of the debt of a borrower and group of borrowers.

Changes in non-accruing debts due to receivables with respect to credit card activity [(1)]

	As of March 31, 2023		
	Commercial	Private	Total
NIS in millions	Unaudited		
Initial consolidation	**9**	**105**	**114**
Non-accruing balances at end of period	**9**	**105**	**114**

(1) Of which: changes in non-accruing debts in restructuring

	For the period of three months ended March 31, 2023		
	Commercial	Private	Total
NIS in millions			
Initial consolidation	**2**	**30**	**32**
Balance of troubled debts in restructuring at end of period	**2**	**36**	**38**

Indicators for the analysis of credit quality, expenses and the provision for credit losses:

	As of March 31, 2023		
	Commercial	Private	Total
	%		
Credit quality analysis			
Rate of the balance of non-accruing receivables to the balance of receivables with respect to credit card activity	**0.78**	**0.82**	**0.81**
Rate of the balance of receivables which are non-accruing or in arrears of 90 days or more to the balance of receivables with respect to credit card activity	**0.78**	**0.82**	**0.81**
Rate of troubled credit to the balance of receivables with respect to credit card activity	**1.90**	**2.97**	**2.88**
Rate of non-performance grade credit to the balance of receivables with respect to credit card activity	**2.76**	**5.50**	**5.27**
Analysis of the credit loss provision			
Rate of the balance of the provision for credit losses to the balance of receivables with respect to credit card activity	**3.11**	**2.15**	**2.23**
Rate of the balance of the provision for credit losses to the balance of non-accruing receivables with respect to credit card activity	**400.00**	**262.86**	**273.68**
Rate of the balance of the provision for credit losses to the balance of receivables which are non-accruing or in arrears of 90 days or more with respect to credit card activity	**400.00**	**262.86**	**273.68**

Credit exposure to foreign financial institutions

Max has immaterial exposure to the international organizations Visa and Mastercard with respect to balances of transaction volumes which were made by tourists in Israel, after deducting balances of transaction volumes which were made by Israelis abroad, for which Max was credited by the international organizations. In the first quarter of 2023, no significant change has occurred in the Company’s exposure to foreign financial institutions.

For additional information regarding credit risk, see layer 3 - report providing additional information regarding the risks, which has been published on the Company’s website.

Market risks

Proper Conduct of Banking Business Directive No. 339, regarding the management of market risks, defines market risk as the risk of loss in balance sheet and off-balance sheet positions due to changes in the fair value of a financial instrument, as a result of changes in market conditions (change in the price level in different markets, interest rates, exchange rates, inflation, prices of stocks and commodities).

Max has a policy for the management of market risks which is approved by the Company’s management and board of directors. The policy document includes reference to the risk appetite limits and to the hedging processes with respect to the different exposures. The Company also monitors the entire set of financial risks, the amount of the exposures, the results of sensitivity analyses, and current and expected significant changes which are routinely implemented are discussed in the financial risks management forum led by the CEO, which convenes monthly.

Exposure to interest rate risk

Proper Conduct of Banking Business Directive No. 333, regarding the management of interest rate risk, defines the risk as the risk to profits or capital due to interest rate changes. Interest rate changes affect Max’s profits through changes in net interest income (including changes in non-interest income/expenses). Interest rate changes also affect the value of Max’s assets, liabilities and off-balance sheet instruments, since the present value of future cash flows (and in some cases, the cash flows themselves) changes when changes have occurred in the interest rates.

Max’s exposure to changes in interest rates is due to a number of sources:

- Repricing risk - due to timing differences in the repayment periods (at fixed interest) and the repricing periods (at variable interest) of Max’s assets, liabilities and off-balance sheet positions. Inconsistencies on repricing dates could expose the profits and economic value to unexpected changes due to interest rate changes.

  Interest rate changes may result in an increase in the price of the sources, and in the erosion of profitability.

- Basis risk - risk due to the possibility of imperfect correlation between interest rate changes in different financial markets, or different instruments with similar repricing characteristics. Along with the Company’s assets which include interest-bearing credit, which is mostly at variable interest (margin relative to the prime interest rate), the Company raises, on the liabilities side, financing sources which include, inter alia, bonds (at fixed interest).

- Fair value exposure - Max’s assets include non-interest bearing balances. In case of interest rate changes, exposure may arise which could cause the fair value of Max to decrease. The exposure is even greater when there are differences in the average lifetimes of financial assets and financial liabilities.
- Yield curve risk - The risk of harm to Max’s profits due to parallel changes in the yield curve, or due to changes in its form.

Management of interest rate risk

The estimated exposure to interest rate risk is conducted through an analysis of the impact of interest rate changes on fair value and net interest income. The risk is due to the exposure to future interest rate changes, and their possible impact on the values of assets and liabilities, according to the economic value approach, and their impact on profit according to the profit approach. The exposure is due, inter alia, to the difference between the repayment dates and the interest calculation dates of assets and liabilities in each linkage segment. The management of interest rate risk also includes an evaluation of the gaps between assets and liabilities, in accordance with the linkage bases, where most of Max’s exposure is in the NIS segment.

Max has established indicators to monitor the exposure, and in case of the occurrence of any of them, methods of action will be determined in order to reduce the risk, including, inter alia, and as needed, the use of hedging instruments which have been approved by Max’s management and board of directors.

Derivative financial instruments

In general, Max’s policy is to use derivative financial instruments for economic and accounting hedging purposes only.

Presented below are data regarding the fair values of financial instruments, and the impact of interest rate changes on fair value:

1. Fair values of financial instruments of Max and its consolidated companies, excluding non-monetary items:

	As of March 31, 2023				
	Israeli currency		Foreign currency *		
NIS in millions	**Unlinked**	**CPI-linked**	**USD**	**Other**	**Total**
Financial assets	**15,387**	**76**	**70**	**26**	**15,559**
Financial liabilities	**14,309**	**75**	**99**	**-**	**14,483**
Net fair value of financial instruments	**1,078**	**1**	**(29)**	**26**	**1,316**

* Including Israeli currency linked to foreign currency.

2. Impact of hypothetical changes in interest rates on the net fair value of Max's financial instruments, excluding non-monetary items:

	As of March 31, 2023				
	Israeli currency		Foreign currency **		
NIS in millions	Unlinked	CPI-linked	USD	Other	Total
Non-corresponding changes					
Steepening	**3**	**-**	**-**	**-**	**3**
Flattening	**(4)**	**-**	**-**	**-**	**(4)**
Short term interest rate increase	**(7)**	**-**	**-**	**-**	**(7)**
Short term interest rate decrease	**7**	**-**	**-**	**-**	**7**

** Including Israeli currency linked to foreign currency.

3. Impact of scenarios involving changes in interest rates on net interest income and on non-interest financing income:

	As of March 31, 2023	
	Interest income	Total
NIS in millions		
Corresponding changes		
Parallel increase of 1%	**36**	**36**
Corresponding decrease of 1%	**(36)**	**(36)**

Exchange rate risk

The exposure to exchange rate risk is reflected in the loss which could occur due to changes in exchange rates or in the consumer price index, as part of Max's routine business activities. Max's exposure to exchange rate risk arises from currency exposure due to the impact of exchange rate changes on the assets and liabilities in Max's balance sheet which are denominated in foreign currencies, mostly the USD and the EUR. Currency exposure is a byproduct of Max's routine business activities, and is not a deliberate exposure created by the Company for the purpose of increasing profits.

Max's exposure to exchange rate changes is mostly due to its activities – clearing and issuance – which involve an international organization (Visa or MasterCard). Since Max has business activity which is related to foreign currencies, exchange rate changes expose Max to loss due to exchange differences.

Max's exchange rate risk mostly pertains to the management and mitigation of the general exposure, including under the sub-exposures which are due to the cash flow activity and the accounting exposure.

Management of exchange rate risk

Max has defined maximum limits on the exposure to balances in foreign currency after hedging activities. The exposure is hedged for each type of exposure in accordance with Max's policy, inter alia, through the sale and purchase of foreign currency, and the use of financial derivatives, all while complying with the established limits, and in accordance with the decision of management and the board of directors.

Max has established monitoring indicators for each type of exposure, and in case of the occurrence of any of them, methods of action will be established in order to reduce the risk.

Max's exposure to risk arising from activities linked to the consumer price index is immaterial. Max will continue monitoring the exposure to activities linked to the consumer price index, and in case of changes in the scope of exposure, management will evaluate the required methods of action.

Liquidity and financial risk

In accordance with Proper Conduct of Banking Business 342, regarding the management of liquidity risk, liquidity risk is defined as the risk to Max's profit and stability due to its inability to fulfill its liquidity needs.

Max has several activities which affect its liquidity:

- Cash flows from core activities: issuance, clearing, and credit activities.
- Cash flows with respect to uses, including inclusive of bonds and interest, and routine management of Max.
- Timing gaps between cash inflows from customer charges and cash outflows due to the crediting of businesses within the framework of clearing activities.
- Changes in Max's cash flows which are due to the conduct of Max's customers, or to a significant change in other entities in the financial and real system.

Management of liquidity and financing risk

Max manages its liquidity risk, inter alia, through the use of a liquidity model which takes into account all of Max's sources and uses which are derived from its current and expected activities which affect Max's cash flows. The liquidity model calculates an expected liquidity ratio, and is intended to alert, in advance, of situations in which liquidity pressures may arise. The management of liquidity risk in Max takes into account the liquidity requirements of all of the subsidiaries.

Max has defined, in the liquidity risk policy, a limit minimum liquidity ratio, as well as performance metrics in the ordinary course of business and under scenarios, which have been approved by management and the board of directors. Max has also established a methodology to assist in the identification and management of a liquidity crisis, in order to ensure Max's ability to meet challenges which arise from the management of its routine business affairs, and which may arise due to pressure situations in the financial markets.

In its management of current assets and liabilities, Max uses various financing sources to distribute the risk. Max's financing sources include the use of its equity, the holding of secured credit facilities in several different banks, and raising debt through various financial instruments.

On July 1, 2021, a directive entered into effect regarding the daily clearing arrangement, by virtue of the Competition Authority's decision to exempt, subject to conditions, the cross-clearing arrangement between the credit card companies. From that date onwards, monetary transfers between an issuer and a clearing entity (with respect to transactions which are executed in a single payment, debit transactions, or deferred transactions) are performed on a daily basis. As a result, Max's financing requirements decreased, due to the decrease in the average use of the credit facilities, relative to the periods preceding the arrangement's entry into effect. The continuation of this trend depends on the conduct of the clearing market.

During the reporting period, Max fulfilled its undertakings and met the conditions in connection with the financing agreements in which it is engaged.

Max has a financial risks management forum which is led by the CEO, and whose members includes the CFO, the Chief Risk Officer, and the Internal Auditor. The forum includes discussions regarding, inter alia, exposures and hedge activities.

In October 2022, the rating agency Midroog Ltd. ratified Max's rating as Aa3.il, and the rating outlook as stable. In March 2023, Max concluded its engagement with the rating agency S&P Maalot. Upon the conclusion of the engagement, Max's rating was ilAA-, and the rating outlook was stable.

For additional details regarding liquidity and financing risk, see the chapter regarding financing in Max's board of directors' report for 2022, and the report providing additional information regarding risks on the website of Max.

Operational risk

Proper Conduct of Banking Business Directive 350, regarding the management of operational risks, defines operational risk as "risk of loss due to the inadequacy or failure of internal processes, people and systems, or due to external events. This definition includes legal risk, but does not include strategic risk or reputation risk." There are situations in which the materialization of other risks, such as credit risk, compliance risk and reputation risk, are caused due to operational failure.

Max is exposed operational risks as part of its activities, including:

- Issuance activity - as part of the issuance activity, Max is exposed to fraudulent transactions using the credit cards it has issued, which are executed in Israel and abroad.
- Clearing activity - as part of the clearing activity, Max provides credit and discounting services. The exposure with respect to these services involves the risk that a business will not provide the goods which it undertook to provide, which could lead to customers to complain about "consideration default". The scope and duration of the exposure depends on the type of service which is given by the business, in accordance with the date when the product is provided.

Operational risks also naturally exist in all processes in Max, and are due, inter alia, to the use of various information technologies and systems.

For additional details regarding operational risk, see the report providing additional information regarding the risks, which is available on Max's website.

Other risks

Information security and cybersecurity risk

In accordance with directive 361 regarding the cybersecurity management, cybersecurity risk is defined as the potential for damage due to the occurrence of a cybersecurity incident, in consideration of its level of probability, and the severity of its effects. A cybersecurity incident is an incident which involves an attack on IT systems and/or IT-integrated infrastructure systems by, or on behalf of, hostile entities (external or internal to the Company), which could result in the materialization of cybersecurity risk.

Max, as a financial organization, is an attractive target for various attackers. The IT systems, data networks and IT systems which serve Max's customers are a target for cyber attacks, malicious penetrations, malicious code, phishing attacks, and other vulnerabilities which are intended to cause damage to Max's services, data theft, damage Max's database.

Max's business activities significantly rely on, and are supported by, technological systems. Therefore, the availability of the systems, reliability of the data, and protection of the data's confidentiality, are vital to proper business activity. Max also considers the business data and customer data in its systems, and at providers, as a primary asset, and invests a great deal of efforts and resources in the implementation of advanced monitoring and defense mechanisms and processes in the field of information security.

The information security and cybersecurity strategy document defines Max's approach and goals on the subject of information security and cybersecurity, in accordance with Max's business strategy. The purpose of the document is to constitute a framework for the policy regarding information security and cybersecurity, and work procedures in this area, which define the principles for management and implementation, areas of responsibility, office holders, ranges of authority, orders of operation, and technologies which are used by Max. As part of the preparations for dealing with the various cybersecurity threats, Max implements and leads internal and external processes in order to reduce the cybersecurity risks against it and against its customers. As part of the above, cybersecurity risks are managed through several security and control circuits, on several layers, with the aim of reducing the potential exposures due to this threat.

The transition to a hybrid work routine combining remote work with office work resulted in changes to the Company's exposure to cybersecurity risks. When the coronavirus crisis began, Max worked to adjust the protective tools and controls against these risks, and worked to implement additional controls to strengthen the level of protection according to this work method.

Compliance risk

Compliance risk is the risk of the imposition of legal or regulatory sanctions and/or of significant financial loss and/or of reputational damage, which Max could suffer due to a failure on its part to comply with the provisions of laws and regulations. In accordance with Proper Conduct of Banking Business Directive 308 regarding compliance, Max is required to manage all of the compliance risks which arise from all of the laws, regulations, instructions, and circulars which apply to its activity. Compliance risk management is an integral part of Max's business activity, and is not exclusively the interest and responsibility of the compliance unit. The business lines bear a great deal of responsibility for the issue of compliance, and actively participate in the management and mitigation of the exposure to compliance risks in Max.

Legal risk

Risk due to the activity of Max, regarding which there is a concern that it does not comply with legislative provisions (primary or secondary), directives and instructions issued by competent authorities, regulations or precedent case law, and risk due to legal proceedings which are being conducted against Max, and the risk of a suspected breach of contractual undertakings by Max. The definition of legal risk also includes defective legal opinions, including the preparation of agreements which do not adequately protect the Company's rights, or failure to give appropriate instructions due to changes in legislation, in regulatory directives, in the case law, or in Max's contractual undertakings.

Max's approach to risk management is that the management of legal risk forms an integral part of the business environment. As a result, decisions regarding the legal policy are routinely made both by the business entities and by the legal advisors.

Max has a legal risks manager who is responsible for managing legal risk in the Company, with optimal correspondence between Max's activity and legal risks, in order to ensure that decisions that have been reached are consistent with Max's risk appetite.

Legal advice is given in the Company by the legal department, in collaboration with external attorneys with whom Max works.

Regulatory risk

Regulatory risk is the risk of loss due to the effect of future expected regulations, including legislation and/or directives issued by various regulatory authorities. Max is exposed to regulatory risk with respect to all of its operating segments.

Max's operating business environment is a dynamic environment, which is currently at the focus of regulators and legislators. These regulatory changes are intended, inter alia, to encourage competition in the industry, by reducing barriers to entry and reducing costs for customers, and protecting customers with respect to due disclosure, etc. This regulatory framework mostly tightens the restrictions on activity in the industry, and sometimes creates a lack of regulatory uniformity between Max and its competitors. However, there are several expected regulatory changes which could be the source of new business opportunities.

Regulatory risk management is performed by routinely identifying new regulatory initiatives, and referring them to the relevant entity in Max. Routine reports are also submitted to Max's management regarding new initiatives.

For additional details regarding the regulatory updates which are relevant to Max's activity, see the corporate governance report, additional details, and the following annexes.

Strategic risk

Strategic risk is the risk of harm to the Company's profits, capital, reputation, or position, due to wrong business decisions, inadequate implementation of decisions, or failure to respond to sectoral, economic, regulatory and technological changes.

Strategic risks can be divided into 3 types:

- External environment - risks due to changes in the political, economic and social environment.
- Competitive environment - risks due to changes in the competitive environment in which Max operates.
- Internal environment - risks due to decisions, processes or actions which Max has taken / has avoided taking.

Max is currently faced with significant challenges in all of its fields of activity, multiple threats to core business operations, as well as opportunities, and responding to significant regulatory changes.

Strategic risk management in Max is based on responding through a strategy which is continuously evaluated, and which includes, inter alia, the following activities:

- Formulation of a long term strategic plan, which includes a review and assessment of various events in the work environment (in the fields of regulation, competition, technology, and others), and an assessment of the expected changes with respect to each of Max's fields of activity.
- Regular and routine discussions are held by Max's management and board of directors, in which these changes are presented, and the need for updates to the strategy is evaluated.
- The risk management division periodically challenges the assessments of the strategic trends which have been identified in Max, and presents issues which are relevant to strategic risk, when necessary.

Reputation risk

Reputation risk is the potential that negative publications, market rumors, or the public perspective, regarding the operating methods of Max and its employees, could harm its reputation and good name, and lead to a decline in the customer base, or result in high legal costs, or a decrease in revenue. Reputation risk exists as a natural part of Max's activity, and constitutes a cross-company risk. Potential risk exists in all products, activities, processes and systems in Max, including business and administrative-internal activities, and whether malicious or in good faith.

Management of this risk in Max is comprised, first and foremost, of a process to identify reputational vulnerabilities (any action which could be associated with the brand and lead to media coverage or negative discussion). Monitoring, followup, and response are conducted on an ongoing basis. Reputation risk management is defined in a dedicated policy document.

Macro-economic risk

Macro-economic risk is the risk of harm to Max's profit and capital due to a change for the worse in the macro-economic environment in Israel and around the world. Max's business strategy and capital planning include assumptions which are based, inter alia, on the macro-economic environment, and Max evaluates and assesses the impact of changes in the macro-economic environment on its business results and on capital planning.

The interest rate increases by the Bank of Israel during the last year are burdening consumers, and could affect consumer credit risk. Max routinely monitors and manages the risk of default on loan repayments, as well as consumer credit risk in its entirety. At this stage, there has been no significant increase in the materialization of the potential risk.

Max is preparing for the possibility of an intensification of macro-economic risk, inter alia, due to interest rate increases, the rate of inflation increase, and announcements by the rating companies regarding the stability of the State of Israel's rating.

Max evaluates its ability to withstand negative developments in the macro-economic environment through systematic extreme scenarios. Max also continuously monitors various risk indicators, including macro-economic indicators, and significant changes in those indicators are discussed in the financial risk management form led by the CEO, and also in the higher risk management committee and in the board of directors' risk management committee.

ESG risks

Environmental risk is the risk of loss due to environmental directives and the enforcement thereof. in recent years, the definition of environmental risk has expanded, and it is not seen as a global risk, due to the potential for damaging effects of climate change, including on people, ecological systems, and economic and financial activity. Environmental risks arise not only due to air, water and land pollution, but also involve damage to biological diversity, mostly in the context of climate change.

Climate risk is an emerging risk which is due, inter alia, to the impact of the materialization of environmental risks, and also due to regulatory developments, developments in the business environment, and technological developments associated with the adjustment and adaptation to climate change.

Max has an environmental policy, and an update and optimization survey was added to the environmental risks survey. The management of Max has decided to implement environmental responsibility values and to adjust its activities for the purpose of environmental protection.

As the basis for this activity, the management of Max decided to implement the international standard on environmental management systems.

Since 2009, Max has been certified under the international standard ISO 14001:2015, and its compliance with the standard's requirements is evaluated once per year by the IQC.

As part of the implementation of the standard's instructions, Max works to increase awareness among employees, and to invest the required resources.

Directives issued by the Banking Supervision Department on the subject are in stages of formulation, and Max has learned from risk management processes which constitute leading practices. Max monitors the regulatory developments and the relevant requirements, and will work accordingly to implement the instructions.

7. *Disclosure Regarding the Corporation's Financial Reporting*

7.1. *Report concerning critical accounting estimates*

For details regarding the use of estimates and judgment in the preparation of the financial statements, see Note 2(b) to the financial statements.

7.2. *Contingent liabilities*

The auditors' report to the Company's shareholders includes reference to that stated in Note 8 to the financial statements, regarding the exposure to contingent liabilities.

7.3 *Effectiveness of internal control over financial reporting and disclosure*

7.3.1. *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.

7.3.2 *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.

7.3.3. *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, and the Financial Division Manager of Clal Insurance, 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 and Financial Division Manager of Clal Insurance 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 quarterly 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 quarter ended March 31, 2023, no change took place in the institutional entity's internal control over financial reporting which could have materially influenced, or which could have been reasonably 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.

7. Disclosure Regarding the Corporation's Financial Reporting (Cont.)

7.3 Effectiveness of internal control over financial reporting and disclosure (Cont.)

7.3.4 Directives of the Commissioner of Banks regarding internal control over financial reporting and disclosure

The directives of the Commissioner of Banks apply to credit card companies the requirements of sections 302 and 404 of the SOX Act.
In these sections, the SEC and the Public Company Accounting Oversight Board established instructions regarding the responsibility of management regarding the establishment the existence of controls and policies with respect to disclosure, the existence of internal control over financial reporting, and the auditor's report in connection with internal control over financial reporting.
Inter alia, the Commissioner's directives determine that banking corporations will apply the requirements of sections 302 and 404, and the directives which the SEC has published by virtue thereof, and that adequate internal control requires the maintenance of a monitoring system in accordance with a defined and recognized framework, and the COSO (Committee of Sponsoring Organizations of the Treadway Commission) model meets the requirements, and may be used for the purpose of the assessment of internal control.
Max IT Finance Ltd. ("Max") is implementing the directives in accordance with the foregoing instructions which have been issued by the Commissioner of Banks.

7.3.5. Responsibility of management for internal control over financial reporting (Sox Act 404)

Evaluation of controls and policies with respect to disclosure:
The management of Max, in collaboration with Max's CEO and Comptroller, evaluated, as of the end of the period covered in this report, the effectiveness of controls and policies pertaining to Max's disclosure. Based on this assessment, Max's CEO and Comptroller concluded that, as of the end of this period, Max's controls and policies regarding disclosure are effective for the purpose of recording, processing, summarizing and reporting the information which Max is required to disclose in the quarterly report, in accordance with the public reporting regulations of the Commissioner of Banks, and by the deadline specified in those directives.

Internal control over financial reporting:
During the first quarter ended March 31, 2023, no change took place in Max's internal control over financial reporting which could have materially influenced, or which could have been reasonably expected to materially influence, Max'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 circulars issued by the Commissioner of Banks, are attached to the report.

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	**Yoram Naveh**
Chairman of the Board	**Chief Executive Officer**

Tel Aviv, May 30, 2023

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Auditors' Review Report to the Shareholders of Clal Insurance Enterprises Holdings Ltd.

Introduction

We have reviewed the enclosed financial information of Clal Insurance Enterprises Holdings Ltd. and its subsidiaries (hereinafter: the "**Group**"), which includes the condensed interim consolidated statement of financial position as of March 31, 2023, as well as the condensed interim consolidated statements of income, comprehensive income, changes in equity and cash flows for the periods of three months then ended. The board of directors and management are responsible for the preparation and presentation of this interim financial information in accordance with the Securities Regulations (Periodic and Immediate Reports) - 1970, which pertain to holding companies of insurers and credit card companies, as described in Note 2(A). Our responsibility is to express a conclusion with respect to this interim financial information, based on our review.

We have not reviewed the condensed interim financial information of an investee company accounted by the equity method, the investment in which amounts to approximately NIS 72 million as of March 31, 2023, and where the Group's share in its profit amounted to approximately NIS 2 million during the three month period then ended. The condensed interim financial information of that company was reviewed by other auditors, whose review report was furnished to us, and our conclusion, insofar as refers to the financial information with respect to that company, is based on the review report of the other auditors.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information by the Entity's Auditor." A review of interim financial information consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. This review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, and on the review report of other auditors, we have not become aware of any matter which would have caused us to believe that the above financial information has not been presented, in all material respects, in accordance with the provisions of the Securities Regulations (Periodic and Immediate Reports) - 1970, which pertain to holding companies of insurers and credit card companies, as described in Note 2(A) to the financial information.

Bold paragraph regarding (reference)

Without qualifying our aforementioned conclusion, we would like to draw attention to that stated in Note 8 to the interim consolidated financial statements, concerning the exposure to contingent liabilities.

Tel Aviv, May 30, 2023	Kost Forer Gabbay and Kasierer Certified Public Accountants	Somekh Chaikin Certified Public Accountants

Joint Auditors

Interim Consolidated Statements of Financial Position

		As of March 31		As of December 31
		2023	2022	2022
NIS in millions	Note	Unaudited		Audited
Assets				
Intangible assets		**1,926**	1,271	1,241
Deferred tax assets		**153**	15	17
Deferred acquisition costs		**2,515**	2,276	2,456
Fixed assets		**572**	196	192
Right-of-use asset		**686**	488	483
Investments in investee companies accounted by the equity method		**178**	169	168
Investment property for investment-linked contracts		**3,801**	3,259	3,778
Other investment property		**1,486**	1,293	1,475
Reinsurance assets		**4,544**	4,343	4,524
Current tax assets		**330**	1	293
Receivables with respect to credit card activity, net	9	**15,185**	-	-
Other accounts receivable		**3,290**	871	3,294
Outstanding premiums		**895**	833	853
Financial investments for investment-linked contracts	6	**80,823**	81,479	77,131
Other financial investments:	6			
Marketable debt assets		**6,796**	6,173	6,999
Non-marketable debt assets		**23,787**	22,625	23,024
Stocks		**1,600**	2,108	1,852
Others		**4,996**	4,510	4,786
Total other financial investments		**37,179**	35,417	36,661
Cash and cash equivalents for investment-linked contracts		**5,418**	9,212	8,458
Other cash and cash equivalents		**2,717**	4,336	3,591
Total assets		**161,698**	145,459	144,616
Total assets for investment-linked contracts	6	**93,015**	94,940	92,463

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Financial Position

NIS in millions	Note	As of March 31 2023	As of March 31 2022	As of December 31 2022
		Unaudited		Audited
Capital				
Share capital		**167**	162	162
Premium on shares		**2,389**	2,127	2,127
Capital reserves		**908**	1,117	921
Retained earnings		**4,697**	5,034	4,785
Total capital attributable to Company shareholders		**8,161**	8,441	7,995
Non-controlling interests		**66**	63	65
Total capital		**8,226**	8,503	8,061
Liabilities				
Liabilities with respect to non-investment-linked insurance contracts and investment contracts		**34,287**	32,854	33,814
Liabilities with respect to investment-linked insurance contracts and investment contracts		**89,740**	93,588	89,853
Deferred tax liabilities		**581**	700	573
Liabilities with respect to employee benefits, net		**93**	75	65
Lease liabilities		**783**	586	582
Payables with respect to credit card activity	10	**8,649**	-	-
Other accounts payable		**4,271**	3,390	3,520
Current tax liabilities		**26**	70	17
Financial liabilities	6	**15,041**	5,693	8,131
Total liabilities		**153,472**	136,956	136,555
Total capital and liabilities		**161,698**	145,459	144,616

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

May 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

Interim Consolidated Statements of Income

NIS in millions	For the period of three months ended March 31 2023 Unaudited	2022 Unaudited	For the year ended December 31 2022 Audited
Gross premiums earned	**2,883**	2,887	11,509
Premiums earned by reinsurers	**428**	399	1,665
Premiums earned on retention	**2,455**	2,488	9,844
Income from investments, net, and financing income	**1,227**	(30)	(4,097)
Income from management fees	**307**	299	1,198
Income from commissions	**93**	93	383
Total income	**4,081**	2,850	7,329
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**3,374**	1,711	4,749
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(266)**	(257)	(1,008)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**3,108**	1,454	3,741
Provision for credit default due to the acquisition of Max - see Note 3(B)(2)(b)	**220**	-	-
Commissions, marketing expenses and other acquisition costs	**579**	521	2,196
General and administrative expenses	**253**	227	941
Impairment of intangible assets	**-**	-	8
Other expenses	**4**	7	18
Financing expenses	**61**	55	235
Total expenses	**4,225**	2,264	7,139
Share in the results of investee companies accounted by the equity method, net	**3**	(3)	3
Income (loss) before taxes on income	**(141)**	582	194
Taxes (tax benefit) on income	**(53)**	197	68
Income (loss) for the period	**(88)**	386	126
Attributable to:			
Company shareholders	**(89)**	384	121
Non-controlling interests	**1**	1	6
Income (loss) for the period	**(88)**	386	126
Earnings (loss) per share attributable to Company shareholders:			
Basic earnings (loss) per share (in NIS)	**(1.20)**	5.27	1.63
Diluted earnings (loss) per share (in NIS)	**(1.20)**	5.16	1.62
Number of shares used to calculate earnings per share:			
Basic	**74,284**	72,979	73,796
Diluted	**74,284**	74,469	74,327

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Comprehensive income

	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022
NIS in millions	Unaudited		Audited
Income (loss) for the period	**(88)**	386	126
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 applied to capital reserves	**5**	3	19
Change, net, in the fair value of available for sale financial assets applied to capital reserves	**(48)**	279	(299)
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	**3**	(571)	(393)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	**20**	31	114
Other comprehensive loss for the period which has been or will be transferred to the statement of income, before tax	**(20)**	(259)	(559)
Tax benefit with respect to available-for-sale financial assets	**(9)**	(89)	(196)
Tax with respect to other components	**1**	1	4
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	**(7)**	(89)	(192)
Other comprehensive loss which, following initial recognition in comprehensive income, has been or will be transferred to the statement of income, net of tax	**(13)**	(170)	(367)
Components of other comprehensive income which will not be transferred to the statement of income:			
Actuarial gains from defined benefit plan	**-**	9	11
Other comprehensive income for the period, before tax	**-**	9	11
Tax with respect to components of other comprehensive income which will not be transferred to the statement of income	**-**	3	4
Other comprehensive income which will not be transferred to the statement of income, net of tax	**-**	6	8
Other comprehensive loss for the period	**(13)**	(164)	(359)
Total comprehensive income (loss) for the period	**(101)**	222	(233)
Attributable to:			
Company shareholders	**(102)**	221	(237)
Non-controlling interests	**1**	-	3
Total comprehensive income (loss) for the period	**(101)**	222	(233)

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity

	Attributable to Company shareholders								Non-controlling interests	Total capital
NIS in millions	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		
For the period of three months ended March 31, 2023 (unaudited)										
Balance as of January 1, 2023	162	2,127	(7)	788	180	(39)	4,785	7,995	65	8,061
Impact of the initial adoption of IFRS 9 (see Note 3)	-	-	-	(1)	-	-	1	-	-	-
Income (loss) for the period	-	-	-	-	-	-	(89)	(89)	1	(88)
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	5	-	-	-	-	5	-	5
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	(48)	-	-	-	(48)	-	(48)
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	2	-	-	-	2	-	3
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	20	-	-	-	20	-	20
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(1)	9	-	-	-	7	-	7
Other comprehensive income (loss) for the period, net of tax	-	-	4	(17)	-	-	-	(13)	-	(13)
Total comprehensive income (loss) for the period	-	-	4	(17)	-	-	(89)	(102)	1	(101)
Transactions with shareholders which were applied directly to equity:										
Issuance of share capital	5	249	-	-	-	-	-	253	-	253
Share-based payments	-	-	-	-	-	-	1	1	-	1
Issuance of convertible bonds - equity component (see Note 6)	-	13	-	-	-	-	-	13	-	13
Balance as of March 31, 2023	167	2,389	(3)	770	180	(39)	4,697	8,161	66	8,226

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in millions	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
	Attributable to Company shareholders									
For the period of three months ended March 31, 2022 (unaudited)										
Balance as of January 1, 2022 (Audited)	155	1,642	(21)	1,167	180	(39)	4,642	7,725	62	7,787
Income for the period	-	-	-	-	-	-	384	384	1	386
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	3	-	-	-	-	3	-	3
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	280	-	-	-	280	(1)	279
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(571)	-	-	-	(571)	-	(571)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	31	-	-	-	31	-	31
Actuarial losses from defined benefit plan	-	-	-	-	-	-	9	9	-	9
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(1)	89	-	-	(3)	86	-	86
Other comprehensive income (loss) for the period, net of tax	-	-	2	(171)	-	-	6	(163)	(1)	(164)
Total comprehensive income for the period	-	-	2	(171)	-	-	390	221	-	222
Transactions with shareholders which were applied directly to equity:										
Issuance of share capital	6	486	-	-	-	-	-	492	-	492
Share-based payments	-	-	-	-	-	-	2	2	-	2
Balance as of March 31, 2022	162	2,127	(20)	995	180	(39)	5,034	8,441	63	8,503

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Changes in Equity (Cont.)

NIS in millions	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
	Attributable to Company shareholders									
For the year ended December 31, 2022 (Audited)										
Balance as of January 1, 2022	155	1,642	(21)	1,167	180	(39)	4,642	7,725	62	7,787
Income for the period	-	-	-	-	-	-	121	121	6	126
Components of other comprehensive income (loss):										
Foreign currency translation differences for foreign operations applied to capital reserves	-	-	19	-	-	-	-	19	-	19
Change, net, in the fair value of available for sale financial assets applied to capital reserves	-	-	-	(294)	-	-	-	(294)	(4)	(299)
Change, net, in the fair value of available for sale financial assets transferred to the statement of income	-	-	-	(393)	-	-	-	(393)	1	(393)
Impairment loss with respect to available for sale financial assets transferred to the statement of income	-	-	-	114	-	-	-	114	-	114
Actuarial gains from defined benefit plan	-	-	-	-	-	-	11	11	-	11
Tax benefit (tax) with respect to components of comprehensive (loss) income	-	-	(4)	195	-	-	(4)	187	1	188
Other comprehensive income (loss) for the period, net of tax	-	-	14	(379)	-	-	8	(357)	(2)	(359)
Total comprehensive income for the period	-	-	14	(379)	-	-	128	(237)	3	(233)
Transactions with shareholders which were applied directly to equity:										
Issuance of share capital	6	486	-	-	-	-	-	492	-	492
Share-based payments	-	-	-	-	-	-	15	15	-	15
Balance as of December 31, 2022	162	2,127	(7)	788	180	(39)	4,785	7,995	65	8,061

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Cash Flows

		For the period of three months ended March 31		For the year ended December 31
		2023	2022	2022
NIS in millions	Annex	Unaudited		Audited
Cash flows from operating activities				
Before taxes on income	(A)	**(3,889)**	(774)	(2,175)
Income tax paid		**(63)**	(169)	(412)
Net cash used in activities		**(3,953)**	(943)	(2,587)
Cash flows from investing activities				
Consideration from disposal of investments in other investee companies		**-**	-	29
Consideration from disposal of investment in financial assets by companies which are not insurance and finance companies		**12**	2	7
Investment in available for sale financial assets by companies that are not insurance and finance companies		**(8)**	-	(181)
Investment in shares and loans in investee companies		**-**	-	(9)
Acquisition of newly consolidated company, less received cash	(F)	**(294)**	-	-
Investment in property, plant and equipment		**(3)**	(1)	(22)
Investment in intangible assets		**(33)**	(38)	(190)
Net cash used in investing activities		**(325)**	(37)	(366)
Cash flows from financing activities				
Issuance of share capital (after deducting issuance costs)		**-**	492	492
Proceeds from issuance of bonds (see Note 6)		**400**	-	-
Proceeds from issuance of deferred liability notes		**-**	-	495
Costs of issuance and exchange of deferred liability notes and bonds		**(4)**	-	(7)
Principal repayment of lease liability		**(21)**	(18)	(75)
Paid interest on deferred liability notes		**(72)**	(57)	(121)
Net cash from financing activities		**304**	417	785
Impact of exchange rate fluctuations on cash and cash equivalent balances		**60**	(5)	100
Net decrease in cash and cash equivalents		**(3,914)**	(569)	(2,067)
Cash and cash equivalents at beginning of period	(B)	**12,050**	14,117	14,117
Cash and cash equivalents at end of period	(C)	**8,136**	13,548	12,050

The notes attached to the interim consolidated financial statements constitute an integral part thereof

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in millions	For the period of three months ended March 31 2023 Unaudited	2022 Unaudited	For the year ended December 31 2022 Audited
(A) Cash flows from operating activities before taxes on income [1) 2)]			
Income (loss) for the period	**(88)**	386	126
Items not involving cash flows:			
The Company’s share in the losses (profits) of investee companies accounted by the equity method	**(3)**	3	(3)
Changes in liabilities with respect to non-investment-linked insurance contracts and investment contracts	**473**	79	1,039
Change in liabilities with respect to investment-linked insurance contracts and investment contracts	**(113)**	134	(3,601)
Change in deferred acquisition costs	**(60)**	(82)	(261)
Change in reinsurance assets	**(20)**	75	(106)
Depreciation of property, plant and equipment and right-of-use asset	**23**	23	91
Amortization of intangible assets	**55**	57	231
Impairment of intangible assets	**-**	-	8
Provision for credit default due to the acquisition of Max (see Note 3(B)(2)(b) below)	**220**	-	-
Interest and linkage differences accrued with respect to deferred liability notes and lease liabilities	**52**	46	194
Interest accrued and revaluation of liabilities to banking corporations and others	**(80)**	(77)	1,996
Change in fair value of investment property for investment-linked contracts	**-**	(23)	(174)
Change in fair value of other investment property	**-**	(7)	(47)
Share-based payment transactions	**1**	2	15
Net loss (profit) from financial investments for insurance contracts and investment contracts, from and investment-linked contracts	**(1,043)**	809	5,980
Taxes (tax benefit) on income	**(53)**	197	68
Net loss (profit) from other financial investments:			
Marketable debt assets	**3**	(66)	(116)
Non-marketable debt assets	**(379)**	(381)	(1,441)
Stocks	**(135)**	(67)	(55)
Others	**(176)**	8	7
Financial investments and investment property for investment-linked contracts:			
Acquisition of investment property	**(23)**	(95)	(463)
Acquisitions net of financial investments	**(2,649)**	(543)	(1,366)
Receipts (investments) from the sale of (investment in) available for sale financial assets and investment property in insurance business operations:			
Marketable debt assets	**214**	90	(1,115)
Non-marketable debt assets	**(384)**	(164)	498
Stocks	**234**	(22)	61
Others	**79**	122	294
Acquisition of other investment property	**(7)**	(34)	(163)

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 E.
The notes attached to the interim consolidated financial statements constitute an integral part thereof.

Interim Consolidated Statements of Cash Flows (Cont.)

NIS in millions	For the period of three months ended March 31 2023 Unaudited	2022	For the year ended December 31 2022 Audited
(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	**-**	-	4
Other accounts receivable	**53**	(341)	(2,764)
Outstanding premiums	**(42)**	(85)	(105)
Other accounts payable	**(43)**	(823)	(1,003)
Liabilities with respect to employee benefits, net	**1**	3	(3)
Total cash flows from operating activities before taxes on income	**(3,889)**	(774)	(2,175)
(B) Cash and cash equivalents at beginning of period:			
Cash and cash equivalents for investment-linked contracts	**8,458**	9,993	9,993
Other cash and cash equivalents	**3,591**	4,124	4,124
Balance of cash and cash equivalents at beginning of period	**12,050**	14,117	14,117
(C) Cash and cash equivalents at end of period:			
Cash and cash equivalents for investment-linked contracts	**5,418**	9,212	8,458
Other cash and cash equivalents	**2,717**	4,336	3,591
Balance of cash and cash equivalents at end of period	**8,136**	13,548	12,050
(D) Cash flows with respect to interest and dividends received, included under operating activities:			
Interest received	**424**	313	1,423
Dividend received	**61**	95	668
(E) Operations which are not associated with cash flows			
Payables - acquisition of associate company	**-**	-	10
Repayment of deferred deposits against other accounts payable	**-**	-	264
(F) Initial consolidation of acquired company:			
Excess cost in the acquisition (see Note 5 below)	**(253)**	-	-
Goodwill in the acquisition (see Note 5 below)	**(458)**		
Deferred tax assets	**(61)**	-	-
Current tax assets	**(1)**	-	-
Fixed assets	**(386)**	-	-
Right-of-use asset	**(198)**	-	-
Receivables with respect to credit card activity, net	**(15,407)**	-	-
Other accounts receivable	**(52)**	-	-
Other financial investments	**(3)**	-	-
Issuance of shares in the Company (see Note 7 below)	**253**	-	-
Investments in investee companies	**(7)**	-	-
Liabilities with respect to employee benefits, net	**27**	-	-
Lease liability	**198**	-	-
Deferred tax liabilities	**8**	-	-
Current tax liabilities	**22**	-	-
Payables with respect to credit card activity	**8,649**	-	-
Other accounts payable	**463**	-	-
Deferred payment as part of the acquisition of Simax (presented under other payables)	**377**	-	-
Liabilities to banking corporations and others	**6,535**	-	-
Total investment in acquisitions of newly consolidated companies	**(294)**	-	-
Transferred consideration	**(790)**	-	-
Cash of the acquired company	**496**	-	-
Total investment in acquisitions of newly consolidated companies	**(294)**	-	-

The notes attached to the interim consolidated financial statements constitute an integral part thereof.

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.

Clal Insurance Enterprises Holdings Ltd. (the "Company") is a holding company. Its main holdings are mostly in the fields of insurance, pension and provident funds, and the credit cards segment,

The consolidated financial statements as of March 31, 2023 (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.
The Group is primarily engaged in the fields of insurance, credit card activity (issuance, clearing and processing of payment cards, and the provision of payment solutions and financial products, including credit to private and business customers), pension and provident funds, holding of insurance agencies, provision of credit and financial services.

For additional details, see Note 1 to the financial statements for 2022.

B. Presented below is a description of the developments during the reporting period with respect to the control and holding of the Company and of Clal Insurance

As of the publication date of the report, the Company is a company without a control core.

B.1. Holding permit for Mr. Alfred Akirov and request for a control permit -

Further to that stated in Note 1(B)1 to the financial statements for 2022, Alrov reported, in its financial statements for 2022, that it is continuing to evaluate its investment in Clal, including the subject of the Max transaction, and the exercise of its rights as a shareholder, in accordance with and subject to the holding permit. It also reported that it has not yet exhausted the subject of the request for a permit for control of Clal Insurance, which was submitted to the Commissioner of the Capital Market Authority.

B.2. Alrov's objection to the Max transaction and actions it performed

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.

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.

Note 1: General (Cont.)

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 11.

On April 17, 2023, Alrov reported that it had submitted to the Bank of Israel a notice stating that, in accordance with the holding permit dated July 1, 2021, from the Commissioner of Capital Markets, Alrov holds 14.06% of the Company's shares, and without derogating from Alrov's rights and assertions (and its objection to the Max transaction and to the Bank of Israel's position on the matter), it will submit, within the timeframe required for this purpose, a request for a permit to hold the means of control of a clearing entity, from the Governor of the Bank of Israel.

C. Implications

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.

Note 2: Basis for Preparation of the Interim Reports

A. Financial reporting framework

Until December 31, 2022, the Group's consolidated financial statements were prepared in accordance with IFRS, including with reference to data pertaining to consolidated subsidiaries which fulfill the definition of an insurer, as defined in the law the Control of Financial Services (Insurance) Law, 1981 (the "Control Law").

In accordance with the provisions of the Securities Regulations (Preparation of Annual Financial Statements) - 2010 (hereinafter: the "Report Preparation Regulations"), along with the provisions of Staff Accounting Bulletin No. 99-10: "Adoption Issues Regarding the Adoption of IFRS 17", which was published by the Israel Securities Authority staff (hereinafter: "Staff Accounting Bulletin 99-10"), the data in the Group's condensed interim consolidated financial statements as of March 31, 2023, and for the 3 month period ended, pertaining to consolidated subsidiaries which fulfill the definition of an insurer, as defined in the Control Law, were prepared in accordance with the provisions which were established by the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the "Commissioner"), pursuant to the Control Law (see also Note 3 below).

Additionally, on March 27, 2023, the Company completed the acquisition of Simax Ltd., a company which consolidates, in its reports, the credit card company Max. The data in the Group's consolidated financial statements pertaining to Max, beginning from the closing date of the Simax acquisition, were prepared in accordance with directives and guidelines issued by the Commissioner of Banks. For additional details, see Notes 3 and 5 below. Regarding most issues, these directives are based on generally accepted accounting principles for banks the United States. Regarding other, less material issues, the directives are based on International Financial Reporting Standards (IFRS) and on generally accepted accounting principles in Israel (Israeli GAAP). When International Financial Reporting Standards (IFRS) allow several alternatives, or do not include specific reference to a particular situation, these directives include specific guidelines for adoption, which are primarily based on generally accepted accounting principles for banks in the United States.

The data in the Group's condensed interim consolidated financial statements for the foregoing date and period, which do not pertain to the foregoing subsidiaries, were prepared in accordance with IAS 34, Interim Financial Reporting.

In light of the above, and in accordance with the Report Preparation Regulations, together with the provisions of Staff Accounting Bulletin 99-10, beginning on January 1, 2023, the Group's consolidated financial statements are not fully compliant with IFRS.
The data which are presented as part of the comparative figures in the condensed interim consolidated financial statements are the data which had been effectively published by the Group in those periods.

The condensed interim consolidated financial statements do not include all of the information which is required in full annual financial statements. These should be read in conjunction with the consolidated financial statements as of and for the year ended December 31, 2022 (hereinafter: the "**Annual Financial Statements**"). Furthermore, these financial statements were compiled in accordance with the provisions of Chapter IV of the Securities Regulations (Periodic and Immediate Reports), 1970, to the extent to which these regulations apply to a corporation that consolidates insurance companies and credit card companies.

The condensed interim consolidated financial statements were approved for publication by the Company's Board of Directors on May 30, 2023.

Note 2: Basis for Preparation of the Interim Reports (Cont.)

B. Use of estimates and judgment

In preparing the condensed interim financial statements as stated above, company management is required to use judgment, estimates, approximations and assumptions which affect the implementation of the accounting policy and the amounts of assets and liabilities, income and expenses. It is hereby clarified that actual results may differ from these estimates.

The discretion exercised by management in applying the Group's accounting policy and the main assumptions used for estimates involving uncertainty, are consistent with those used in the annual financial statements. 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 revised, and for all other affected future periods. Except as specified below:

In this context, see Note 11(f) below for details regarding the updates to actuarial estimates, inter alia, due to the interest rate environment and its impact on the discount rate used in the calculation of reserves in life and long term care life insurance.

Further to Note 42(J) to the financial statements for 2022, upon the completion of the acquisition of Simax, beginning on March 31, 2023, the Company consolidates the data of Max in its reports, presented below is a description of the main critical accounting issues, in addition to the estimates which are described in Note 2(E) to the annual financial statements, following the consolidation of data regarding Max:

Credit loss provision for credit cards - Max has established policies for the classification of credit and for the measurement of the credit loss provision in order to maintain a provision in an amount which is estimates as appropriate to cover the expected credit losses with reference to its credit portfolio. Max also established policies which are required for the existence of a provision which it considers adequate for the purpose of covering expected credit losses associated with off-balance sheet credit instruments (unused credit facilities).

The provision to cover the expected credit losses in the credit portfolio is estimated in one of the following two tracks: "specific provision" and "collective provision". The Company also evaluates the overall adequacy of the provision for credit losses.

For details regarding generally accepted accounting principles for banks in the United States regarding the provision for expected credit loss (CECL), see Note 3(C) below.

Liability with respect to legal claims and contingent liabilities in Max - contingent liabilities in Max are accounted for in accordance with the American standard FAS-5 and associated provisions, and in accordance with the instructions and clarifications of the Banking Supervision Department, including the public reporting regulations regarding the "accounting treatment of pending claims". Provisions with respect to pending legal claims against Max, including also motions to approve class actions, are determined in accordance with the assessment of management, and are based on legal opinions. These opinions were given by the external legal advisors in accordance with their best judgment, based on the facts which are presented to them by Max, and based on the legal situation (law and case law) which are known as of the date of the assessment, and are often subject to contradictory interpretations and possible arguments.

The assessment of risks pertaining to the approval of class actions involves even greater difficult, since it is a legal field, in which the legal practices, including regarding fundamental and central issues, are still being formulated. There are also claims which, due to the current stage of the proceedings, legal counsel is unable to estimate, including the risk associated therewith, subject to the foregoing restrictions.

In light of the foregoing, the actual results of the claims and contingent liabilities could differ from the estimates which were made for them. For details regarding legal claims and contingent liabilities, see Note 8 below.

Note 2: Basis for Preparation of the Interim Reports (Cont.)

C. Details of changes in the Consumer Price Index and in the representative EUR, USD and GBP exchange rates:

	Index in lieu	Known index	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
			%		
For the period of three months ended					
March 31, 2023	**1.2**	**1.1**	**4.8**	**2.7**	**5.5**
March 31, 2022	1.5	1.2	0.1	2.1	(0.8)
For the year ended December 31, 2022	5.3	5.3	6.6	13.2	0.8

	Representative EUR exchange rate	Representative USD exchange rate	Representative GBP exchange rate
As of March 31, 2023	**3.932**	**3.615**	**4.467**
As of March 31, 2022	3.524	3.176	4.168
As of December 31, 2022	3.753	3.519	4.235

Note 3: Significant Accounting Policies

The Group's accounting policy, as applied in the interim financial statements, was unchanged relative to the accounting policy which was implemented in the annual reports, except as specified below in sections A and B.

A. Initial adoption of IFRS 9, Financial Instruments, with respect to some of the financial instruments which are presented in the condensed interim consolidated financial statements

Since January 1, 2023 (hereinafter: the "Date of Initial Adoption"), the Group has adopted IFRS 9, Financial Instruments (hereinafter: "IFRS 9" or the "Standard"), instead of the provisions of IAS 39, Financial Instruments: Recognition and Measurement (hereinafter: "IAS 39"), with respect to data which do not pertain to subsidiaries that fulfill the definition of an insurer, as defined in the Control Law (hereinafter: the "Financial Assets or Financial Liabilities Covered Under IFRS 9"), and with respect to data which do not pertain to subsidiaries, which fulfill the definition of credit card companies, as defined in the Securities Regulations (Annual Financial Statements) - 2010.
With respect to data pertaining to subsidiaries which fulfill the definition of an insurer, as stated above, and which, as stated in Note 2(A) above, have been prepared in accordance with the Commissioner's directives pursuant to the Control Law, the Group continues adopting the provisions of IAS 39 (see also section 3 below, regarding standards which have not yet been adopted in accordance with the directives of the Capital Market, Insurance and Savings Authority).
As specified below regarding the initial adoption of IFRS 9- Financial Instruments (hereinafter: the "Standard"), with respect to financial instruments which do not belong to the insurance companies and/or to the credit card company, the Company chose to adopt the standard's provisions retrospectively, without restatement of comparative figures.
For details regarding the accounting policy which was applied until December 31, 2022, with respect to all of the financial instruments, and which is applied to the financial instruments which belong to insurance companies, see section F in Note 3 to the consolidated annual financial statements.

The accounting policy which has been applied since January 1, 2023, with respect to financial instruments which do not belong to a consolidated subsidiary which fulfills the definition of an insurer and/or a credit card company (hereinafter: the "**Financial Instruments Covered Under IFRS 9**"), is as follows:

1. <u>Financial assets</u>

   Financial assets covered under the measured are measured upon initial recognition at fair value plus transaction costs which are directly attributable to the acquisition of the financial asset, except in case of a financial asset which is measured at fair value through profit or loss, whose transaction costs are carried to profit or loss.

Note 3: Significant Accounting Policies (Cont.)

A. Initial adoption of IFRS 9, Financial Instruments, with respect to some of the financial instruments which are presented in the condensed interim consolidated financial statements (Cont.)

1. Financial assets (Cont.)

The Company classifies and measures debt instruments in its financial statements based on the following criteria:

(A) The Company's business model regarding the management of financial assets; and
(B) The contractual cash flow characteristics of the financial asset.

1A) The Company measures debt instruments at amortized cost when:
The Company's business model involves the holding of financial assets with the aim of collecting contractual cash flows; And the contractual terms of the financial asset provide eligibility, on predefined dates, to cash flows which constitute only principal and interest payments with respect to with respect to the unpaid amount of principal.
Following initial recognition, instruments in this group are presented according to their terms, at cost plus direct transaction costs, using the amortized cost method.
Additionally, on the date of initial recognition, an entity may designate, without the possibility of changing this designation, a debt instrument which is measured at fair value through profit or loss, if such designation cancels or significantly reduces an inconsistency in measurement or recognition, for example, in case the relevant financial liabilities are also measured at fair value through profit or loss.

1B) Debt instruments which will be measured at fair value through other comprehensive income:

Debt assets whose contractual cash flow characteristics include principal and interest payments only, but which are held through a business model in which the objectives include both sale and the collection of contractual cash flows, are measured, in accordance with IFRS 9, at fair value through other comprehensive income.
After initial recognition, instruments in this group are measured at fair value. Profit or loss due to fair value adjustments, excluding interest and foreign currency differences, are recognized under other comprehensive income.

1C) Debt instruments which will be measured at fair value through profit and loss (in addition to that stated in 1A) above):

A financial asset which constitutes a debt instrument does not meet the criteria for measurement at amortized cost or at fair value through other comprehensive income, including a financial asset which constitutes a debt instrument which, upon the fulfillment of certain conditions, is designated for subsequent measurement at fair value through profit or loss. Following initial recognition, the financial asset is measured at fair value, and the profit or loss due to the fair value adjustments is carried to the statement of income.

1D) Equity instruments
Financial assets which constitute investments in equity instruments do not meet the aforementioned criteria, and are therefore measured at fair value through profit or loss. Except for investments which are not held for trading which the Group chooses to designate to fair value through other comprehensive income, for which the amounts which will be carried to equity will not be classified to profit or loss, including in case of the sale of the investment (except in case of a dividend distribution which does not constitute repayment of the investment). The Group did not choose the above designation.

1E) Credit-impaired assets

On each reporting date, the Group evaluates whether financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income, if any, have become credit-impaired. A financial asset is considered credit-impaired upon the occurrence of one or more of the events which negatively affect the future cash flows which were estimated with respect to that financial asset. With respect to credit-impaired financial assets – the interest income is calculated while applying the effective interest rate to the amortized cost of the financial asset (for non-impaired assets, the effective interest rate is applied to the gross value of the financial asset).

Note 3: Significant Accounting Policies (Cont.)

A. Initial adoption of IFRS 9, Financial Instruments, with respect to some of the financial instruments which are presented in the condensed interim consolidated financial statements (Cont.)

2. Impairment of financial assets

The Company evaluates, on each reporting date, the loss provision in respect of financial debt instruments which are not measured at fair value through profit or loss.
The Company distinguishes between two situations involving the recognition of a loss provision;

(A) Debt instruments whose credit risk has not significantly increased since the initial recognition date, or cases in which the credit risk is low - the loss provision recognized in respect of that debt instrument will take into account the expected credit losses during the 12 month period after the reporting date, or;

(B) Debt instruments whose credit quality has significantly changed for the worse since the initial recognition date, and whose credit risk is low - the recognized loss provision will take into account the expected credit losses throughout the remaining lifetime of the instrument. The Company is adopting the expedient which was determined in the standard, under which it assumes that the credit risk of a debt instrument has not increased significantly since the initial recognition date, if it was determined, on the reporting date, that the instrument has a low credit risk, for example, when the instrument has an external rating of “investment grade”.

Impairment of debt instruments measured at amortized cost is carried to profit or loss against a provision, while impairment of debt instruments measured at fair value through other comprehensive income is carried against a capital reserve, and does not reduce the financial asset’s book value in the statement of financial position.
The Company has financial assets with short credit periods, for which it is entitled to apply the expedient specified in the model; in other words, the Company will measure the loss provision in an amount equal to the expected credit loss throughout the instrument’s entire lifetime. The Company chose to adopt the expedient with respect to those financial assets.
Expected credit losses constitute a probabilities-weighted estimate of credit losses. Credit losses are measured according to the present value of the difference between the cash flows which the Group is entitled to receive under the contract, and the cash flows which the Company expects to receive. Expected credit losses are discounted according to the effective interest rate of the financial asset.
Due to the application of the foregoing model, the amount of the provision for impairment with respect to all of the financial assets for which measurement of a provision for expected credit loss is required, as of January 1, 2023, increased in an immaterial amount.

3. Derecognition of financial assets

The Company derecognizes a financial asset if and only if:

The contractual rights to cash flows from the financial asset have expired; or

(A) The Company essentially transfers all of the risks and benefits arising from the contractual rights to receive the cash flows from the financial asset, or when the entity keeps some of the risks and benefits upon transfer of the financial asset; however, it can be stated that it has transferred the control of the asset.

(B) The Company still has the contractual rights to receive the cash flows arising from the financial asset, but accepts a contractual obligation to pay those cash flows, in their entirety, to a third party, with no significant delay.

Transactions for the sale of financial assets are treated as a derecognition when the foregoing conditions are met.
When the Company has transferred its rights to receive cash flows from the asset, but has not transferred, and has not substantially kept all of the risks and benefits associated with the asset, and has also not transferred the control of the asset, a new asset is recognized according to the extent of the Company’s continuing involvement in the asset. Ongoing involvement by way of a guarantee for the transferred asset is measured according to the lower of either the original balance of the asset in the financial statements, or the maximum amount of consideration which the Company may be required to pay in return (the guarantee amount).
When the Company continues to recognize an asset in accordance with its continuing involvement therein, the Company also recognizes the liability associated therewith. The associated liability is measured in a manner whereby the net book value of the transferred asset and the associated liability is:

(A) The amortized cost of the rights and obligations which remain with the entity, if the transferred asset is measured at amortized cost; or

(B) Equivalent to the fair value of the rights and obligations which remain with the Company, when they are measured separately, if the transferred asset is measured at fair value.

Note 3: Significant Accounting Policies (Cont.)

A. Initial adoption of IFRS 9, Financial Instruments, with respect to some of the financial instruments which are presented in the condensed interim consolidated financial statements (Cont.)

4. Financial liabilities

On the date of initial recognition, the Company measures the financial liabilities which are covered under the standard at fair value less transaction costs which are directly attributable to the issuance of the financial liability, except in case of a financial liability which is measured at fair value through profit or loss, for which the transaction costs are carried to the statement of income.
If, on the date of initial recognition, the Company designated a financial liability as measured at fair value through profit or loss – changes in the fair value of the financial liability, which are attributable to changes in the Company's credit risk, are presented under other comprehensive income.
After initial recognition, the Company measures all financial liabilities at amortized cost, except for:
(A) Financial instruments at fair value through profit or loss, such as derivatives;
(B) Contingent consideration which has been recognized by a buyer in a business combination which qualifies under IFRS 3. See Note 5 below.

5. Write-off of financial liabilities

The Company derecognizes a financial liability if and only if it has been settled - in other words, once the liability defined in the contract has been repaid, canceled or expired.
A financial liability is settled once the debtor has repaid the liability through payment in cash, through other financial assets, through goods or services, or has been legally released from the liability.
In case of a change in terms with respect to an existing financial liability, the Company evaluates whether the terms of the liability are significantly different from the current terms.
In case of a significant change to the terms of an existing financial liability, the change is a treated as write-off of the original liability, and recognition of a new liability. The difference between the balance of the aforementioned two liabilities in the financial statements is carried to profit or loss.
In case the change is immaterial, the Company is required to update the amount of the liability; in other words, it discounts the new cash flows according to the original effective interest rate, with the differences being carried to profit or loss.
In its evaluation regarding whether the change constitutes a significant change to the terms of an existing liability, the Company takes into account qualitative and quantitative considerations.

6. Offsetting of financial instruments

Financial assets and financial liabilities are offset against each other, and the net amount is presented in the statement of financial position if there is a legally enforceable right to offset the recognized amounts, and if there is an intention to settle the asset and liability on a net basis, or to sell the asset and settle the liability in parallel. The offsetting right must be legally enforceable not only in the ordinary course of business of the parties to the contract, but also in case of bankruptcy or insolvency of one of the parties. In order for the offsetting right to be available immediately, it must not depend on a future event, and there must not be periods of time during which it does not apply, or have events which could cause it to expire.

7. Hybrid financial instruments

Convertible bonds which include an equity conversion component and a liability component are separated into two components. The foregoing separation is calculated by first determining the liability component based on the fair value of a similar liability without a conversion option, whereby the value of the equity conversion component is determined as the residual value. Direct transaction costs are allocated between the equity component and the liability component based on the ratio for allocation of the consideration into equity and liability components.

Due to the initial adoption of IFRS 9, as stated above, some of the Group's financial assets which were classified in accordance with IAS 39 as available-for-sale financial assets, are now classified as financial assets at fair value through profit and loss. Accordingly, the balance of the capital reserve with respect to available-for-sale assets as of January 1, 2023, in the amount of approximately NIS 1 million, was classified to retained earnings on that date. From that date onwards, these assets continue to be measured at fair value, while the net profit and loss, including interest and dividends, are recognized under profit and loss.

Note 3: Significant Accounting Policies (Cont.)

A. Initial adoption of IFRS 9, Financial Instruments, with respect to some of the financial instruments which are presented in the condensed interim consolidated financial statements (Cont.)

The following table presents the original measurement groups in accordance with the provisions of IAS 39, and the new measurement groups in accordance with the provisions of IFRS 9, for all of the financial assets which are covered under IFRS 9, as of January 1, 2023:

NIS in millions	Original classification under IAS 39	New classification under IFRS 9	Book value under IAS 39	Book value under IFRS 9
Financial assets				
Cash and cash equivalents	Loans and receivables	Depreciated cost	529	529
Money market funds	Fair value through profit and loss	Fair value through profit and loss	180	180
Investments in marketable bonds	Available for sale	Fair value through profit and loss	4	4
Other investments in marketable shares	Available for sale	Fair value through profit and loss	11	11

Regarding financial liabilities covered under IFRS 9 - no change occurred in their classification upon the transition to IFRS 9, and they remain classified at amortized cost.

Due to the initial adoption of IFRS 9, as stated above, some of the Group's financial assets which were classified in accordance with IAS 39 as available-for-sale financial assets, are now classified as financial assets at fair value through profit and loss. Accordingly, the balance of the capital reserve with respect to available-for-sale assets as of January 1, 2023, in the amount of approximately NIS 1 million, was classified to retained earnings on that date. From that date onwards, these assets continue to be measured at fair value, while the net profit and loss, including interest and dividends, are recognized under profit and loss.

In light of the foregoing, the initial adoption of IFRS 9 had no significant effect on the Group's consolidated financial statements.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition:

A.

1. Basis for recognition of income and expenses in the data of the credit card company - Max

Income and expenses are included on an accrual basis, except as specified below:

A. Financing income and operating fees with respect to debts in collection are carried to the statement of income based on the actual collection. For additional details, see section 5 below.

B. Derivative financial instruments are presented at fair value.

C. Incremental costs to obtain a contract are capitalized to an asset if Max expects to receive repayment of such costs.

D. Fees which were charged upon the creation of credit, except for loans to for periods of up to three months, are not immediately recognized as income in the statement of income, but rather are deferred, and recognized as interest income, throughout the lifetime of the loan, according to the adjusted returns method.

E. In case of refinancing or restructuring of non-troubled debts, Max evaluates whether the terms of the loan have been significantly changed. Accordingly, it evaluates whether the present value of the cash flows, in accordance with the new terms of the loan, are different by at least 10% than the present value of the remaining cash flows, in accordance with their current terms. In such cases, all of the fees which have not yet been amortized, and any prepayment penalties which have been collected from the customer with respect to the change in the credit terms, are recognized under profit and loss; otherwise, those fees are included as part of the net investment in the new loan, and are recognized as an adjustment of return, as stated above.

2. Credit loss provision in Max - measurement

A. Max adopts the generally accepted accounting principles for banks in the United States regarding the measurement of credit losses due to financial instruments, as specified in ASC 326 - Financial Instruments - Credit Losses.

As part of the adoption of the standard, Max has established policies for measuring the credit loss provision in order to maintain a provision of an appropriate amount to cover the expected credit losses with reference to its credit portfolio and certain off-balance sheet credit exposures. In accordance with the updated methodology, the estimate of expected credit losses, and the provision with respect thereto, are comprised of both a quantitative and a qualitative layer.

In general, the quantitative layer is based on historical data and past losses, and regarding the qualitative layer, adjustments are made to the data with respect to the variance of the credit portfolio's characteristics and with respect to the current economic conditions and reasonable and substantiable forecasts regarding macro-economic conditions. The estimated provision for expected credit losses is calculated over the contractual period of the financial asset, while taking into account the estimate of prepayments.

Max's estimates include estimates which reflect, inter alia, conditions of uncertainty, and by nature, may change from time to time.

In general, the calculation of the provision for expected credit losses is estimated on a collective basis, when the assets have similar risk characteristics. These characteristics include, inter alia: (1) the type and characteristics of the financial asset; (2) credit ratings; (3) debt classifications.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

For each group of financial assets with similar risk characteristics, Max calculates the provision for expected credit losses in accordance with one of the methods for measuring the provision which are permitted under the standard, which Max believes is expected to produce the best estimate of the provisions for credit losses.

The methods which are applied in the Company are: (1) the probability of default / loss given default (PD/LGD) method, with respect to exposures involving credit to private individuals; (2) the WARM method, which is based on loss rates with respect to credit exposures to businesses.

In order to estimate the expected credit losses throughout the contractual period of the assets, Max relies on historical data, while evaluating the need to adjust the historical data in order to reflect the extent to which the current conditions and reasonable and substantiable forecasts will differ from the conditions which existed during the period when the historical data was estimated.

Credit loss provision - consumer credit

With respect to the consumer credit portfolio which includes credit to private individuals, Max measures the provision for expected credit losses according to the PD / LGD method, while adjusting it to historical data and segmenting the credit portfolio into segment with similar risk characteristics, such as the customer's internal rating, and the financial asset type.

For the purpose of adjusting the historical information to current economic conditions, and with respect to expectations regarding future economic conditions, Max determined that the reasonable and substantiable period is one year.

Credit loss provision - commercial credit

With respect to the commercial credit portfolio, Max measures the provision for expected credit losses according to the WARM method, while segmenting the credit portfolio into segments with similar risk characteristics, based on the accounting classification of the debt.

For the purpose of adjusting the historical information to current economic conditions, and with respect to expectations regarding future economic conditions, Max determined that the reasonable and substantiable period is one year.

Provision for credit losses - off-balance sheet credit exposures

Off-balance sheet credit exposures include credit exposures with respect to an undertaking to provide credit, and financial guarantees.

The provision for credit losses with respect to off-balance sheet credit exposures is based on the rates of the provision which were determined for balance sheet credit (as specified above), while taking into account the expected realization rate of credit in case of default of the off-balance sheet exposure risk. The expected realization rate in case of default is calculated by Max for each type of off-balance sheet exposure, based on past experience indicating the rates of realization with respect to credit in case of default.

Provision for credit losses - exposures to banks and clearing entities

For balance sheet and off-balance sheet credit exposures to banks and to clearing entities, Max measures the provision for expected credit losses based on the credit ratings of the different entities.

Evaluation of the overall adequacy of the provision

Max also evaluates the overall adequacy of the provision for credit losses. The foregoing evaluation of adequacy is based on the discretion of management, which takes into account the risks associated with the credit portfolio, trends in the portfolio, and the limits of the valuation methods which were applied by Max when determining the provision.

The entire process, including its various components, as specified above, is sometimes accompanied by the discretion and estimates of an expert, in order to reflect management's best expectations and estimates regarding expected credit losses.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

B. Provision for credit default due to the acquisition of Max –

The credit portfolio which was consolidated as part of the acquisition of Max (hereinafter: the "**Credit Portfolio Upon Acquisition**") was recorded according to the provisional estimate of fair value which was calculated in the paper regarding the allocation of excess costs according to the DCF method.

The provision which was recognized with respect to the portfolio of assets at the time of the acquisition in Max, and which was calculated in Max's financial statements, was not recognized, and was calculated by the Company after the acquisition, in accordance with principles for recognition of the provision for doubtful debts which is applied by Max, as stated above.

As part of this evaluation, the credit portfolio was divided into 2 main groups:

1. Debt assets which were acquired after the occurrence of a insignificant change for the worse in their credit quality, since the date of their provision to the borrower on the acquisition date -

   The Company determines which assets have suffered a non-insignificant change for the worse in credit quality, based on the status of days in arrears, the change in the credit rating, and other relevant characteristics.

   The Company measures a provision for credit losses with respect to these assets according to the same methodology as that described above, but with no effect on profit or loss ("**Provision For Credit Default Recognized Upon Initial Consolidation**".

   The amortized cost of these assets is measured in the amount of the consideration which was paid / the provisional fair value which was attributed to them in the business combination, as stated above, plus the provision for credit losses.

   Any changes in the provision after the acquisition date are carried to the statement of income.

2. Acquired debt assets whose credit quality has not suffered a non-insignificant change for the worse –

   The amortized cost of these assets is measured in the amount of the consideration which was paid / the provisional fair value which was attributed to them in the business combination, as stated above, which reflects the change in market conditions beginning from the date when they were provided to the borrower. The Company also calculated a provision for credit default according to the same methodology as that described above which was carried to the statement of income, beyond the fair value which was calculated as stated above (hereinafter: "**Post-Acquisition Provision**").

   The expense with respect to the foregoing provision amounted to a total of approximately NIS 220 million before tax (approximately NIS 146 million after tax).
   It is further noted that the foregoing treatment is for the portfolio of assets on the acquisition date only. For new debt assets which are created after the acquisition date, the provision is calculated according to the methodology described above, by Max only.

NIS in millions	As of March 31, 2023
*) Receivables with respect to credit card activity	15,527
Provision for credit default - recognition as part of initial consolidation	(102)
Fair value adjustment of the credit portfolio	(20)
Receivables with respect to credit card activity, net, which were newly consolidated	15,405
Post-acquisition provision	(220)
Balance of receivables with respect to credit card activities, net	15,185

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

C. Disclosure requirements in Max

Disclosures pertaining to the credit quality of debts, and to the provision for credit losses, as required under the new rules, are included in Note 9, Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision, in the financial statements below.

Identification and classification of non-accruing debts (instead of impaired debt) in Max

Max has established procedures for identifying troubled credit and for classifying debts as non-accruing. In accordance with these policies, Max classifies all of its troubled debts and off-balance sheet credit items under the classifications of troubled accruing and non-accruing. Debt is classified as non-accruing when, based on current information and events, Max is expected to be unable to collect all of the amounts which it is owed in accordance with the contractual terms of the debt agreement. The decision regarding the classification of the debt is made based, inter alia, on the debt's status of arrears, an assessment of the borrower's financial position and ability to pay, an assessment of the primary repayment source for the debt, the existence and status of collateral, the financial position of guarantors (if any) and their commitment to supporting the debt, and the borrower's ability to obtain third party financing.

In any case, debt is classified as non-accruing debt based on the state of arrears of the principal or interest, except if the debt is both well secured and in collection proceedings. For this purpose, Max monitors the status of days in arrears, as determined relative to the contractual repayment terms. debts are in arrears when the principal or interest with respect thereto has not been paid after they have come due. Additionally, renewable debt without a clear maturity date, such as credit card debt, is defined as debt in arrears of 30 days or more when the customer has not paid the required monthly contractual payment.

Additionally, any debt whose terms have been changed as part of a process of restructuring troubled debt will be classified as non-accruing debt.

D. Determination of fair value of financial instruments in Max

Fair value is defined as 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. Inter alia, the standard requires, for the purpose of estimating fair value, making as much use as possible of observable inputs, and minimizing the use of unobservable inputs. Observable inputs represent data which are observable on the market and which are received from independent sources, while unobservable inputs reflect the assumptions of Max. Sub-topic 820-10 in the codex specifies a hierarchy of measurement techniques, based on the question of whether the inputs which were used for the purpose of determining fair value are observable or unobservable. These input types create a fair value hierarchy, as specified below:

- Level 1 inputs: quoted prices (not adjusted) in active markets for identical assets or liabilities which are available to Max on the measurement date.
- Level 2 inputs: Inputs which are observable with respect to the asset or liability, directly or indirectly, and which are not quoted prices as included in level 1.
- Level 3 inputs: Inputs which are unobservable with respect to the asset or liability.

This hierarchy requires the use of observable market inputs, when such information is available.

For most of Max's financial instruments (e.g., receivables with respect to credit card activity, credit from banking corporations, and payables with respect to credit card activity) "market prices" cannot be quotes, since there is no active market on which they are traded. Therefore, fair value is estimated using conventional pricing models, such as the present value of future cash flows, discounted at a rate which reflects the risk level embedded in the financial instrument. For this purpose, the future cash flows with respect to impaired debts and other debts were calculated after deducting the effects of accounting write-offs and of the provisions for credit losses with respect to the debts.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

E. Transfers and servicing of financial assets and extinguishment of liabilities in Max

Max applies the rules for measurement and disclosure which were established in sub-topic 860-10 of the codex, regarding transfers and service of financial assets, for the purpose of accounting for transfers of financial assets, and settling liabilities.

In accordance with these rules, the transfer of a financial asset will be accounted for as a sale, if and only if all of the following conditions are fulfilled: (1) The transferred financial asset has been isolated from the transferring entity, also in case of bankruptcy or other receivership proceedings; (2) Any recipient (or any third party which holds the beneficiary rights) may pledge or replace the assets (or the beneficiary rights) which it has received, and no condition applies which both restricts the recipient (or any third party which holds the beneficiary rights) from exercising its right to pledge or replace, and also gives the transferor a greater-than-trivial benefit; (3) The transferor does not maintain effective control of the financial assets or of the beneficiary rights pertaining to those transferred assets.

If the transaction fulfills the conditions for treatment as a sale transaction, the transferred financial assets are written off from Max's balance sheet. The assets which were received, and the liabilities which materialized, as a result of the sale, are recognized in Max's books at fair value. The difference between the fair value of the net proceeds which were received, and the book value of the financial assets which were sold, is recognized in the statement of income. If the terms of the sale are not fulfilled, the transfer is considered a secured debt. The sale of part of a financial asset which is not a participatory right is treated as a secured debt, i.e., the transferred assets continue to be recorded in Max's balance sheet, with no change in their measurement, and the proceeds from the sale are recognized as a liability of Max.

Max writes off a liability only if the liability has been extinguished, in other words, if one of the following conditions has been fulfilled: (a) Max paid to the lender and was released from its obligation due to the liability, or (b) Max was legally released, through legal proceedings, or with the consent of the lender, from its status as primary debtor with respect to the liability.

F. Employee rights in Max

Post-retirement benefits - defined deposit plans in Max

A defined deposit plan is a plan which provides post-retirement benefits in consideration of services which were provided, provides a personal account for each plan participant, and defines the method for determination of the deposits to the employee's account, instead of determining the amount of benefits which the employee will receive. In a post-retirement defined deposit plan, the benefits which a plan participant will receive are dependent only on the amount deposited in the plan participant's account, and on the returns which are accrued on the investments of those deposits.

Max's liabilities to pay severance pay in accordance with section 14 of the Severance Pay Law are treated as a defined deposit plan. The defined deposits in a plan to the account of a certain person are required with respect to periods during which that person provides services, such that the net pension cost or the other post-retirement benefit cost, net, for the period, will be the required deposit for that period.

Post-retirement benefits, pension, severance pay and other benefits - defined benefit plans in Max

Max accrues the liability through the relevant period which was determined, on a full liability basis, based on the assumption that all of the employees will conclude their employment with conditions which include entitlement to full severance pay (hereinafter: the "Full Entitlement Approach"). Accordingly, for the purpose of calculating the liability, actuarial assumptions and discount rates are not taken into account.

Paid leave in Max - holiday and sick pay

Max accrues the liability through the relevant period which was determined. For the purpose of calculating the liability, actuarial assumptions and discount rates are not taken into account. All components of the benefit cost for the period are immediately carried to the statement of income.

Max does not accrue a liability with respect to sick days.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

G. Contingent liabilities in Max

The financial statements include adequate provisions with respect to claims, in accordance with the assessment of management, and based on the assessment of its legal counsel. The disclosure framework is in accordance with the provisions of directives issued by the Commissioner of Banks, in a manner whereby the claims which have been filed against Max are classified into three groups:

- Probable risk: Probability over 70% that the exposure will materialize. With respect to claims included in this group, provisions are included in the financial statements.
- Reasonably possible risk: Probability of 20% to 70% that the exposure will materialize. With respect to claims included in this group, provisions are not included in the financial statements, but disclosure is given. See Note 20.C.
- Remote risk: Probability less than or equal to 20% that the exposure will materialize. With respect to claims included in this group, provisions are not included in the financial statements, and disclosure is not given.

Claims regarding which the Commissioner of Banks has determined that Max is required to repay funds are classified as expected, and a provision is made for them according to the amount which Max is required to repay.

In certain cases, the management of Max believes, based on the opinion of its legal counsel, that it is not possible to estimate the chances of the risk exposure due to ordinary claims and due to claims approved as class actions, and a provision and therefore not made.

Note 8, "Contingent Liabilities and Claims", includes quantitative disclosures regarding the total exposures with non-remote chances for which a provision was not made, and where the total of each one of them (or the addition of several claims on similar matters), according to the statement of claim, exceeds a total of NIS 1 million.

The foregoing note also includes disclosure regarding material legal proceedings against Max, in which the amount claimed exceeds 1% of Max's capital as of March 31, 2023.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

H. Tax on income expenses in Max

Max's financial statements include current and deferred taxes. The provision for income taxes of Max's consolidated companies, which are financial institutions for value added tax purposes, include capital gains tax which applies to their income pursuant to the Value Added Tax Law.

Current taxes

Current taxes are the total taxes on income which were paid, or which will be paid (or refunded) with respect to the current period, as determined by implementing the provisions of the tax laws which have been enacted with respect to taxable income. Current tax expenses also include changes in prior year tax payments.

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. However, Max 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.
- Differences which are due to investments in subsidiaries and associate companies, if Max 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 Max predicts, at the end of the reporting period, the repayment or settlement of the book value of assets and liabilities.

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 balance sheet date. A deferred tax asset with respect to carryforward losses, tax benefits and deductible temporary differences, is recognized in the books when it is more likely than not that taxable income will arise in the future against which it may be used, or if tax planning opportunities are available.

Deferred tax assets are evaluated on each reporting date, and if the attributable tax benefits are not expected to materialize, they are amortized.
For the purpose of determining whether a deferred tax asset can be recognized, Max takes into account all available evidence - including both positive evidence supporting the recognition of a deferred tax asset, and negative evidence against the recognition of a tax asset.

If Max is not expected to have sufficient taxable income and/or if Max does not have tax planning opportunities, net deferred tax assets may not exceed total taxable temporary differences.

Offsetting of deferred tax assets and liabilities

Max offsets all deferred tax liabilities and assets, as well as the entire allowance valuation (deferred tax asset provision) which are associated with a certain taxable component, and within the borders of a specific tax jurisdiction.

Uncertain tax positions

Max applies the rules for measurement and disclosure which were determined in ASC 740. In accordance with these provisions, Max recognizes the impact of tax positions only if it is more likely than not that the positions will be accepted by the tax authorities or the Court. Recognized tax positions are measured according to the maximum amount with a probability of occurrence above 50%. Changes in recognition or measurement are reflected during the period of occurrence of the changes in circumstances which led to the change in judgment.

Note 3: Significant Accounting Policies (Cont.)

B. Initial adoption of directives issued by the Commissioner of Banks with respect to data in the Group's consolidated financial statements which apply to a credit card company after the closing date of the Simax acquisition: (Cont.)

2. Credit loss provision in Max - measurement (Cont.)

I. Payables and receivables with respect to credit card activity in Max

Receivables with respect to credit cards - without charged interest - including balances with respect to ordinary transactions, transactions in payments on account of the business, and other transactions.

Credit for cardholders - including charged interest - Including loans which were given to cardholders, credit transactions, rolling credit card transactions, and other transactions.

Credit card transactions are included on the transaction processing date in Max's systems. On the transaction processing date, a debt for the cardholder is created for Max in the balance sheet, if it is the issuer, or a debt of another issuer, against a payment undertaking towards the business. If the business does not receive clearing services from Max, a payment undertaking to another clearing company is created for the Company.

The balance of businesses is presented net of accelerated payments to businesses which clear with Max, and which meet the conditions for the settlement of the liability.

J. Damages due to malicious use in Max

Expenses due to damages from the malicious use of credit cards include damages due to counterfeiting, fraud, theft and loss, and are included in the financial statements upon their materialization.

K. Provision with respect to loyalty plans (airline points)

The financial statements include a provision with respect to loyalty plans (airline points) for cardholders, which was made according to a calculation, based on historical data, which is based on the usage rate of points which have been accrued by cardholders, and the cost thereof.

L. Customer clubs in Max

Max recognizes amounts which are paid upon signing agreements with customer clubs as marketing and selling expenses under profit and loss, throughout the agreement period, and accordingly, as prepaid expenses with respect to the period which have not yet been recognized under profit and loss.

Note 3: Significant Accounting Policies (Cont.)

C. Presented below are the sections in the condensed consolidated financial statements which are due exclusively to the financial statements of the Israeli insurance companies in the Group, in the consolidated statements of financial position:

Deferred acquisition costs
Investment property for investment-linked contracts
Other investment property
Reinsurance assets
Outstanding premiums
Financial investments for investment-linked contracts
Cash and cash equivalents for investment-linked contracts
Liabilities with respect to non-investment-linked insurance contracts and investment contracts
Liabilities with respect to investment-linked insurance contracts and investment contracts

Presented below are the sections in the condensed consolidated financial statements which are due exclusively to the financial statements of the credit card company (Max) in the consolidated statements of financial position:

Receivables with respect to credit card activities
Payables with respect to credit card activities

the other sections in the consolidated statements of financial position represent the consolidation of data from all consolidated companies in the Group.

Max's operating results will be consolidated beginning on April 1, 2023, and were not consolidated in these financial statements, except for a provision for credit default which was created upon the acquisition of Max, which was reflected in the consolidated statements of income under the item for provision for credit default. The tax impact with respect thereto was reflected under the item for taxes on income. (For additional details, see Note 3(B)(2)(b).).

For details regarding the accounting policy with respect to financial instruments in the credit card company, see Note 6 below.

Note 3: Significant Accounting Policies (Cont.)

D. New standards and interpretations which have not yet been adopted:

D1. Adopted by the Israeli insurance companies in the Group in accordance with the provisions of the Capital Market, Insurance and Savings Authority:

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
International Financial Reporting Standard (IFRS) 17, Insurance Contracts, and International Financial Reporting Standard (IFRS) 9, Financial Instruments	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).	Until December 31, 2022, the Group's consolidated financial statements were prepared in accordance with IFRS, including with reference to data pertaining to consolidated subsidiaries which fulfill the definition of an insurer, as defined in the Control Law. Further to that stated in Note 3 to the Company's annual financial statements, disclosure for new IFRS during the period prior to their adoption with respect to IFRS 17, Insurance Contracts (hereinafter: "IFRS 17") and IFRS 9, Financial Instruments (hereinafter: "IFRS 9"), on April 20, 2023, the Commissioner of Capital Markets, Insurance and Savings published a third draft update to the "Road map for the adoption of FIRS 17, Insurance Contracts" (hereinafter: the "Third Update"), which includes several updates relative to the "Road map - second update", which was published on December 14, 2022. The third update postponed the initial adoption date of IFRS 17 and IFRS 9 with respect to insurance companies in Israel (while the obligatory adoption date for those companies, in accordance with IFRS, was supposed to be January 1, 2023), for quarterly and annual periods beginning on January 1, 2025 (accordingly, the transition date will be January 1, 2024). In the third update it was stated that, at this stage, there is no intention to permit early adoption of IFRS 17 in Israel. Accordingly, from January 1, 2023 until the initial adoption date of IFRS 17 and IFRS 9 by the insurance companies in Israel, as stated above, insurance companies in Israel will continue adopting the provisions of IFRS 4, Insurance Contracts, and IAS 39, Financial Instruments: Recognition and Measurement, which were applied by it until now, and which were replaced by IFRS 17 and IFRS 9, respectively. The other IFRS are being applied by insurance companies in Israel in accordance with the dates specified therein. In light of the above, and in accordance with the Report Preparation Regulations, together with the provisions of Staff Accounting Bulletin 99-10, beginning on January 1, 2023, the Group's consolidated financial statements are not fully compliant with IFRS. Instead, the data in the Group's consolidated financial statements which pertain to consolidated subsidiaries which fulfill the definition of an insurer, as defined in the Control Law, were prepared in accordance with the Commissioner's directives pursuant to the Control Law. Additionally, as stated in Note 2 above, the data in the Group's consolidated financial statements which apply to the credit card company beginning from the closing date of the Simax acquisition, were prepared in accordance with directives and guidelines issued by the Commissioner of Banks. However, the data in the Group's consolidated financial statements which do not pertain to the foregoing subsidiaries continue to be prepared in accordance with IFRS. In addition to the above, In accordance with the third draft update, in 2024, as part of the financial statements for the third quarter, the companies will be required to report, as part of a dedicated note to the financial statements, a pro forma statement of financial position only as of January 1, 2024 (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. In the annual report for 2024, the companies will be required to submit the main pro forma reports (at least including the statement of financial position as of January 1, 2024, and select sections from the statement of comprehensive income for 2024, without comparative figures), prepared in accordance with the provisions of IFRS 17 and IFRS 9, according to the disclosure framework which was attached as an annex to the third update. The third update also included updates to the milestones for the adoption of the standards during the years 2023 and 2024, in accordance with the postponement of the initial adoption date of IFRS 17 and IFRS 9, and with the aim of ensuring the preparedness of insurance companies in Israel for high-quality, adequate and reliable adoption of the standards. The updates mostly pertain to the requirements for reporting to the Capital Market, Insurance and Savings Authority before the initial adoption date, the schedule for the adjustment of information systems, for completing the formulation of the accounting policy, for the preparations to calculate the risk adjustment with respect to non-financial risk, for the auditors' involvement and for the disclosure of supplementary qualitative information to the dedicated note, beginning from the financial statements for the first quarter of 2024.	As part of the process of adopting the standards, the Company is in the process of implementing and integrating computerized information systems which are critical to the adoption of the provisions of IFRS 17. The Group is also evaluating and specifying the required controls, and the manner of flow of information to the financial statements. The Group 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.

Note 3: Significant Accounting Policies (Cont.)

D. New standards and interpretations which have not yet been adopted: (Cont.)

D2. New accounting standards and directives of the Commissioner of Banks for the period prior to their adoption in the credit card company - Max:

Standard / Interpretation / Amendment	Topic	Application and Transitional Provisions	Main Expected Effects
ASU 2022-02, regarding troubled debt restructuring and disclosure requirements by year of credit provision	On March 31, 2022, the Financial Accounting Standards Board (the FASB) published ASU 2022-02, regarding troubled debt restructuring and disclosure requirements by year of credit provision, regarding the provisions for credit losses (hereinafter: the "Update"). The update cancels the provisions pertaining to troubled debt restructuring by lenders, while improving the disclosure requirements with respect to borrowers facing economic difficulties. The update also adds a disclosure requirement with respect to gross write-offs by year of credit provision.	The update's provisions will apply to entities which adopted ASU 2016-13 starting from the annual and interim periods which began after December 15, 2022. Other entities will adopt the update's provisions on the date of initial adoption of ASU 2016-13. At this stage, a date for the commencement of adoption in banks and clearing entities in Israel has not yet been determined.	Max is evaluating the impact of the new directives on its financial statements.

Note 4: 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**
  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. Credit cards segment

Includes the operating results of the activity of credit card company Max, which is engaged in two main operating segments: the issuance segment and the clearing segment.

<u>Issuance segment</u>
The issuance segment is focused on 2 main activities:

1. Solutions for financial institutions - joint issuance and processing of credit cards with banks, on behalf of their customers (B2B2C) (hereinafter: "Bank Payment Cards").

2. 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.

Note 4: Segmental Reporting (Cont.)

A. General (Cont.)

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 the Company. The Company's revenues from cardholders arise from fees which are collected from the cardholders, and issuer fees which are collected from the credit card companies (as clearing companies) and from international organizations (cleared abroad). Interest is also collected from Max's customers with respect to transactions and credit products which were given by Max.

Clearing segment

This segment includes the following main activities:

1. Clearing services - Guaranteeing payment against transaction slips made using credit cards, in consideration of a fee which is collected from the business.
2. Related services and supplementary products to clearing services.
3. Financial solutions - products and services which are offered to the businesses, such as loans, voucher discounting, accelerated payments and guarantees, with respect to which interest and fees are collected from the businesses.

The credit card segment will also include the operating results of Milo Brom Holdings Ltd. (hereinafter: "Milo"), which holds the following companies:

A. Hyp Payment Solutions Ltd. ("Hyp"), which provides payment solutions for e-commerce sites and for businesses, which are used for payment through credit cards and other payment methods, and 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 discounting companies. Hyp also provides a bookkeeping management and digital invoice production system;

B. Max EVS Ltd. (51% stake) – a joint technological venture in the field of charging systems and other services which are relevant to electric vehicles and solar rooftops.

As of March 31, 2023, the segmental quantitative information provided below does not yet include this operating segment, except for a provision for credit default in accordance with CECL, upon the acquisition of a company. For additional details, see Note 3(B)(2)(b).

5. Other

Including operating segments which do not meet the quantitative thresholds for reporting, credit and financing operations, and insurance agencies.

6. 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, and which are not part of the credit card company's business, as well as the Company's separate balances and results.

Note 4: Segmental Reporting (Cont.)

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 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 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 4: Segmental Reporting (Cont.)

C. Report on operating segments

	Long-term savings											
	Provident			Pension			Life insurance [1]			Total		
	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
NIS in millions	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	**-**	-	-	**-**	-	-	**1,652**	1,791	6,844	**1,652**	1,791	6,844
Premiums earned by reinsurers	**-**	-	-	**-**	-	-	**42**	39	162	**42**	39	162
Premiums earned on retention	**-**	-	-	**-**	-	-	**1,610**	1,752	6,683	**1,610**	1,752	6,683
Income from investments, net, and financing income	**58**	60	248	**(1)**	1	3	**1,070**	(330)	(4,783)	**1,127**	(269)	(4,532)
Income from management fees	**70**	61	252	**88**	83	339	**148**	155	605	**306**	298	1,196
Income from commissions	**-**	-	-	**-**	-	-	**7**	12	36	**7**	12	36
Total income	**128**	121	501	**87**	84	342	**2,834**	1,589	2,540	**3,050**	1,794	3,383
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**59**	60	249	**-**	-	-	**2,402**	1,100	1,742	**2,462**	1,160	1,991
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**-**	-	-	**-**	-	-	**(31)**	(27)	(110)	**(31)**	(27)	(110)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**59**	60	249	**-**	-	-	**2,371**	1,073	1,632	**2,431**	1,133	1,881
Provision for credit default due to the acquisition of Max (see Note 3(B)(2)(b)).	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	-
Commissions, marketing expenses and other acquisition costs	**34**	25	117	**28**	23	111	**189**	182	729	**251**	230	957
General and administrative expenses	**37**	32	123	**52**	47	193	**93**	92	371	**182**	171	688
Impairment of intangible assets	**-**	-	2	**-**	-	1	**-**	-	3	**-**	-	6
Other expenses	**1**	1	6	**1**	5	7	**-**	-	-	**3**	6	13
Financing expenses (income)	**-**	-	-	**-**	-	-	**4**	3	3	**4**	3	4
Total expenses	**131**	118	497	**81**	75	313	**2,657**	1,350	2,738	**2,870**	1,542	3,548
Share in the results of investee companies accounted by the equity method, net	**-**	-	-	**-**	-	-	**-**	(3)	(3)	**-**	(3)	(3)
Income (loss) before taxes on income	**(3)**	4	4	**6**	9	28	**177**	237	(201)	**180**	249	(168)
Other comprehensive income (loss) before taxes on income	**-**	(1)	(6)	**1**	(2)	(11)	**(63)**	8	104	**(62)**	4	87
Total comprehensive income (loss) before taxes on income	**(3)**	2	(2)	**6**	7	18	**114**	244	(96)	**118**	253	(81)

	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	**2,457**	2,371	2,441	**-**	-	-	**20,972**	20,199	20,798	**23,429**	22,570	23,239
Liabilities with respect to investment-linked insurance contracts and investment contracts	**-**	-	-	**-**	-	-	**88,662**	92,467	88,780	**88,662**	92,467	88,780
1) Total premiums (including pure savings premiums (investment contracts) which were applied directly to reserve).							**2,083**	3,056	10,518	**2,083**	3,056	10,518

Note 4: Segmental Reporting (Cont.)

C. Report on operating segments (Cont.)

NIS in millions	Health			General			Other		
	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums earned	417	369	1,599	814	727	3,068	-	-	-
Premiums earned by reinsurers	20	19	84	366	340	1,420	-	-	-
Premiums earned on retention	397	350	1,515	448	387	1,648	-	-	-
Income from investments, net, and financing income	60	68	180	46	57	202	-	-	(3)
Income from management fees	-	-	-	-	-	-	-	-	-
Income (expenses) from commissions	2	2	11	55	51	225	52	50	201
Total income	459	420	1,707	550	494	2,075	53	50	198
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	302	23	746	610	529	2,013	-	-	-
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	(17)	(37)	(105)	(218)	(192)	(793)	-	-	-
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	285	(14)	641	393	336	1,220	-	-	-
Provision for credit default due to the acquisition of Max (see Note 3(B)(2)(b)	-	-	-	-	-	-	-	-	-
Commissions, marketing expenses and other acquisition costs	155	136	578	158	144	613	38	34	139
General and administrative expenses	24	21	83	23	20	80	4	4	16
Impairment of intangible assets	-	-	1	-	-	1	-	-	-
Other expenses (income)	-	-	-	-	-	-	1	2	5
Financing expenses (income)	1	2	9	5	4	27	-	-	1
Total expenses	466	144	1,312	578	504	1,940	43	40	161
Share in the results of investee companies accounted by the equity method, net	-	-	-	-	(3)	(3)	3	2	6
Income (loss) before taxes on income	(7)	276	394	(28)	(12)	132	12	12	43
Other comprehensive income (loss) before taxes on income	(1)	(20)	(41)	(16)	(90)	(224)	-	2	2
Total comprehensive income (loss) before taxes on income	(9)	256	353	(44)	(102)	(91)	12	14	45

	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022
	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	2,668	2,530	2,614	8,192	7,756	7,963	-	-	-
Liabilities with respect to investment-linked insurance contracts and investment contracts	1,098	1,140	1,092	-	-	-	-	-	-

NIS in millions	Not allocated to segments: For the period of three months ended March 31 2023 Unaudited	2022 Unaudited	For the year ended December 31 2022 Audited	Adjustments and offsets: For the period of three months ended March 31 2023 Unaudited	2022 Unaudited	For the year ended December 31 2022 Audited	Total: For the period of three months ended March 31 2023 Unaudited	2022 Unaudited	For the year ended December 31 2022 Audited
Gross premiums earned	-	-	-	-	-	(2)	**2,883**	2,887	11,509
Premiums earned by reinsurers	-	-	-	-	-	-	**428**	399	1,665
Premiums earned on retention	-	-	-	-	-	(2)	**2,455**	2,488	9,844
Income from investments, net, and financing income	**(7)**	**113**	57	-	-	-	**1,227**	(30)	(4,097)
Income from management fees	-	-	-	-	-	1	**307**	299	1,198
Income (expenses) from commissions	-	-	-	**(23)**	(22)	(90)	**93**	93	383
Total income	**(7)**	**113**	57	**(23)**	(22)	(90)	**4,081**	2,850	7,329
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	-	-	-	**(1)**	-	(1)	**3,374**	1,711	4,749
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	-	-	-	-	-	-	**(266)**	(257)	(1,008)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	-	-	-	**(1)**	-	(1)	**3,108**	1,454	3,741
Provision for credit default due to the acquisition of Max (see Note 3(B)(2)(b)).	-	-	-	**220**	-	-	**220**	-	-
Commissions, marketing expenses and other acquisition costs	-	-	-	**(23)**	(22)	(90)	**579**	521	2,196
General and administrative expenses	**20**	**11**	74	-	-	1	**253**	227	941
Impairment of intangible assets	-	-	-	-	-	-	-	-	8
Other expenses (income)	-	-	(1)	-	-	-	**4**	7	18
Financing expenses (income)	**52**	**46**	194	-	-	-	**61**	55	235
Total expenses	**71**	**57**	267	**196**	(23)	(90)	**4,225**	2,264	7,139
Share in the results of investee companies accounted by the equity method, net	-	**1**	3	-	-	-	**3**	(3)	3
Income (loss) before taxes on income	**(79)**	**57**	(207)	**(219)**	1	(1)	**(141)**	582	194
Other comprehensive income (loss) before taxes on income	**59**	**(146)**	(374)	-	-	2	**(20)**	(250)	(547)
Total comprehensive income (loss) before taxes on income	**(20)**	**(90)**	(581)	**(219)**	1	2	**(161)**	332	(354)

	As of March 31 2023 Unaudited	2022 Unaudited	As of December 31 2022 Audited	As of March 31 2023 Unaudited	2022 Unaudited	As of December 31 2022 Audited	As of March 31 2023 Unaudited	2022 Unaudited	As of December 31 2022 Audited
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	-	-	-	**(1)**	(1)	(1)	**34,287**	32,854	33,814
Liabilities with respect to investment-linked insurance contracts and investment contracts	-	-	-	**(19)**	(20)	(19)	**89,740**	93,588	89,853

Note 4: 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)]		
	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022	2023	2022	2022
NIS in millions	Unaudited		Audited	Unaudited		Audited
Gross premiums	**196**	182	695	**156**	151	486
Reinsurance premiums	**45**	68	275	**82**	82	251
Premiums on retention	**151**	115	419	**74**	68	236
Change in unearned premium balance, on retention	**(41)**	(27)	(43)	**(16)**	(14)	(7)
Premiums earned on retention	**110**	87	376	**58**	55	229
Income from investments, net, and financing income	18	22	80	**16**	22	76
Income from commissions	**7**	9	36	**6**	5	22
Total income	**135**	119	492	**79**	82	327
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**185**	168	484	**104**	53	135
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(63)**	(56)	(164)	**(36)**	(20)	(42)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**122**	112	320	**68**	34	93
Commissions, marketing expenses and other acquisition costs	**23**	20	97	**26**	26	101
General and administrative expenses	**4**	4	14	**3**	2	8
Impairment of intangible assets	**-**	-	0	**-**	-	-
Financing expenses (income)	**1**	1	4	**1**	1	6
Total expenses	**150**	137	435	**98**	63	208
Share in the profits (losses) of associate companies, net	**-**	(1)	(1)	**-**	(1)	(1)
Income (loss) before taxes on income	**(15)**	(19)	56	**(18)**	18	118
Other comprehensive income (loss) before taxes on income	**(7)**	(35)	(86)	**(6)**	(35)	(83)
Total comprehensive income before taxes on income	**(21)**	(54)	(30)	**(24)**	(17)	36

	As of March 31		As of December 31	As of March 31		As of December 31
	2023	2022	2022	2023	2022	2022
Liabilities with respect to insurance contracts	Unaudited		Audited	Unaudited		Audited
Gross	**2,925**	2,818	2,843	**3,012**	3,059	2,941
Reinsurance	**1,292**	1,302	1,297	**1,596**	1,585	1,551
Retention	**1,632**	1,516	1,546	**1,416**	1,474	1,390

1) Other liabilities branches mostly include the results of the third party liability, employers' liability and managers' liability insurance branches, the activity in which, in the reporting period, in the corresponding period last year and in the year ended December 31, 2022, constituted approximately 88%, approximately 87% and approximately 80%, respectively, of total premiums in those branches.

Note 4: Segmental Reporting (Cont.)

D. Additional information regarding the main insurance branches included in the non-life insurance segment (Cont.)

	Property branches											
	Motor property			Credit insurance			Property and others branches [1]			Total		
	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
NIS in millions	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross premiums	**302**	250	942	**31**	33	132	**260**	235	1,019	**945**	852	3,275
Reinsurance premiums	**23**	31	114	**16**	18	72	**185**	168	792	**353**	367	1,503
Premiums on retention	**278**	220	829	**15**	15	60	**75**	67	228	**592**	485	1,772
Change in unearned premium balance, on retention	**(70)**	(44)	(70)	**-**	-	(1)	**(18)**	(12)	(3)	**(144)**	(98)	(124)
Premiums earned on retention	**209**	175	758	**15**	14	59	**57**	55	225	**448**	387	1,648
Income from investments, net, and financing income	**6**	6	20	**2**	**3**	9	**3**	4	16	**46**	57	202
Income from commissions	**3**	1	8	**5**	5	21	**35**	30	138	**55**	51	225
Total income	**217**	183	786	**22**	22	90	**96**	88	379	**550**	494	2,075
Payments and changes in liabilities with respect to insurance contracts and investment contracts, gross	**224**	208	862	**11**	13	35	**86**	87	497	**610**	529	2,013
Share of reinsurers in payments and change in liabilities with respect to insurance contracts	**(43)**	(34)	(140)	**(8)**	(9)	(23)	**(67)**	(74)	(423)	**(218)**	(192)	(793)
Payments and changes in liabilities with respect to insurance contracts and investment contracts on retention	**180**	174	722	**3**	4	11	**19**	13	74	**393**	336	1,220
Commissions, marketing expenses and other acquisition costs	**55**	46	212	**3**	3	12	**51**	48	191	**158**	144	613
General and administrative expenses	**6**	5	20	**5**	5	20	**4**	4	18	**23**	20	80
Impairment of intangible assets	**-**	-	-	**-**	-	-	**-**	-	-	**-**	-	1
Financing expenses (income)	**-**	-	2	**1**	1	4	**2**	1	11	**5**	4	27
Total expenses	**242**	225	956	**12**	13	47	**76**	66	294	**578**	504	1,940
Share in the profits (losses) of associate companies, net	**-**	-	-	**-**	-	-	**-**	-	-	**-**	(3)	(3)
Income (loss) before taxes on income	**(25)**	(42)	(169)	**10**	9	42	**19**	22	85	**(28)**	(12)	132
Other comprehensive income (loss) before taxes on income	**(2)**	(9)	(21)	**-**	(5)	(17)	**(1)**	(6)	(17)	**(16)**	(90)	(224)
Total comprehensive income before taxes on income	**(27)**	(51)	(190)	**10**	4	26	**18**	16	68	**(44)**	(102)	(91)

	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31	As of March 31		As of December 31
	2023	2022	2022	2023	2022	2022	2023	2022	2022	2023	2022	2022
Liabilities with respect to insurance contracts	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited	Unaudited		Audited
Gross	**834**	669	784	**90**	**96**	100	**1,331**	1,114	1,294	**8,192**	7,756	7,963
Reinsurance	**113**	98	117	**50**	56	58	**1,029**	826	1,014	**4,081**	3,868	4,037
Retention	**721**	571	667	**40**	40	42	**301**	289	280	**4,111**	3,888	3,926

1) Property and other branches primarily include the results of the business, home and engineering property insurance branches, the activity in which during the reporting period, in the corresponding period last year and in the year ended December 31, 2022, constitutes approximately 74%, approximately 76% and approximately 76%, respectively, of the total premiums in these branches.

Note 4: Segmental Reporting (Cont.)

E. Additional information regarding the life insurance and long-term savings segment

Data for the period of three months ended March 31, 2023 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in millions	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	**36**	**400**	**-**	**990**	**208**	**18**	**1,652**
Receipts with respect to investment contracts charged directly to insurance reserves	**-**	**-**	**-**	**431**	**-**	**-**	**431**
Financial margin including management fees [2)]	**38**	**62**	**-**	**86**	**-**	**-**	**186**
Payments and changes in liabilities with respect to insurance contracts, gross	**392**	**632**	**-**	**1,255**	**105**	**18**	**2,402**
Payments and changes in liabilities with respect to investment contracts	**-**	**-**	**-**	**1**	**-**	**-**	**1**
Total comprehensive income (loss)	**72**	**50**	**1**	**(13)**	**6**	**(2)**	**114**

Data for the period of three months ended March 31, 2022 (unaudited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in millions	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	39	396	-	1,153	186	17	1,791
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	1,265	-	-	1,265
Financial margin including management fees [2)]	(27)	67	-	88	-	-	128
Payments and changes in liabilities with respect to insurance contracts, gross	383	(23)	-	747	84	20	1,211
Payments and changes in liabilities with respect to investment contracts	-	-	-	(111)	-	-	(111)
Total comprehensive income (loss)	18	216	-	5	11	(6)	244

Data for the year ended December 31, 2022 (Audited)

	Life insurance policies which include a savings component (including riders) by policy issuance date				Life insurance policy without a risk savings component which is sold as a single policy		
			From 2004				
NIS in millions	Until 1990 [1)]	Until 2003	Non-investment-linked	Investment-linked	Individual	Collective	Total
Gross premiums:	153	1,607	-	4,220	790	74	6,844
Receipts with respect to investment contracts charged directly to insurance reserves	-	-	-	3,674	-	-	3,674
Financial margin including management fees [2)]	(143)	257	-	347	-	-	461
Payments and changes in liabilities with respect to insurance contracts, gross	1,580	(1,430)	-	1,948	369	69	2,536
Payments and changes in liabilities with respect to investment contracts	-	-	-	(794)	-	-	(794)
Total comprehensive income (loss)	93	(172)	-	2	-	(19)	(96)

Notes:

1) Products issued by 1990 (including enlargements in respect thereof) are primarily guaranteed-return, and are mostly/partially backed by designated bonds.

(2) The financial margin includes profit (loss) 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.
The financial margin in investment-linked contracts is the total of fixed and variable management fees, calculated based on a reduction in the credit to savings in the Company's systems.

Note 4: Segmental Reporting (Cont.)

F. Additional details regarding the health insurance segments

Data for the period of three months ended March 31, 2023 (unaudited)

	Long-term care		Health other **)		
NIS in millions	Individual	Collective	Long term	Short term	Total
Gross premiums	**69**	**6**	**311*)**	**32*)**	**418**
Payments and changes in liabilities with respect to insurance contracts, gross	**100**	**15**	**158**	**29**	**302**
Other comprehensive income	**-**	**-**	**(1)**	**-**	**(1)**
Total comprehensive income	**(6)**	**(4)**	**11**	**(10)**	**(9)**

*) Including individual premiums in the amount of NIS 294 million, and collective premiums in the amount of NIS 49 million.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

Data for the period of three months ended March 31, 2022 (unaudited)

	Long-term care		Health other **)		
NIS in millions	Individual	Collective	Long term	Short term	Total
Gross premiums	67	6	284*)	14*)	371
Payments and changes in liabilities with respect to insurance contracts, gross	(147)	13	145	12	23
Other comprehensive income	-	-	(19)	(1)	(20)
Total comprehensive income	245	23	(6)	(6)	256

*) Including individual premiums in the amount of NIS 264 million, and collective premiums in the amount of NIS 34 million.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

Data for the year ended December 31, 2022 (Audited)

	Long-term care		Health other **)		
NIS in millions	Individual	Collective	Long term	Short term	Total
Gross premiums	271	24	1,177*)	131*)	1,603
Payments and changes in liabilities with respect to insurance contracts, gross	41	67	561	77	746
Other comprehensive income	-	-	(38)	(3)	(41)
Total comprehensive income	290	17	39	7	353

*) Including individual premiums in the amount of NIS 1,120 million, and collective premiums in the amount of NIS 188 million.

**) The most material coverage included in other long term health insurance is medical expenses; with respect to short term, it is international travel.

Note 5: Subsidiaries

A. Business combination which occurred during the current period - acquisition of Simax Holdings Ltd. (formerly WPI)

Further to that stated in Note 42(J) to the financial statements for 2022, on March 27, 2023, the Company completed its acquisition of the entire issued and paid-up capital of Simax Holdings Ltd.

Simax 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 (approximately 70%)[1]. 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.

Simax's activity primarily involves holding the entire issued capital of Max IT Finance Ltd. (hereinafter: "Max"). Max's activity constitutes approximately 95% of Simax's consolidated financial statements. Max is engaged in the issuance, clearing and processing of payment cards, and in the provision of payment solutions and financial products, including credit to private and business customers.

Max is defined as a "clearing entity" and holds a permanent clearing license, as required pursuant to the Banking (Licensing) Law, 1981.
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.

Max's activity is focused on two operating segments:

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 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.

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, accelerated payments and guarantees.

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.

[1] In economic value terms

Simax 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 ("checkout") 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 discounting 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[2].

Presented below are data regarding the transferred consideration, in accordance with its various components, and the assets and liabilities which were recognized on the acquisition date:

Transferred consideration

NIS in millions	
Cash	790
Equity instruments which were issued (4,970,310 ordinary shares) (1)	253
Deferred payment (2)	377
	1,420

(1) **Equity instruments which were issued**

The fair value of the ordinary shares which were issued is based on the Group's quoted stock price as of March 26, 2023, and is NIS 51 per share.

(2) Deferred payment

(3) Fair value calculated by an external valuer, with respect to the balance in the amount of NIS 370 million (three hundred and seventy million New Israeli Shekels), which will be paid on the date or dates which the Company will specify, and no later than April 30, 2024 (the "**Deferred Payment**"). The deferred payment will be adjusted according to Simax's rate of return during the period from the closing date of the Simax acquisition transaction, and the actual payment date of the deferred payment, in accordance with arrangements which were determined between the parties.

2 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.

Determination of fair value

Presented below is information regarding the way in which the Group determined the fair value of assets and liabilities which were recognized within the framework of the business combination:
The Company hired an independent external valuer for the purpose of writing a provisional paper on the purchase price allocation (PPA) for the financial statements.

1. The Company recognized the fair value of the assets which were acquired and of the liabilities which were accepted within the framework of the business combination in accordance with provisional measurement. As of the approval date of the financial statements, the external valuer's final valuation with respect to the fair value of the identifiable assets which were acquired, and of the liabilities which were accepted, has not yet been received. The purchase consideration and the fair value of the acquired assets and liabilities can be finally adjusted until 12 months after the acquisition date.

2. <u>Valuation methods used in the valuation:</u>

Presented below are details regarding the method used to calculate the fair value of the assets which were acquired and liabilities which were accepted in accordance with provisional measurement:

A. Brand - The brand was associated with the clearing revenues and other fees and revenues. The brand's fair value was estimated using the relief from royalty method. The lifetime taken into account was 10 years, and the discount rate taken into account was 15%.
B. Technology - The fair value of the technology was calculated according to the DCF method, on a revenue basis, which was taken from Hyp's revenue model, and a revenue rate was assumed relative to the currently existing technology. The assumed lifetime was 10 years. The assumed discount rate was 15.75%.
C. Customer relations - The fair value of customer relations was estimated according to the DCF method, with a churn rate ranging from 5%-10% per year. A 10 year cash flow forecast was created with respect to operating income and expenses attributed only to the customer portfolio. A discount rate of 13.5% was used.
D. Receivables with respect to credit card activity - the fair value of the credit balances was calculated in accordance with the lifetime of the required balances and provisions, using an interest rate ranging from 4% to 12% per year.
E. With respect to the discounted cash flow forecast in sections A-D above, a tax reserve or a deferred tax asset was calculated, respectively, based on the statutory tax rate pursuant to tax laws in Israel, such that it will be entirely amortized in accordance with the cash flow forecast.

The revenue growth rate used to derive the foregoing assets ranged from 5% to 3% per year, depending on the type of asset and the relevant year in the forecast.

The fair value and amortization periods were determined provisionally until the conclusion of the independent valuation, with the valuation date being the transaction closing date, i.e., March 27, 2023.

Identifiable assets and liabilities which were acquired (in accordance with provisional values):

NIS in millions	Balance as of March 31, 2023
Cash and cash equivalents	496
Other accounts receivable	52
Receivables with respect to credit card activity, net*)	15,407
Intangible assets **)	253
Fixed assets	386
Right-of-use asset	198
Deferred tax assets	53
Investments in investee companies accounted by the equity method	7
Other financial investments	3
Other accounts payable	(463)
Payables with respect to credit card activity	(8,649)
Financial liabilities	(6,535)
Liabilities with respect to employee benefits, net	(27)
Lease liabilities	(198)
Current tax liabilities	(21)
Identifiable assets, net	**962**

	Balance as of March 31, 2023
*) Receivables with respect to credit card activity	15,527
Provision for credit default recognized in the initial consolidation	(102)
Fair value adjustment	(20)
Receivables with respect to credit card activity, net	15,405

**) Composition of intangible assets - excess costs:	Amortization period (in years)	Balance as of March 31, 2023
Brand	10	79
Technology	10	66
Customers	10	108
Total		253

Aggregate cash flows used by the Group in the purchase transaction:

Cash and cash equivalents which were paid	(790)
Cash and cash equivalents of the subsidiary	496
	(294)

Goodwill

Following the acquisition, goodwill was recognized as specified below:

NIS in thousands

Transferred consideration	1,420
after deducting the fair value of the identifiable assets, net	(962)
Goodwill	458

Costs associated with business combination -
The Group bore the legal costs and due diligence costs attributed to the acquisition, in the amount of NIS 3.5 million. The Company also paid bonuses to employees in the amount of approximately NIS 2.7 million.
These costs were included under general and administrative expenses in the statement of income. Most were recognized in 2022.

Presented below are informative details regarding the financial results of Simax and Max, based on their reports to the Company. It is emphasized that the Company will include Simax's results in its reports beginning on April 1, 2023, and those figures were not included in these financial statements.

NIS in millions	2022	1-3/2023	1-3/2022
Profit of Max before one-time selling expenses*)	248	74	52
One-time selling expenses*)	-	(28)	-
Net profit of Max, as reported *)	248	46	52
Financing expenses in Simax	(54)	(22)	(11)
Amortization of excess cost in Simax and general and administrative expenses in Simax	(22)	(7)	(6)
Milo's profit includes the amortization of excess cost in Milo **)	-	(4)	1
Net profit - Simax	171	13	36

*) Max's results for the first quarter of 2023 were significantly affected by selling expenses, at the cost of a one-time effect in the amount of NIS 35 million due to the closing of the transaction for the sale of its parent company, Simax (formerly: WPI) to the Company.

**) Hyp's results for the first quarter of 2023 were significantly affected by selling expenses, as a result of selling expenses at cost with a one-time effect due to the closing of the transaction for the sale of its parent company, Simax (formerly: WPI) to the Company.

Note 6: Financial Instruments

A. Assets for Investment-Linked Contracts

1. Composition:

	As of March 31		As of December 31
	2023	2022	2022
NIS in millions	Unaudited		Audited
Investment property [1]	**3,801**	3,259	3,778
Financial investments			
Marketable debt assets	**29,800**	24,543	25,380
Non-marketable debt assets	**9,134**	8,635	9,592
Stocks	**17,706**	26,184	19,701
Other financial investments	**24,183**	22,117	22,458
Total financial investments [1]	**80,823**	81,479	77,131
Cash and cash equivalents	**5,418**	9,212	8,458
Other [2]	**2,973**	990	3,096
Total assets for investment-linked contracts	**93,015**	94,940	92,463

1) Measured at fair value through profit and loss.
2) 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.

Note 6: Financial Instruments (Cont.)

A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

	Balance as of March 31, 2023			
	Level 1	Level 2	Level 3	Total
NIS in millions	Unaudited			
Financial investments:				
Marketable debt assets	**24,552**	**5,248**	**-**	**29,800**
Non-marketable debt assets	**-**	**9,089**	**45**	**9,134**
Stocks	**15,559**	**343**	**1,804**	**17,706**
Other financial investments [1)]	**12,196**	**1,242**	**10,745**	**24,183**
Total financial investments	**52,307**	**15,922**	**12,594**	**80,823**
1) Of which, with respect to derivatives	**17**	**299**	**15**	**331**

During the period, there were no significant transfers between level 1 and level 2.

	Balance as of March 31, 2022			
	Level 1	Level 2	Level 3	Total
NIS in millions	Unaudited			
Financial investments:				
Marketable debt assets	20,640	3,903	-	24,543
Non-marketable debt assets	-	8,602	33	8,635
Stocks	23,453	721	2,010	26,184
Other financial investments [1)]	11,873	2,153	8,091	22,117
Total financial investments	55,966	15,379	10,134	81,479
1) Of which, with respect to derivatives	129	621	42	792

During the period, there were no significant transfers between level 1 and level 2.

	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
NIS in millions	Audited			
Financial investments:				
Marketable debt assets	20,424	4,956	-	25,380
Non-marketable debt assets	-	9,531	61	9,592
Stocks	17,075	520	2,106	19,701
Other financial investments [1)]	11,327	1,104	10,027	22,458
Total financial investments	48,826	16,111	12,194	77,131
1) Of which, with respect to derivatives	49	178	9	236

During the period, there were no significant transfers between level 1 and level 2.

Note 6: Financial Instruments (Cont.)

A. Assets for investment-linked contracts (Cont.)

2. Additional information regarding fair value (Cont.)

B. Financial assets measured at fair value level 3

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in millions		Unaudited		
Balance as of January 1, 2023 (Audited)	**61**	**2,106**	**10,027**	**12,194**
Total income recognized in the statement of income	**1**	**(37)**	**327**	**291**
Acquisitions	**-**	**87**	**642**	**729**
Sales	**-**	**(352)**	**(251)**	**(603)**
Redemptions	**(12)**	**-**	**-**	**(12)**
Interest and dividend receipts	**(5)**	**-**	**-**	**(5)**
Balance as of March 31, 2023	**45**	**1,804**	**10,745**	**12,594**
Total income for the period included under the income statement with respect to held financial assets as of March 31, 2023	**1**	**(39)**	**327**	**289**

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in millions		Unaudited		
Balance as of January 1, 2022 (Audited)	30	2,052	7,156	9,238
Total income recognized in the statement of income	3	10	477	490
Acquisitions	-	35	749	784
Sales	-	-	(276)	(276)
Interest and dividend receipts	-	(4)	(1)	(5)
Transfers from level 3 [1)]	-	(83)	(14)	(97)
Balance as of March 31, 2022	33	2,010	8,091	10,134
Total income for the period included under the income statement with respect to held financial assets as of March 31, 2022	**3**	**10**	**477**	**490**

	Non-marketable debt assets	Stocks	Other financial investments	Total
NIS in millions		Unaudited		
Balance as of January 1, 2022 (Audited)	**30**	**2,052**	**7,156**	**9,238**
Total income recognized in the statement of income	**1**	**359**	**1,448**	**1,808**
Acquisitions	**-**	**187**	**2,512**	**2,699**
Sales	**-**	**-**	**(1,073)**	**(1,073)**
Interest and dividend receipts	**-**	**(7)**	**(2)**	**(9)**
Transfers to level 3	**30**	**-**	**-**	**30**
Transfers from level 3 [1)]	**-**	**(485)**	**(14)**	**(499)**
Balance as of December 31, 2022 (audited)	**61**	**2,106**	**10,027**	**12,194**
Total income for the period included under profit and loss with respect to held financial assets - as of December 31, 2022	**1**	**359**	**1,468**	**1,828**

1) With respect to assets for which the use of quotes was begun, and which were transferred from level 3.

Note 6: Financial Instruments (Cont.)

B. Other financial investments

1. Non-marketable debt assets - composition and fair value[1)]

	As of March 31, 2023	
	Book value	Fair value
NIS in millions	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,786**	**23,826**
Other non-convertible debt assets	**6,350**	**6,341**
Deposits in banks	**651**	**677**
Total non-marketable debt assets	**23,787**	**30,844**
Impairment applied to income statement (cumulative)	**44**	

	As of March 31, 2022	
	Book value	Fair value
NIS in millions	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	16,166	26,503
Other non-convertible debt assets	5,475	6,137
Deposits in banks	984	1,086
Total non-marketable debt assets	22,625	33,726
Impairment applied to income statement (cumulative)	49	

	As of December 31, 2022	
	Book value	Fair value
NIS in millions	Audited	
Government bonds		
HETZ bonds and treasury deposits	16,417	23,458
Other non-convertible debt assets	5,954	6,055
Deposits in banks	653	688
Total non-marketable debt assets	23,024	30,201
Impairment applied to income statement (cumulative)	42	

1) The fair value of designated bonds was calculated according to the repayment dates of guaranteed-return liabilities. The fair value of treasury deposits was calculated according to the contractual repayment date.

Note 6: Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value

A. Fair value of financial assets, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

	As of March 31, 2023			
	Level 1	Level 2	Level 3	Total
NIS in millions	Unaudited			
Financial investments:				
Marketable debt assets	**6,657**	**139**	**-**	**6,796**
Non-marketable debt assets	**-**	**1**	**-**	**1**
Stocks	**776**	**35**	**789**	**1,600**
Other financial investments [1)]	**965**	**70**	**3,961**	**4,996**
Total financial investments	**8,398**	**245**	**4,750**	**13,393**
1) Of which, with respect to derivatives	**5**	**63**	**10**	**78**

During the period, there were no significant transfers between level 1 and level 2.

	Balance as of March 31, 2022			
	Level 1	Level 2	Level 3	Total
NIS in millions	Unaudited			
Financial investments:				
Marketable debt assets	5,966	207	-	6,173
Non-marketable debt assets	-	2	-	2
Stocks	1,187	28	893	2,108
Other financial investments [1)]	1,196	205	3,109	4,510
Total financial investments	8,349	442	4,002	12,793
1) Of which, with respect to derivatives	8	206	7	221

During the period, there were no significant transfers between level 1 and level 2.

	Balance as of December 31, 2022			
	Level 1	Level 2	Level 3	Total
NIS in millions	Audited			
Financial investments:				
Marketable debt assets	6,821	178	-	6,999
Non-marketable debt assets	-	1	-	1
Stocks	878	37	937	1,852
Other financial investments [1)]	1,045	44	3,697	4,786
Total financial investments	8,744	260	4,634	13,638
1) Of which, with respect to derivatives	6	44	4	54

During the period, there were no significant transfers between level 1 and level 2.

Note 6: Financial Instruments (Cont.)
B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3

	Stocks	Other financial investments	Total
NIS in millions		Unaudited	
Balance as of January 1, 2023 (Audited)	**937**	**3,697**	**4,634**
Total profit which was recognized:			
Under profit and loss	**152**	**32**	**184**
Under other comprehensive income	**(136)**	**116**	**(20)**
Acquisitions	**21**	**180**	**201**
Sales	**(184)**	**(64)**	**(248)**
Interest and dividend receipts	**(1)**	**-**	**(1)**
Balance as of March 31, 2023	**789**	**3,961**	**4,750**
Total income for the period included under the income statement with respect to held financial assets as of March 31, 2023	**120**	**32**	**152**

	Stocks	Other financial investments	Total
NIS in millions		Unaudited	
Balance as of January 1, 2022 (Audited)	935	2,860	3,795
Total profit which was recognized:			
Under profit and loss	7	40	47
Under other comprehensive income	(14)	87	73
Acquisitions	14	278	292
Sales	-	(149)	(149)
Interest and dividend receipts	(3)	(2)	(5)
Transfers from level 3 [1)]	(46)	(5)	(51)
Balance as of March 31, 2022	893	3,109	4,002
Total income for the period included under the income statement with respect to held financial assets as of March 31, 2022	7	40	47

Note 6: Financial Instruments (Cont.)

B. Other financial investments (Cont.)

2. Additional information regarding fair value (Cont.)

B. Assets measured at fair value level 3 (Cont.)

NIS in millions	Stocks	Other financial investments	Total
	Unaudited		
Balance as of January 1, 2022 (Audited)	935	2,860	3,795
Total income (loss) which was recognized:			
Under profit and loss	28	134	162
Under other comprehensive income	110	321	431
Acquisitions	69	926	995
Sales	-	(537)	(537)
Interest and dividend receipts	(9)	(2)	(11)
Transfers from level 3 [1)]	(196)	(5)	(201)
Balance as of December 31, 2022 (audited)	937	3,697	4,634
Total income for the period included under profit and loss with respect to held financial assets - as of December 31, 2022	28	131	159

1) With respect to assets for which the use of quotes was begun, and which were transferred from level 3.

C. Receivables with respect to credit card activity - Max

	March 31, 2023				
		Fair value			
NIS in millions	Balance sheet balances *)	Level 1	Level 2	Level 3	Total
	Unaudited				
Receivables with respect to credit card activity	**15,086**	**-**	**-**	**15,042**	**15,042**

*) Monetary items.

Note 6: Financial Instruments (Cont.)

C. Financial liabilities

1. Composition of fair value:

NIS in millions	Note	March 31 2023 Book value	March 31 2023 Fair value	As of March 31 2022 Book value	As of March 31 2022 Fair value	As of December 31 2022 Book value	As of December 31 2022 Fair value
		Unaudited				Audited	
Financial liabilities presented at fair value through profit and loss: Liabilities with respect to derivative financial instruments, short sales and repo liabilities 1)		**3,563**	**3,563**	1,404	1,404	3,583	3,583
The Company:							
Bonds (Series A) - marketable bonds	**A**	**247**	**244**	-	-	-	-
Bonds (Series B) - marketable convertible bonds - liability component	**A**	**136**	**130**	-	-	-	-
Subsidiaries:							
Other financial liabilities - loan in Simax	**B**	**941**	**941**	**-**	**-**	**-**	**-**
Marketable deferred liability notes in Clal Insurance		**4,571**	**4,148**	4,302	4,288	4,596	4,249
Credit from banking corporations in Max		**5,089**	**5,089**				
Bonds and deferred liability notes in Max		**496**	**469**				
Other financial liabilities in Max		**340**	**340**				
Total financial liabilities presented at amortized cost		**11,821**	**11,362**	4,302	4,288	4,596	4,249
After deducting interest payable with respect to deferred liability notes, presented under the item for other accounts payable		**12**	**-**	12	-	48	-
Total financial liabilities		**15,372**	**14,925**	**5,693**	**5,692**	**8,131**	**7,832**
1) Of which, with respect to investment-linked liabilities		**2,656**	**2,656**	(* 387	(* 387	2,252	2,252

*) Reclassified.

A. Bonds issued by the Company

In February 2023, the Company performed an issuance of NIS 249.1 million par value of bonds (Series A), and of NIS 150.9 million 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	Stated annual interest rate %	Marketable/non-marketable	Par value	Original amount issued	Principal repayment date
Bonds (Series A)[3]	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	

[3] With respect to the bonds (Series A-B), the Company accepted 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. As of the balance sheet date, the Company is fulfilling the established covenants. For additional details, see section 2.6.4 of the board of directors' report as of March 31, 2023, and the trust deeds which were published by the Company as part of the shelf offering report on February 9, 2023.

Note 6: Financial Instruments (Cont.)

C. Financial liabilities (Cont.)

In February 2023, S&P Maalot published a rating report which determined a rating of AA- for the Company and for its issued bonds, as stated above.

B. Simax - syndicated loan

As part of the financing for the acquisition of Max from Bank Leumi, in 2019 Simax accepted debt from a syndicate of lenders which constitute institutional entities, led by Harel Insurance Company Ltd. (the "**Syndicated Loan**").

The syndicated loan is comprised of three layers - two financial layers and a liquidity layer, which is intended to finance interest payments and fees to creditors.

The principal of debt in the syndicated loan is due in a single payment in February 2026. The interest with respect to the loan is being paid on a quarterly basis, and is calculated as the Bank of Israel interest rate plus a margin, which is different with respect to different layers of the loan, and the LTV ratio of Simax, as specified in the loan agreement. As of the reporting date, the interest rate is in the range of 8.5% to 9.5%.

Loan secured by charge - mostly a floating charge on Simax's assets, a charge on Milo shares, and a charge on 80% of Max shares, where with respect to the remaining 20%, there is a charge on the right to receive dividends. In case of a demand for the immediate repayment and forfeiture of the collateral, the creditors are entitled to force Simax to sell also the unpledged 20% of Max shares. The lenders are not entitled to demand the repayment of the loan, or the payment thereof from Simax's shareholders.

The syndicated loan agreement includes provisions regarding the use of a dividend which will be received by Simax from subsidiaries for the purpose of prepaying the loan. The loan agreement also includes provisions regarding mandatory prepayment upon the occurrence of certain events, including a change of control in Simax, or a sale of material assets of Simax.

The syndicated loan includes the establishment of a financial covenant according to which Simax is required to fulfill an LTV ratio of 70%, calculated in accordance with the provisions of the agreement. As of the publication date of the report, the foregoing ratio is approximately 31%. The agreement also includes a provision regarding cross default, due to a failure to liabilities of Simax or companies under its control towards other borrowers.

The syndicated loan agreement includes the possibility for Simax to prepay the loan, according to the mechanism specified in the agreement, and including the payment of a prepayment penalty, which is reduced throughout the lifetime of the loan. Simax is also entitled to repay the amounts which have accumulated on the liquidity layer, using a mechanism which was determined in the agreement, and without a prepayment penalty.

Simax's total scope of debt, as specified in Simax's consolidated and reviewed financial statements as of March 31, 2023, amounted to approximately NIS 941 million (of which approximately NIS 873 million represents the loan principal, and the remainder is interest), which constitute full use of the two financial layers, and partial use of the liquidity layer.

Note 6: Financial Instruments (Cont.)

C. Financial liabilities (Cont.)

2. Fair value of financial liabilities, classified by levels

The table below presents an analysis of assets measured at fair value on a periodic basis, using an assessment method based on the various levels of the hierarchy. For details regarding the levels of the hierarchy, see Note 2(e)(3) to the annual financial statements.

	As of March 31, 2023		
	Level 1	Level 2	Total
NIS in millions	Unaudited		
Derivatives	15	2,486	2,501
Repo undertaking	-	1,062	1,062
Total financial liabilities	15	3,548	3,563

	As of March 31, 2022		
	Level 1	Level 2	Total
NIS in millions	Unaudited		
Derivatives	47	365	412
Repo undertaking	-	992	992
Total financial liabilities	47	1,357	1,404

	As of December 31, 2022		
	Level 1	Level 2	Total
NIS in millions	Audited		
Derivatives	13	2,452	2,465
Repo undertaking	-	1,118	1,118
Total financial liabilities	13	3,570	3,583

B. Financial liabilities in Max, distributed by levels

	March 31, 2023				
		Fair value			
	Balance sheet balances	Level 1	Level 2	Level 3	Total
NIS in millions	Unaudited				
Financial liabilities					
Credit from banking corporations	5,089	-	5,089	-	5,089
Payables with respect to credit card activity	8,633	-	-	8,585	8,585
Bonds and deferred liability notes	496	-	469		469
Other financial liabilities	340			340	340
Total financial liabilities	14,558	-	5,558	8,925	14,483

Note 7: Capital Management and Requirements

A. Share capital

	Ordinary shares *)		
	March 31, 2023	2022	2021
	In thousands of shares with a par value of NIS 1		
Issued and paid-up share capital as of January 1	**74,061**	**67,649**	67,645
Issuance of shares **)	**4,970**	**6,411**	-
Exercise of warrants for senior employees	**-**	**1**	4
Issued and paid-up share capital as of December 31	**79,031**	**74,061**	67,649
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 Note 5 below.

B. Dividends and management of capital requirements in the Group's member companies

Further to that stated in Note 16(C) and (D) to the annual reports, the possibility of a dividend distribution by the Company is affected by the ability of investees to distribute dividends, subject to their capital and liquidity requirements, and the Company's requirements to service the debt which it has issued (for additional details regarding the bonds which have been issued by the Company, see Note 6(C) above). Presented below is a description of the capital requirements of Clal Insurance and of Max, and details regarding dividend distributions by them.

1. Dividends and management of requirements in consolidated insurance companies

The Solvency II-based economic solvency regime which applies to the Group's insurance companies

The Group's insurance companies are subject to a Solvency II-based economic solvency regime in accordance with the provisions for implementation of the economic solvency regime.

In accordance with the consolidated circular, an economic solvency ratio report will be included with respect to the data as of December 31 and June 30 of each year, as part of the periodic report subsequent to the calculation date.

On May 30, 2023, Clal Insurance published the economic solvency ratio report as of December 31, 2022, upon the publication of these reports.

The calculation which the Company conducted as of December 31, 2022 was audited by the auditors. The audit was conducted in accordance with ISAE 3400 - The Examination of Prospective Financial Information.

In accordance with the solvency ratio report as of December 31, 2022, Clal Insurance has a capital surplus without the transitional provisions, and taking into account the transitional provisions.

The calculation is sometimes based on assumptions regarding future events and on the actions of management, 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 section 2.5.3 of the board of directors' report and the economic solvency ratio report as of December 31, 2022, which is attached to the Company's periodic report as of March 31, 2023.

2. Dividends and management of capital requirements in Max

A. Capital adequacy and leveraging in accordance with directives issued by the Commissioner of Banks which apply to the credit card company

1. Capital adequacy according to directives issued by the Commissioner of Banks (*)

NIS in millions	As of March 31 2023 Unaudited
1. Capital for the calculation of the capital ratio:	
Tier 1 equity	1,719
Tier 2 capital	347
Total capital overall	2,066
2. Weighted balances of risk assets:	
Credit risk - standard approach	13,729
Market risks - standard approach	28
Operational risk - standard approach	2,495
Total weighted balances of risk assets	16,252
3. Ratio of capital to risk components:	In percent
Ratio of Tier 1 equity to risk components	10.6
Ratio of total capital to risk components	12.7
Minimum Tier 1 capital ratio required by the Commissioner of Banks	8.0
Minimum total capital ratio required by the Commissioner of Banks	11.5

* Calculated in accordance Proper Conduct of Banking Business Directive 201-211, regarding “Capital measurement and adequacy”, and in accordance with Proper Conduct of Banking Business Directive 472, regarding “clearing entities and clearing of payment card transactions”, which entered into effect on September 1, 2016.

2. Capital adequacy target in Max

As part of the process of adopting the provisions of Basel III in Israel, on March 28, 2012, the Banking Supervision Department published an instruction letter on the subject, within the framework of Basel III - minimum core capital ratios, which requires banks and credit card companies to fulfill a Tier 1 equity ratio of 9%, and a total capital ratio of 12.5%, by January 1, 2015.

On May 2, 2016, the Banking Supervision Department published Proper Conduct of Banking Business Directive No. 472, regarding “clearing entities and clearing of payment card transactions”. The directive includes expedients relative to the capital requirements in accordance with Proper Conduct of Banking Business Directive 201-211. Notwithstanding that stated in section 40 of Proper Conduct of Banking Business Directive 201, the ratio of Tier 1 equity will be no less than 8%, and the total capital ratio will be no less than 11.5%. The directive entered into effect on June 1, 2016, and applies to Max as a “clearing entity”.

Max’s board of directors approved an internal Tier 1 equity target of 10%, a target which is higher by 200 base points (2 percentage points than the minimum Tier 1 equity ratio required by the Banking Supervision Department, and an internal target of 12% for the total capital ratio.

3. Capital components for the purpose of calculating the capital ratio in Max

NIS in millions	As of March 31 2023 Unaudited
1. Tier 1 equity	
Capital	1,712
Total Tier 1 equity	1,712
Supervisory adjustments:	
Adjustments with respect to expected credit losses - Tier 1 equity*	7
Total Tier 1 equity, after supervisory adjustments	1,719
2. Tier 2 capital	
Tier 2 capital: instruments	174
Tier 2 capital: provisions	173
Total Tier 2 capital	347
Total capital overall	2,066

1. Impact of adjustments with respect to expected credit losses on Tier 1 equity in Max

In percent	As of March 31 2023 Unaudited
Ratio of capital to risk components:	
Ratio of Tier 1 equity to the risk components, before the effect of the adjustments with respect to expected credit losses	10.5
Impact of adjustments with respect to expected credit losses	0.04
Ratio of Tier 1 equity to risk components	10.6

* These data include adjustments due to the impact of the initial adoption of the accounting principles regarding expected credit losses which max adopted in its reports (hereinafter: "Adjustments With Respect To Expected Credit Losses"), which decrease gradually until January 1, 2026.

5. Leverage ratio according to directives issued by the Commissioner of Banks in Max

Since April 1, 2015, the Company has adopted Proper Conduct of Banking Business Directive No. 218, regarding the leverage ratio (hereinafter: the "Directive"). The directive established a simple and transparent leverage ratio, which is not based on risk, which will serve as a supplementary and reliable measurement of risk-based capital requirements, and which is intended to limit the accumulation of leverage in the banking corporation. The leverage ratio is reflected in percent, and is defined as the ratio between the measurement of capital, and the measurement of the exposure. Capital for the purpose of measuring the leverage ratio is Tier 1 capital, as defined in Proper Conduct of Banking Business Directive No. 202. The Company's total exposure measurement is the total sum of balance sheet exposures and off-balance sheet items. In general, the measurement is consistent with the accounting values, and risk weights are not taken into account. Furthermore, the Company is not authorized to use physical or financial collateral, guarantees, or other technique to mitigate credit risk or to reduce the measurement of the exposures, unless it has been specifically permitted in accordance with the directive. Balance sheet assets which were deducted from Tier 1 capital (in accordance with directive 202) are deducted from the measurement of the exposure. In accordance with the directive, the Company calculates the exposure with respect to off-balance sheet items by converting the total of the items by credit conversion factors, as determined in Proper Conduct of Banking Business Directive No. 203.

In accordance with the directive, clearing entities are required to maintain a leverage ratio of no less than 5%, on a consolidated basis.

Proper Conduct of Banking Business Directive 250, regarding amendments to Proper Conduct of Banking Business Directives for the purpose of responding to the coronavirus pandemic, included, inter alia, the transitional provision which was published on November 15, 2020, stipulating that clearing entities will maintain a leverage ratio of no less than 4.5%, on a consolidated basis.

In the circular of the Banking Supervision Department dated May 15, 2022 it was determined that the expedient regarding the leverage ratio will apply until June 30, 2024, provided that the banking corporation's leverage ratio is no less than The leverage ratio as of December 31, 2023 or the minimum leverage ratio which applied to the banking corporation prior to the transitional provision, whichever is lower.

Presented below is the leverage ratio, calculated in accordance with Proper Conduct of Banking Business Directive 218:

	As of March 31 2023
NIS in millions	**Unaudited**
Consolidated data:	
Tier 1 capital	**1,719**
Total exposures	**19,671**
	In percent
Leverage ratio	**8.7**
Minimum leverage ratio required by the Commissioner of Banks	**4.5**

B. Dividends in Max

Dividend distributions by Max are subject to the restrictions prescribed in the Companies Law, and to directives issued by the Commissioner of Banks, which stipulate that dividends may not be distributed in the following cases:

1. Cumulative retained earnings, after deducting negative differences which were included other comprehensive income, are not positive, or when the proposed amount for distribution would result in negative retained earnings.
2. One or more of the last three calendar years concluded with loss or comprehensive loss, or when the cumulative results in the last three quarters ending at the end of the interim period for which the last financial statements were published, indicates loss or comprehensive loss.
3. The Company could not fulfill the requirements of the determined capital targets.

Notwithstanding the foregoing, in certain cases, the Company may distribute dividends even in case of the fulfillment of the foregoing circumstances, if it has received advance written approval for the distribution from the Banking Supervision Department, and up to the amount which was approved, as stated above.

Additionally, in accordance with the terms of some of the Company's credit facilities, dividends will not be distributed in the following cases:

A. If, on the distribution date, the Tier 1 capital adequacy ratio is less than 8%, according to its consolidated financial statements.

B. Additionally, insofar as the Company's Tier 1 capital adequacy ratio exceeds 10%, in accordance with the consolidated financial statements, the Company will be entitled to distribute dividends, in any calendar quarter, only upon the fulfillment of the following conditions, inter alia: (1) the Company is not in breach of its liabilities, except for a deviation from the financial covenants (as specified above): (2) Grounds for demanding immediate repayment have not materialized;

C. Insofar as the Company's Tier 1 capital adequacy ratio is within the range of 8% to 9% (inclusive), according to its consolidated financial statements, the Company will not perform a dividend distribution, during any calendar quarter, unless the Company fulfills, inter alia, the following conditions: (1) distribution amount does not exceed 25% of net profit according to the Company's last consolidated financial statements; (2) The Company is fulfilling all of its material undertakings, and is not deviating from the financial covenants (as specified above); (3) Grounds for demanding immediate repayment have not materialized.

D. Insofar as the Company's Tier 1 capital adequacy ratio is more than 9% and less than 10%, according to the Company's consolidated financial statements, the Company will not perform a dividend distribution, during any calendar quarter, unless the Company fulfills, inter alia, the following conditions: (1) distribution amount does not exceed 50% of net profit according to the Company's last consolidated financial statements; (2) The Company is fulfilling all of its material undertakings, and is not deviating from the financial covenants (as specified above); (3) Grounds for demanding immediate repayment have not materialized.

E. Additionally, as part of the transitional provision which entered into effect on March 31, 2020, as part of the adjustments to Proper Conduct of Banking Business Directive 201, regarding "capital measurement and adequacy", the Commissioner of Banks requested the banks' boards of directors, inter alia, to re-evaluate the dividend policy with the intention of having the capital sources released due to a reduction. the capital requirements will be used to increase the credit, and not for the purpose of a distribution.

Note 8: Contingent Liabilities and Claims

1. Introduction - Claims which are not in the ordinary course of business

Presented below are details regarding claims which are not in the ordinary course of business, as follows: material claims[4] which may be derivative claims, claims which have been approved as class actions; 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 (hereinafter: "**Claims Which Are Not In The Ordinary Course Of Business**" or "**Claims**").

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[5].

It is noted, as a general rule, that the exposure to monetary demands, whether specific or general, is subject to prescription. The prescription period with respect to insurance benefits 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. 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. In claims which do not pertain to insurance benefits, the prescription period is as specified in the Prescription Law, 1985. The period of time required to investigate the claim, which is sometimes long, particularly in class actions, extends the period during which reimbursement or compensation are required, as part of the prescription period.

1.1 General details regarding class actions

In recent years, as part of a general trend in the markets in which the Group operates, motions for the approval of class action status in significant amounts have been filed with respect to claims against the Group's member companies, and over the years there has been a increase 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 and a customer, whether or not they have engaged in a transaction.

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.

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4 See footnotes 3 and 21 below.

1. See footnote 13.

Note 8: Contingent Liabilities and Claims (Cont.)

1.1 General details regarding class actions (Cont.)

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, and specific arrangements regarding the plaintiff's withdrawal of the motion to approve, or of the class action. 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. In March 2023, the report of the Inter-Ministerial Taskforce on Evaluating the Arrangements Prescribed in the Class Action Law - 2006 (hereinafter: "**Report**"), was published, and the public was invited to submit its comments regarding the recommendations in the report. In the report the Inter-Ministerial Taskforce recommended, inter alia, to add to the law a mechanism which will require that the defendant be contacted before the filing of a motion to approve, with respect to the types of grounds and claims which will be determined; Cancellation of certain exemptions from the fee payment requirement due to the filing of a motion to file a class action; The obligation to order trial expenses in case of the dismissal of a motion to approve / class action, except in case of special reasons which will be recorded, with the default being imposing the expenses on the class action plaintiff's attorney; Imposition of the obligation specify the number of class actions which were filed by a class action plaintiff; Establishment of a mechanism allowing the submission of additional requests on the same matter for the purpose of the selection of the claim and the leading attorney by the Court; Establishment of uniform and clear rules regarding compensation and professional fees; Establishment of mechanisms regarding the provision of remedy in kind; Establishment of an orderly mechanism for the approval of a settlement arrangement by a mediator; Provision of the possibility for organizations to file class actions. Clal Insurance sent its comments regarding the report through the Israel Insurance Association.

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 8: Contingent Liabilities and Claims (Cont.)

1.2 Additional exposures

It is noted that in addition to the legal proceedings, from time to time there are also potential exposures which at this stage cannot be estimated or quantified, with respect to commercial disputes or warnings regarding the intention to file claims, including class actions and derivative claims on certain maters, or legal proceedings and specific notices which could in the future mature into claims, including class actions, or third party notices against the Group's member companies, as well as exposure due to the complexity of the regulation which applies to the activities of the Group's member companies.

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. For details, see section 2.2.2.

In March 2023, the Company completed the acquisition of 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), and whose name was changed to Simax Holdings Ltd. (hereinbefore and hereinafter, respectively: "**Simax**", "**Max**").

Presented below are details regarding claims which are not in the ordinary course of business, as specified below, which have been filed against the Company and its consolidated companies, segmented between Simax and the companies which are consolidated in Simax's reports (hereinafter: the "**Member Companies of Simax Group**"), and the Group's other member companies.

2 Exposures against the Company and the consolidated companies, except for member companies of Simax Group

Presented below are details regarding material claims[6] which have been approved as class actions (section 2.1.1) pending motions to approve material claims as class actions (section 2.1.2), and material class actions, material claims and motions to approve class action status for claims which concluded during the reporting period, until the signing of the report (section 2.1.3), exposure to class actions which are immaterial or which have not yet been filed, and exposure to regulatory directives (section 2.2), additional material claims which are not in the ordinary course of business (section 2.3), all of which were filed against the Company and/or the consolidated companies, except for member companies of Simax Group.

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[6] 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. The consolidation of Max's reports in the Company's financial statements, for the interim period beginning on April 1, 2023, may include taking into account the actual or projected comprehensive income or comprehensive loss which are associated with the event, divided by the average annual comprehensive income or comprehensive loss (i.e., for four quarters) during the last three years, calculated, in terms of absolute value, based on the last 12 quarters for which audited or reviewed financial statements were last published, whereby the average takes into account Cimax's profits during this period. Notwithstanding the foregoing, for the sake of remaining conservative, these profits may be included gradually, in each quarter, prospectively.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group

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[7] 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.[8]

7 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.
8 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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (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	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	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.	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.

	date, as well as interest starting 30 days after the filing date of the claim, until the actual payment date of the insurance benefits.	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.	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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (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. The parties have agreed to conduct mediation proceedings.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (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 arrangement regarding the case, the court determined that the lower limit for a settlement should be 40%, and no less.	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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
6.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
7.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	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 decision has been reached regarding the appeal. The proceedings are currently in the stage of hearing the appeal[9].	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.

[9] 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).

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
9.	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 his rights.	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 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.	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).

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.1. Material claims which have been approved as class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	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 which was approved by the regulator.	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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group[10]

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 2.1.1.7 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 District - Tel Aviv	Clal Pension and Provident Funds Ltd. and four additional managing companies of pension funds	The plaintiffs, members of pension funds managed 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.	To order the defendants to change the mechanism for compensation of agents, and to repay to the members the management fees which were overcollected from them.	Members of provident funds 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.	In November 2022, the 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 plaintiffs estimate 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.

10 Including motions of the foregoing type which were dismissed, and where appeals were filed against the decision to dismiss them.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 that the annual premiums gradually decrease during the year.	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 issuance of another declaratory ruling considered appropriate by the Court, in light of the circumstances.	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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 applicable.	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 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.	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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 motion, until the date when the employer began bearing, out of its own resources, the costs of operating the employee's pension arrangement.	Appeal against the ruling of the Regional Labor Court, 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 National Labor Court, which supported, in general, the defendants' position. In September 2022, the National Labor 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. In April 2023, the position of the Capital Market, Insurance and Savings Authority was filed with the Supreme Court, which, in general, supported the position of the defendants. 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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
6.	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. In April 2023, the plaintiff filed an appeal against the ruling.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
7.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
8.	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.
9.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
10.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
11.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
12.	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
13.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
14.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
16.	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.
17.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
19.	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.
20.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
21.	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.
22.	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. In April 2023, the plaintiff filed a motion for leave to appeal the District Court's decision regarding the issuance of an expert opinion and erasing sections from the reply to the plaintiff's response. In May 2023, the Supreme Court gave its decision, in which it accepted the petition in the motion for leave to appeal, subject to giving the defendants the right of supplementary response.	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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (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[11].	The plaintiffs estimate the total claim amount, for all of the class members, at a total of approximately NIS 13.5 million.

[11] 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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. *Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)*

2.1.2. *Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)*

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
32.	05/2023	Clal Pension and Provident Funds	The claim involves the assertion that, when receiving a member's request to receive a disability pension, the pension fund does not evaluate whether the member requires long-term care and/or whether a change for the worse has occurred in their condition, such that they came to require long-term care, and as a result, the fund does not pay to eligible members an additional long-term disability pension.	Payment of an additional long-term disability pension to the class members; Compensation and/or reimbursement with respect to incomplete provisions to the fund, and with respect to the losses in returns which have been incurred by the class members due to the failure to pay the foregoing payment; Ordering the fund to give detailed instructions to the fund's physicians in connection with the evaluation of the patient's condition with respect to long-term care, when evaluating a request for a disability pension.	The represented class includes members of the funds "Clal Pension" and "Supplementary Clal Pension", who are covered under disability insurance, and who are insured in a pension fund and are entitled to a disability pension, and who, due to their medical condition, in addition to their incapacity, have also come to require long-term care, and for whom the pension fund did not supplement the monthly payment.	The proceedings are currently in the stage involving an evaluation of the motion to approve the claim as a class action.	The plaintiff contends that it is not possible to estimate the amount of the class action; however, for fee purposes, it was set as no less than NIS 2.5 million per year, and in total, approximately NIS 18.75 million during the seven years preceding the filing date the motion to approve.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.2. Pending motions to approve class action status for material claims against the Company and consolidated companies, except for member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
33.	05/2023 Economic District 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.	This claim was filed further to a class action which was filed in December 2021 with the Regional Labor Court, and which was struck out by the Court in May 2023, due to a lack of subject-matter jurisdiction. For additional details, see section 2.1.3.2. 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 128 million.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report, against the Company and the consolidated companies, except for member companies of Simax Group[12][13]

Serial number	Date and instance	Defendants	Main claims and causes of action	Main remedies	Represented class	Status / additional details	Claim amount
1.	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 in the approving decision), from whom advance approval was not received regarding each aforementioned transaction, and who incurred damages due to the aforementioned acquisition." 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. 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. In May 2023, the Court approved the settlement arrangement. The Company is not party to the claim; however, it received a notice regarding the filing of the claim, and a demand for indemnification from Bank of Jerusalem, in accordance with the agreement for the sale of Clal Batucha to Bank of Jerusalem, under which the Company has an indemnification undertaking, as stated above. 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.	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.

[12] This section includes a description of claims which concluded during the reporting year, and which were not reported in the financial statements for 2022, 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.

[13] Not including claims which concluded during the reporting year, but where notice of their conclusion was given in the financial statements for 2022.

Note 8: Contingent Liabilities and Claims (Cont.)

2.1. Class actions against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.1.3. Material class actions, material claims and motions to approve class action status for material claims which concluded during the reporting period, until the signing of the report, against the Company and the consolidated companies, except for member companies of Simax Group

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
2.	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.	In March 2023, the defendants filed a motion to transfer the hearing to the District Court, and in May 2023, the Court decided to strike out the proceedings, due to a lack of subject-matter jurisdiction, while maintaining the plaintiffs’ right to petition an appropriate instance. In May 2023, the claim was again filed with the District Economic Court. For additional details, see section 2.1.2.33 above.	The plaintiff estimated the aggregate damage incurred by all of the class members at a total of approximately NIS 134 million.

Note 8: Contingent Liabilities and Claims (Cont.)

2.2 Details regarding exposure to immaterial class actions or claims which have not yet been filed and to additional expenses against the Company and the consolidated companies, except for member companies of Simax Group

2.2.1 In addition to the material class actions which are described in Note 8(2.1.1), the pending motions to approve class action status for material claims as described in Note 8(2.1.2), and the motions to approve class action status for material claims which were withdrawn during the reporting period, as described in Note 8(2.1.3), there are pending against the company and its consolidated companies, except for the member companies in Simax Group, motions to approve class actions which, according to the company's estimate, are immaterial[14], and therefore, a detailed description regarding them was not included in the financial statements. As of the reporting date, there 13 claims pending against the Company and/or its consolidated companies, as stated above, excluding Simax, wherein the total amount specified by the plaintiffs in the aforementioned claims amounts to approximately NIS 184 million[15] (the same as on December 31, 2022, i.e., 13 claims in the amount of approximately NIS 184 million).

2.2.2 **Insurance exposures**

In addition to the aforementioned legal proceedings, 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 Company's financial statements as of December 31, 2022, and sections 2.1.3.1 and 2.3 above and below), as well as exposure due to the complexity of the companies' products, which may result in disputes regarding the interpretation of the provisions of the law or of an agreement, including due to information gaps between the Group's member companies and third parties, on matters pertaining to contractual or commercial conditions, or regulatory directives, including 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 mostly to operate products in the long-term savings and health segments. The insurance industry in which the Group's member companies are engaged is complex and detailed, is subject to regulatory directives which change over the years, and involves unquantifiable inherent risk to the occurrence of an error or a series of errors, whether automation errors or human errors, which could have far-reaching effects. 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.

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14 See footnote 1 above regarding the significance threshold.

1 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, but estimated it at tens of millions of NIS. For additional information regarding all of the class actions against the Company and the consolidated companies, except for the member companies of Cimax Group, see Note 7(2.4) below.

Note 8: Contingent Liabilities and Claims (Cont.)

2.2 Details regarding exposure to immaterial class actions or claims which have not yet been filed and to additional expenses against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.2.2. Insurance exposures (Cont.)

Such exposure is also due 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 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.

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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.2 Details regarding exposure to immaterial class actions or claims which have not yet been filed and to additional expenses against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

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.

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 Group is also exposed, to an extent which cannot be estimated, to legal claims on the level of contract laws and the fulfillment of insurance undertakings under the policies or the implementation of the provisions of provident fund regulations, breach of fiduciary duty or the duty of good faith, conflicts of interest, professional negligence, including as regards the method for distribution and sale of the Group’s products, through third parties whose actions, whether through action or omission, could create consequences for it.

2.2.3. **Additional exposures**

2.2.3.1 **Immaterial or unfiled claims**

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 regulator, 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 regulator, 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 that the regulator 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 regulator’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 regulator 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 2.2.3.2 below.

Additionally, in accordance with the regulatory directives which apply to institutional entities, 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.

Note 8: Contingent Liabilities and Claims (Cont.)

2.2 Details regarding exposure to immaterial class actions or claims which have not yet been filed and to additional expenses against the Company and the consolidated companies, except for member companies of Simax Group (Cont.)

2.2.3. **Additional exposures (Cont.)**

2.2.3.2 **Exposure due to regulatory provisions, audits and position papers**

A. 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 (2.2.2)8 above, from time to time, including due to customer complaints, audits and requests for information, there is also exposure to alerts concerning the intention of a regulatory authority, to impose on the supervised consolidated companies financial sanctions and/or directives regarding correction and/or repayment and/or performance of certain actions, including, inter alia, with respect to a customer or a group of customers, 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.

B. 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 8: Contingent Liabilities and Claims (Cont.)

2.3 Additional material claim, which is not in the ordinary course of business, which was filed against the Company and the consolidated companies, except for member companies of Simax Group

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 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.

2.4 Summary details regarding the exposure to claims against the Company and the consolidated companies, except for member companies of Simax Group

2.4.1 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, and in a derivative claim, as specified by the plaintiffs in their claims (nominally) within the framework of the statements of claim which were filed against the Company and the consolidated companies, save for member companies in Simax Group. It is noted that the filing of class actions in the State of Israel does not involve the payment of a fee based on the claim amount, and therefore, the claimed amounts in claims of this kind may be significantly higher than the actual scope of exposure with respect to the claim in question. In most 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[16], 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.

[16] 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 2.1.2.4, and also do not include an increase in claim amounts relative to the period beginning from the date it was filed, if relevant.

Note 8: Contingent Liabilities and Claims (Cont.)

Type of claim		*Number of claims*	*Amount claimed NIS in millions*
A.	**Claims approved as class actions**[17]		
	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[18]	1	-
	4. Annual amount specified (and accordingly, the total amount is period-dependent)[19]	1	107
B.	**Pending motions to approve claims as class actions**		
	1. Amount pertaining to the Company specified[20]	29	6,712
	2. The claim was filed against a number of entities, with no specific amount attributed to the Company[21]	3	7,890
	3. Claim amount not specified / possible range specified[22]	15	-
	4. Annual amount specified (and accordingly, the total amount is period-dependent)[23]	1	7
C.	**Derivative claims**		
	Claim amount not specified	1	-

In addition to that stated in sections 8(1), and 8(2) above, the Company and/or the consolidated companies are party to additional legal proceedings, beyond claims which are not in the ordinary course of business, which are not material proceedings, and are not class actions and derivative claims, and mostly involve claims initiated by current and former customers, as well as various third parties, outside of the scope of current claims to exercise rights in accordance with insurance contracts or provident fund regulations, in a total alleged amount of approximately NIS 34 million (a total of approximately NIS 30 million as of December 31, 2022). The causes of action in these proceedings are multiple and varied.

2.4.2 With respect to the Company and the consolidated companies, except for the companies in Simax group, regarding the costs that may arise due to the claims and exposures described in sections 8(1) and 8(2) 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 amounts of the provisions were determined 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.

17 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.

18 These claims include one claim which was estimated at hundreds of millions of NIS.

19 The specified amount refers to an estimation of the claims 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 2.1.1.1 above.

20 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.

21 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.

22 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). It is noted that these motions include one motion which was filed against the Company and against Max, see sections 2.1.2.20 and 3.1.1.3, above and below.

23 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 8: Contingent Liabilities and Claims (Cont.)

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.

A significant part of the motions to approve class action status for claims were filed against the Group on various matters associated with insurance contracts and the Group's ordinary course of business, for which the Group has set aside insurance reserves.

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 (2.1.2)8, (26), (27), (28), (29), (30), (31), (32) and (33), and the motion for disclosure and review of documents before the filing of a derivative claim, as specified in section (2.3)7.

The provision which is included in the financial statements with respect to the Company and the consolidated companies, except for the member companies of Simax Group, as of March 31, 2023, with respect to all of the legal claims and exposures specified in sections 8(1) and 8(2) above, amounted to a total of approximately NIS 363 million (a total of approximately NIS 364 million as of December 31, 2022).

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 8: Contingent Liabilities and Claims (Cont.)

3. **Exposures against member companies of Simax Group**

In the ordinary course of business, material legal claims were filed against Max[24], which could be claims approved as class actions; 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 claims.

With respect to Max[25], the disclosure framework is in accordance with directives issued by the Commissioner of Banks, in a manner whereby disclosure was given regarding material claims. With respect to the provisions in the financial statements, the claims which have been filed against Max are classified into three groups, as follows:

- Probable risk: Probability over 70% that the exposure will materialize. With respect to a claim which is included in this risk group, provisions were included in the financial statements.
- Reasonably possible risk: Probability of 20% to 70% that the exposure will materialize. With respect to claims included in this group, provisions are not included in the financial statements
- Remote risk: Probability less than or equal to 20% that the exposure will materialize. With respect to claims included in this group, provisions are not included in the financial statements

The financial statements include adequate provisions with respect to claims, in accordance with the assessment of management, and based on the assessment of Max's external legal counsel, as stated above.

The exposure which was estimated by Max, based on the risk assessment of the external attorneys who are handling the case, as specified below, with respect to legal claims which were filed against Max on various issues, where the amount of each of the, exceeds NIS 1 million, and whose chances are non-negligible, amounted to NIS 165 million (the "**Exposure To Non-Negligible Claims**").

It is further noted that the filing of class actions in the State of Israel does not involve the payment of a fee based on the claim amount, and therefore, the claimed amounts in non-negligible claims may be significantly higher than the actual scope of exposure with respect to the claim in question. In most 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 was further clarified that the claimed amount does not necessarily constitute quantification of the Company's actual exposure amount, 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, and does not take into account the exposure to legal expenses, professional fees, and compensation for the plaintiff.

Presented below are details regarding material proceedings against Max as of March 31, 2023.

[24] Material legal proceedings against Max, in which the amount claimed exceeds 1% of Max's capital as of March 31, 2023.
[25] Member companies of Cimax Group, other than Max or companies under its control, will be subject to the provisions of section 2.4.2 above regarding the foregoing in connection with the policy regarding accounting provisions.

Note 8: Contingent Liabilities and Claims (Cont.)

3. **Exposures against member companies of Simax Group (Cont.)**

3.1 Class actions against member companies of Simax Group (Cont.)

3.1.1. Pending motions to approve class action status for material claims against member companies of Simax Group[26]

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
1.	6/2016 District Court Center-Lod	Max and 2 additional companies	The claim involves the assertion that the three credit card companies are party to an illegal restrictive arrangement in connection with debit cards and prepaid cards, according to which they charge a cross-fee in a rate which exceeds the costs associated with the transactions which are made with those cards, and that, despite the fact that the customer is charged, in cards of those types, immediately or shortly after the time of the transaction, the issuer's crediting the clearing entity in respect of the transaction takes place later.	The main remedies requested include compensating the Group for damages due to the existence of an alleged restrictive arrangement regarding the amount of the cross-fee which is paid in debit card transactions; Regarding the time when funds are transferred to the businesses with respect to debit card transactions, and compensation for under-use of debit cards due to the foregoing two alleged restrictive arrangements.	All businesses which honor debit cards, and their customers.	In March 2017, the Court determined the claims against the establishment of the cross-fee should be brought to the Antitrust Tribunal. Consequently, in October 2017 the petitioner filed a parallel claim with the Antitrust Tribunal, in which it petitioned for declaratory relief that the cross-fee in debit card transactions was not heard or adjudicated by the court as part of the comprehensive arrangement regarding cross-fees in the payment cards market. In October 2018, the Antitrust Tribunal summarily dismissed the claim. The petitioner filed an appeal against the ruling with the Supreme Court, and in June 2019, the Supreme Court dismissed the appeal. In December 2018, the petitioner petitioned the Supreme Court for a decree nisi, in which the Supreme Court was requested to order the Competition Commissioner to contact the Antitrust Tribunal, and to ask it to change or partially cancel the ruling. In July 2020, the Supreme Court gave a ruling in which it dismissed the petition. The proceedings regarding the motion to approve the claim as a class action are still ongoing.	The plaintiff estimates the total claim amount, for all of the class members, at a total of approximately NIS 7.1 billion.

[26] Including motions of the foregoing type which were dismissed, and where appeals were filed against the decision to dismiss them.

Note 8: Contingent Liabilities and Claims (Cont.)

3. **Exposures against member companies of Simax Group (Cont.)**

3.1 Class actions against member companies of Simax Group (Cont.)

3.1.1. Pending motions to approve class action status for material claims against member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
2.	7/2018 District Court Tel Aviv-Yafo	Max and 2 additional companies	the claim involves the assertion that the defendants allowed, over years, the activity of companies engaged in direct marketing of transactions to the elderly, although they were aware that those companies were operating illegally, and abusing the elderly.	The main remedy demanded in the claim is to order the responders to repay all of the funds from transactions made by the elderly at businesses engaged in direct marketing (unless it has been proven that the transactions were executed legally), to repay the fees which were collected due to the transactions, to compensate the customers for the with respect to which they incurred, and to terminate the engagement with the relevant companies.	Elderly customers of the respondents and/or their heirs who were charged, by direct marketing companies, with respect to products and/or services and/or club membership and/or delivery fees which they ordered from the marketing companies and/or with respect to any other charges which they had not duly approved and/or for which appropriate consideration was not given, during the seven years preceding the motion to approve.	In August 2022, the District Court gave a ruling in which it dismissed the motion to approve. In November 2022, the plaintiffs filed an appeal against the ruling with the Supreme Court.	The plaintiffs estimate the total claim amount, for all of the class members, at hundreds of millions of NIS.

Note 8: Contingent Liabilities and Claims (Cont.)

3. Exposures against member companies of Simax Group (Cont.)

3.1 Class actions against member companies of Simax Group (Cont.)

3.1.1. Pending motions to approve class action status for material claims against member companies of Simax Group (Cont.)

Serial number	*Date and instance*	*Defendants*	*Main claims and causes of action*	*Main remedies*	*Represented class*	*Status / additional details*	*Claim amount*
3.	5/2019 District Court Tel Aviv-Yafo	Max	The claim involves the assertion that Max breaches the provisions of the agreement between it and the plaintiff - a company which receives clearing services from Max (or alternatively, that it unlawfully implements them), whereby in case of the partial cancellation of a transaction, the repayment of the clearing fee with respect to the proportional part of the transaction which was canceled, is less than the transaction cancellation fee which is collected by Max.	The main remedy requested in the claim is repayment of the cancellation fee which was collected from the class members, in breach of the provisions of the agreements and/or due to the unlawful implementation thereof.	All customers of Max who engaged with it in a clearing agreement, and who were charged transaction cancellation fees.	In April 2022, the District Court gave a ruling in which it dismissed the motion to approve. In July 2022, the plaintiff appealed the ruling to the Supreme Court.	The plaintiff estimates the total claim amount, for all of the class members, at a total of approximately NIS 22 million.

4. For details regarding a pending motion to approve a material claim as a class action, which was filed against the Company and against, see Note 8(2.1.2.20) above.

Note 8: Contingent Liabilities and Claims (Cont.)

3. **Exposures against member companies of Simax Group (Cont.)**

3.2 Additional material claim, which is not in the ordinary course of business, which was filed against member companies of Simax Group

In December 2016, Max received a VAT assessment for charge periods from January 2012 to August 2016 (hereinafter: the "Assessment"), which mostly involved charging Max the full rate of VAT with respect to fees which it had received in respect of transactions which were executed between the holders of credit cards it has issued in businesses abroad. The assessment also addresses the revocation of withholding of input tax attributed to an assertion of the VAT authorities regarding its activity in Eilat. In March 2017, Max filed an objection to the assessment, and in March 2018, Max reached a decision regarding the objection and an updated VAT assessment (hereinafter: the "**Updated Assessment**"). In its decision regarding the objection, the VAT Manager (hereinafter: the "**Manager**") rejected Max's assertions which were raised in the objection, and changes its claims in connection with the fees which it received in respect of transactions which were executed between holders of credit cards it had issued and foreign businesses. As a result, the charged amount in the updated assessment was increased to NIS 86 million.

In January 2019, Max filed an appeal against the decision, in an objection to the District Court of Tel Aviv, and at the manager's request, the hearing was consolidated with the hearing of the appeals of two credit card companies, which are dealing with similar issues (hereinafter: the "**Consolidated Appeal**"). In the manager's counterplea regarding the consolidated appeal, the management determined, with respect to a part of the charge in the assessment which pertains to Max's activity in Eilat, that in light of Max's assertions, and the specific circumstances, it intends to subtract from the charge in the assessment the proportional part pertaining to the foregoing activity, with no implications for the future. As a result, the amount of the updated charge in the assessment is expected to amount to approximately NIS 83 million, plus linkage differentials and interest beginning from the issuance date of the updated assessment.

In September 2021, Max received a VAT assessment with respect to charge periods from September 2016 to June 2020 (hereinafter: the "**Second Assessment**"). The second assessment involves the charging of full VAT with respect to the fees whose charging was heard in the proceedings of the consolidated appeal, and with respect to additional fees. In January 2022, Max filed an objection to the second assessment, and in June - November 2022, the parties conducted negotiations regarding a settlement with respect to the foregoing assessments, and evidence hearings were conducted in parallel. In November 2022, the State Attorney announced that it had concluded the process of settlement negotiations, in light of its position that it is interested in a legal decision regarding the case. The case is in the summation stage.

In January 2023, the management issued a decision in which it rejected Max's objection to the second assessment, and ordered the Company to pay a total of NIS 180 million with respect to that period, plus linkage differentials and interest beginning from the assessment issuance date. In March 2023, Max filed an appeal against the foregoing decision with the District Court.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision

A. Credit and receivables with respect to credit card activity

	As of March 31, 2023
	Average annual interest rate
NIS in millions	Amount
	Unaudited
Credit risk not guaranteed by banks:	
Private individuals: (1)	
Of which: Receivables with respect to credit card activity (2)	3,854
Of which: Credit (2)(3)	8,796
Total private individuals	12,650
Commercial:	
Of which: Receivables with respect to credit card activity (2)	241
Of which: Credit (2)(3)(4)	880
Total commercial	1,121
Total credit risk not guaranteed by banks	13,771
Credit risk guaranteed by banks and others:	
International credit card companies and organizations	314
Income receivable	185
Others	100
Total receivables with respect to credit card activity	14,370
Credit loss provision	(308)
Total receivables with respect to credit card activity	14,062
Bank-guaranteed receivables with respect to credit cards	1,123
Receivables with respect to credit card activity, net	15,185

(1) Private individuals, as defined in the public reporting regulations - report of the board of directors and management, regarding “overall credit risk by market sectors on a consolidated basis”.

(2) Receivables with respect to credit cards - without charged interest, including balances with respect to ordinary transactions, transactions in payments on account of the business, and other transactions.

Credit - with interest charges, including credit transactions, rolling credit card transactions, direct credit, credit for non-card holders, and other transactions.

(3) Including credit in car collateral in the amount of NIS 2,001 million.

(4) Commercial credit.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision (Cont.)

B. Debts** and off-balance sheet credit instruments

1. Changes in the balance of the credit loss provision

	For the period of three months ended March 31					
	Credit loss provision					
	Credit risk not guaranteed by banks					
	Private individuals		Commercial			
NIS in millions	Receivables with respect to credit card activity	Credit (1)	Receivables with respect to credit card activity	Credit (1)	Others (2)	Total
	Unaudited					
Balance of the provision for credit losses as of December 31, 2022	-	-	-	-	-	-
Provision for credit default due to the consolidation of Max (see Note 3(B)(2)(b))	5	82	1	11	4	102
Implementation of CECL after the acquisition of Max (see Note 3(B)(2)(b))	18	177	2	23	-	220
Balance of the provision for credit losses as of March 31, 2023 (3)	**23**	**259**	**3**	**34**	**4**	**323**
Of which (3):						
with respect to off-balance sheet credit instruments	12	-	2	-	1	15

** Receivables with respect to credit card activity, deposits in banks and other debts.

*** Impact of the initial adoption of the public reporting regulations regarding expected credit losses.

(1) Interest-bearing credit. This credit includes credit transactions, rolling credit card transactions, credit for card holders, credit for non-card holders, and other transactions.

(2) Amounts receivable from banks, deposits in banks, and international credit card companies and organizations, income receivable and other receivables.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision (Cont.)

B. Debts**) and off-balance sheet credit instruments (Cont.)

2. Additional information regarding the method for calculating the provision for credit losses with respect to debts, and regarding the debts for which it was calculated

	As of March 31, 2023					
	Private individuals		Commercial			
	Receivables with respect to credit card activity	Credit (1)	Receivables with respect to credit card activity	Credit (1)	Others (2)	Total
NIS in millions	Unaudited					
Recorded balance of debts:						
Evaluated on a specific basis	12	9	63	478	-	562
Evaluated on a collective basis	3,842	8,787	178	402	2,225	15,434
Total debts	3,854	8,796	241	880	2,225	15,996
Of which:						
Non-accruing debts	8	97	-	9	-	114
Other troubled debts	9	268	1	12	-	290
Total troubled debts	17	365	1	21	-	404
Credit loss provision with respect to debts:						
Evaluated on a specific basis	-	-	-	10	-	10
Evaluated on a collective basis	11	259	1	24	3	298
Total credit loss provision	11	259	1	34	3	308
Of which: with respect to non-accruing debts	2	47	-	7	-	56
Of which: with respect to other troubled debts	-	35	-	4	-	39

**) Receivables with respect to credit card activity, deposits in banks and other debts.

(1) Interest-bearing credit. This credit includes credit transactions, rolling credit card transactions, credit for card holders, credit for non-card holders, and other transactions.

(2) Amounts receivable from banks, deposits in banks, and international credit card companies and organizations, income receivable and other receivables.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision (Cont.)

B. Debts**) and off-balance sheet credit instruments (Cont.)

3. Credit quality by year of credit provision

Current	As of March 31, 2023							
	Recorded balance of credit for defined periods						Recorded balance of debt of renewable loans	Total
	2023	2022	2021	2020	2019	Prior		
NIS in millions	Unaudited							
Private individuals								
Receivables with respect to credit cards:								
Non-troubled credit	3,191	577	58	11	1	-	-	3,837
Troubled accruing credit	3	5	1	-	-	-	-	9
Non-accruing credit	3	4	-	-	-	-	-	7
Total receivables with respect to credit cards	3,196	587	59	11	1	-	-	3,854
Credit:								
Non-troubled credit	1,436	3,246	1,387	481	221	50	1,609	8,429
Troubled accruing credit	4	77	66	29	16	4	72	268
Non-accruing credit	3	26	17	8	8	5	31	97
Total credit	1,443	3,349	1,470	518	245	59	1,711	8,794
Total private individuals	4,639	3,936	1,529	529	246	59	1,711	12,648
Commercial								
Receivables with respect to credit cards:								
Non-troubled credit	217	17	1	1	-	1	-	237
Troubled accruing credit	-	-	-	1	-	-	-	1
Non-accruing credit	2	-	-	-	-	-	-	2
Total receivables with respect to credit cards	220	17	1	2	-	1	-	241
Credit:								
Non-troubled credit	297	343	113	52	14	1	44	863
Troubled accruing credit	5	2	2	1	1	-	2	12
Non-accruing credit	-	3	2	1	1	-	1	7
Total credit	302	348	117	53	15	1	47	882
Total commercial	521	365	118	55	15	1	47	1,123
Total debts	5,161	4,301	1,647	584	261	60	1,758	13,771

**) Receivables with respect to credit card activity, deposits in banks and other debts.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision (Cont.)

C. Debts [1)]

1. Credit quality and arrears

	As of March 31, 2023			
		Troubled (1)		
	Valid	Accruing	Non-accruing	Total
NIS in millions	Unaudited			
Receivables with respect to credit card activity	3,837	9	8	3,854
Credit (2)	8,431	268	97	8,796
Commercial				
Receivables with respect to credit card activity	238	1	2	241
Credit (2)	861	12	7	880
Other receivables (3)	2,225	-	-	2,225
Total debts	15,592	290	114	15,996

(1) Non-accruing or subordinated debts, or debts under special supervision.

(2) Including credit in car collateral in the amount of NIS 2,001 million (March 31, 2022 - NIS 1,408 million).

(3) Amounts receivable from banks, deposits in banks, and international credit card companies and organizations, income receivable and other receivables.

Note 9: Credit Risk, Receivables With Respect To Credit Card Activity, And Credit Loss Provision (Cont.)

C. Debts (1) (Cont.)

2. Additional information regarding non-accruing debts

A. Non-accruing debts and provision

NIS in millions	As of March 31, 2023			
	Balance of debts			
	Balance of non-accruing debts for which a provision exists (2)	Balance of provision	Total balance of non-accruing debts (2)	Contractual balance of principal of non-accruing debts
	Unaudited			
Private individuals				
Receivables with respect to credit card activity	**8**	**2**	**8**	**8**
Credit	**97**	**47**	**97**	**97**
Commercial				
Receivables with respect to credit card activity	**2**	**-**	**2**	**2**
Credit	**7**	**7**	**7**	**7**
Total debts (4)	**114**	**56**	**114**	**114**
Of which:				
Measured according to the present value of cash flows	**-**	**-**	**-**	**-**
Debts in troubled debt restructuring	**38**	**25**	**38**	**38**

B. Additional information regarding debts which underwent troubled debt restructuring

NIS in millions	As of March 31, 2023	
	Recorded balance of debt	
	Not accruing interest income	Total
	Unaudited	
Debts not guaranteed by banks		
Private individuals		
Receivables with respect to credit card activity	**3**	**3**
Credit	**33**	**33**
Commercial		
Credit	**2**	**2**
Total debts	**38**	**38**

NIS in millions	For the period of three months ended March 31, 2023				
	Restructurings which were performed during the reporting period			Restructurings which were performed and failed (1)	
	No. of arrangements	Recorded balance of debt before restructuring	Recorded balance of debt after restructuring	No. of arrangements	Recorded balance of debt
	Unaudited				
Private individuals					
Receivables with respect to credit card activity	**37**	**1**	**1**	**8**	**-**
Credit	**713**	**13**	**13**	**144**	**2**
Commercial					
Receivables with respect to credit card activity	**32**	**-**	**-**	**-**	**-**
Total debts	**782**	**14**	**14**	**152**	**2**

**) Receivables with respect to credit card activity, deposits in banks and other debts.

(1) Debts which became, during the reporting period, debts in arrears of 30 days or more, which were restructured in a troubled debt restructuring during the 12 months which preceded the date when they became debts in arrears.

Note 10: Payables with Respect to Credit Card Activity

	As of March 31 2023	
NIS in millions	Unaudited	
		After deducting balances with respect to voucher discounting
Businesses 1)	**7,868**	**2,141**
Liability with respect to deposits 2)	**151**	
Current maturities of convertible bonds	**-**	
Credit card companies	**414**	
Accrued income	**16**	
Benefit program for cardholders 3)	**65**	
Others	**135**	
Total payables with respect to credit card activity	**8,649**	**2,141**

(1) After deducting balances with respect to voucher discounting in credit cards for businesses in the amount of NIS 1,795 million, and with respect to the acceleration of payments to businesses in the amount of NIS 346 million.

(2) All of the Company's deposits were raised in Israel, and do not bear interest. The deposits are also held for private individuals, and are in amounts no greater than NIS 1 million.

(3) As part of the operation of loyalty programs for the Company's customers, there is a commitment towards the cardholders with respect to their entitlement to benefits, in accordance with the program terms. The balance of the liability includes a provision which is based on a calculation, which is based on the projected future usage rate of the benefits by the cardholders.

Note 11: Additional Events During and After the Reporting Period

A. Bond issuance in the Company and rating

In February 2023, the Company performed an issuance of NIS 249.1 million of bonds (Series A), and of NIS 150 million 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 6 above.

In January and February 2023, Maalot announced a rating of (AA-), stable rating outlook, for the Company and for the bonds it has issued, as stated above. For additional details, see Note 6 above.

B. Closing of transaction involving the acquisition of Simax Holdings Ltd.

Further to that stated in Note 42(J) to the financial statements for 2022, on March 27, 2023, the Company completed its acquisition of Simax Holdings Ltd. In these financial statements, the Company first consolidated the assets and liabilities of Simax and companies under its control. For additional details, see Note 5 below. After the balance sheet date, the Company made an investment in Simax, against an allocation of shares in the amount of approximately NIS 40 million. In parallel, Simax made an investment in Max and Hyp, against an allocation of shares.

C. Solvency ratio in Clal Insurance - Clal Insurance published an economic solvency ratio report as of December 31, 2022, in which the ratio, without the distribution provisions, was 109% as compared with a ratio of 103% as of June 30, 2022.

In consideration of the distribution provisions, the ratio was 178% as of December 31, 2022, as compared with 179%, respectively, as of June 30, 2022. For additional details, see Note 7 and the solvency ratio report which is attached as Annex to the report.

D. Share-based payment

Further to that stated in Note 40(a)(2) to the financial statements for 2022, on May 30, 2023, the Company's Board of Directors resolved to publish an outline pertaining to the allocation of up to 1,250,000 Class A warrants, which will be offered by virtue thereof, in accordance with the 2021 plan, to employees and corporate officers of the Company and/or of companies under its control. 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 shares which will result from the exercise of these options will constitute approximately 0.77% of the Company's equity, assuming maximum exercise. 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 16.3 per option, with the fair value of each tranche being distributed over the vesting period. The subsidiaries will bear the expense with respect to the value of the foregoing options, and will indemnify the Company for the full amount of that benefit, in accordance with monetary benefit value which will be recorded in the Company's books, and in accordance with accounting principles.

Note 11: Additional Events During and After the Reporting Period (Cont.)

E. Actuarial estimates

Further to that stated in Note 38(e)(e1)(d)(1) to the annual financial statements, regarding changes in insurance reserves in light of the interest rate environment, and its impact on the discount rates in life and long-term care insurance and the Commissioner's directives regarding the liability adequacy test (LAT):

1. Life insurance

A. Discount rate used to calculate the liabilities to supplement the annuity and paid pension reserves

During the reporting period, the risk-free interest rate curve changed, and the estimated rate of return in the portfolio of assets held against insurance liabilities increased. In light of the foregoing, the actuary of Clal Insurance updated the interest rates on free assets which are used to discount the reserves to supplement annuity reserves and paid pension reserves.

B. Gradual provision to supplement the annuity reserve using the K factor

Further to that stated in Note 38(e)e1(a)3(b) to the annual statements, the Company evaluates, on a quarterly basis, 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 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.

During the reporting period, due to the increase in the risk-free interest rate curve, the forecasted profitability from the management fees forecast and/or financial margin increased. As a result, the Company updated the K factor as specified in the following table:

	As of March 31		As of December 31
	2023	2022	2022
	Unaudited		Audited
For guaranteed-return policies	**0.0%**	0.0%	0.0%
For investment-linked policies	**0.86%**	0.75%	0.85%

1. Non-life insurance

Further to that stated in Note 38(e)(e2)(4)(a) to the annual financial statements, due to the increase in the risk-free interest rate curve, the Company updated the estimated discount rate for the three months ended March 31, 2023. The total effect of the change resulted in a decrease of insurance reserves on retention in the amount of approximately NIS 2 million.

Note 11: Additional Events During and After the Reporting Period (Cont.)

E. Actuarial estimates (Cont.)

1. Life insurance (Cont.)

B. (Cont.)

The impact on the financial results is specified below:

	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022
NIS in millions	Unaudited		Audited
Life insurance -			
Change in the discount interest rate used in the calculation of the liability to supplement the annuity and paid pension reserves	**71**	77	505
Change in pension reserves following the decreased forecast of future income (K factor)	**33**	233	637
Total effect of interest rate changes on the liability to supplement the annuity and paid pension reserves	**104**	310	1,142
Change in mortality assumptions used in the calculation of liabilities to supplement annuity reserves	**-**	-	(627)
Change in other assumptions used in the calculation of liabilities to supplement annuity reserves	**-**	-	(155)
Total special provisions in life insurance	**104**	310	360
Effect of the interest rate decrease on reserves in non-life insurance	**2**	17	219
Total special effects - non-life insurance	**2**	17	219
Financial impact in the liability adequacy test (LAT)	**-**	236	279
Long-term care in the health segment - Liability adequacy test (LAT)	**-**	236	279
Total income (loss) before tax	**106**	563	858

F. Provision for credit default due to the acquisition of Max

The credit portfolio which was consolidated as part of the acquisition of Max was recorded according to the provisional estimate of fair value which was calculated in the paper regarding the allocation of excess costs. The provision which was recognized with respect to the portfolio of assets in Max, upon its acquisition, and which was calculated in its financial statements, was not recognized, and was calculated by the Company after the acquisition in accordance with the principles for the recognition of doubtful debts which are applied by Max.
The Company calculated a provision for credit default with respect to debt assets which were acquired and whose credit quality has not suffered a non-insignificant change for the worse, which was carried to the statement of income in the amount of approximately NIS 220 million (approximately NIS 146 million after tax), beyond the provisional fair value which was calculated for Max's credit portfolio at the time of its acquisition.

G. Market developments during and after the reporting period

In 2022, 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. Volatility in markets and mixed trends were seen during the reporting period. The foregoing balance as of March 31, 2023 therefore amounted to NIS 795 million, before tax.

During the period after the reporting date and until the approval date of the financial statements, increases occurred in some of the marketable capital markets, which offset the increase which occurred during the reporting period, such that proximate to the approval date of the report, the balance of variable management fees which the Company will refrain from collecting was similar to the balance as of December 31, 2022. The trend of interest rate hikes also continued.

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 the second quarter of 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. For details regarding sensitivity tests to market risks, see Note 38(C)(2) to the financial statements for 2022.

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel

1. Assets for investment-linked contracts

Below are details of assets held against investment-linked insurance contracts and investment contracts:

	As of March 31		As of December 31
	2023	2022	2022
NIS in millions	Unaudited		Audited
Investment property *)	**3,801**	3,259	3,778
Financial investments:			
Marketable debt assets	**29,800**	24,543	25,380
Non-marketable debt assets	**9,134**	8,635	9,592
Stocks	**17,706**	26,184	19,701
Other financial investments	**24,183**	22,117	22,458
Total financial investments *)	**80,823**	81,479	77,131
Cash and cash equivalents	**5,418**	9,212	8,458
Other **)	**2,973**	990	3,096
Total assets for investment-linked contracts	**93,015**	94,940	92,463

*) Presented at fair value through profit and loss.
**) 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.

2. Details of other financial investments

	As of March 31, 2023			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in millions	Unaudited			
Marketable debt assets [(a)]	**130**	**6,662**	**-**	**6,792**
Non-marketable debt assets [(b)]	**1**	**-**	**23,786**	**23,787**
Stocks [(c)]	**-**	**1,574**	**-**	**1,574**
Others [(d)]	**574**	**4,241**	**-**	**4,815**
Total other financial investments	**705**	**12,477**	**23,786**	**36,968**

	As of March 31, 2022			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in millions	Unaudited			
Marketable debt assets [(a)]	33	6,131	-	6,164
Non-marketable debt assets [(b)]	2	-	22,623	22,625
Stocks [(c)]	2	2,070	-	2,072
Others [(d)]	726	3,784	-	4,510
Total other financial investments	763	11,985	22,623	35,372

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

	As of December 31, 2022			
	Fair value through profit and loss	Available for sale	Loans and receivables	Total
NIS in millions	Audited			
Marketable debt assets (a)	130	6,865	-	6,995
Non-marketable debt assets (b)	1	-	23,023	23,024
Stocks (c)	-	1,824	-	1,824
Others (d)	372	4,233	-	4,605
Total other financial investments	503	12,922	23,023	36,449

A. Marketable debt assets - composition

	As of March 31, 2023	
	Book value	Amortized cost 1)
NIS in millions	Unaudited	
Government bonds	**3,800**	**3,925**
Other debt assets		
Other non-convertible debt assets	**2,965**	**3,133**
Other convertible debt assets	**27**	**32**
	2,992	**3,165**
Total marketable debt assets	**6,792**	**7,090**
Impairment applied to income statement (cumulative)	**1**	

	As of March 31, 2022	
	Book value	Amortized cost 1)
NIS in millions	Unaudited	
Government bonds	3,645	3,589
Other debt assets		
Other non-convertible debt assets	2,488	2,487
Other convertible debt assets	31	33
	2,519	2,520
Total marketable debt assets	6,164	6,109
Impairment applied to income statement (cumulative)	-	

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

A. Marketable debt assets - composition (Cont.)

	As of December 31, 2022	
	Book value	Amortized cost [1)]
NIS in millions	Audited	
Government bonds	4,206	4,383
Other debt assets		
Other non-convertible debt assets	2,763	2,913
Other convertible debt assets	26	32
	2,789	2,945
Total marketable debt assets	6,995	7,328
Impairment applied to income statement (cumulative)	1	

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 any amortization with respect to impairment applied to profit and loss.

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

B. Non-marketable debt assets - composition *)

	As of March 31, 2023	
	Book value	Fair value
NIS in millions	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	**16,786**	**23,826**
Other non-convertible debt assets, excluding deposits in banks	**6,350**	**6,341**
Deposits in banks	**651**	**677**
Total non-marketable debt assets	**23,787**	**30,844**
Impairment applied to income statement (cumulative)	**44**	

	As of March 31, 2022	
	Book value	Fair value
NIS in millions	Unaudited	
Government bonds		
HETZ bonds and treasury deposits	16,166	26,503
Other non-convertible debt assets, excluding deposits in banks	5,475	6,137
Deposits in banks	984	1,086
Total non-marketable debt assets	22,625	33,726
Impairment applied to income statement (cumulative)	49	

	As of December 31, 2022	
	Book value	Fair value
NIS in millions	Audited	
Government bonds		
HETZ bonds and treasury deposits	16,417	23,458
Other non-convertible debt assets, excluding deposits in banks	5,954	6,055
Deposits in banks	653	688
Total non-marketable debt assets	23,024	30,201
Impairment applied to income statement (cumulative)	42	

*) The fair value of designated bonds was calculated according to the repayment dates of guaranteed-return liabilities.

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

C. Stocks

	As of March 31, 2023	
	Book value	Cost
NIS in millions	Unaudited	
Marketable stocks	**802**	**857**
Non-marketable stocks	**772**	**765**
Total stocks	**1,574**	**1,622**
Impairment applied to income statement (cumulative)	**223**	

	As of March 31, 2022	
	Book value	Cost
NIS in millions	Unaudited	
Marketable stocks	1,201	1,033
Non-marketable stocks	871	724
Total stocks	2,072	1,757
Impairment applied to income statement (cumulative)	167	

	As of December 31, 2022	
	Book value	Cost
NIS in millions	Audited	
Marketable stocks	904	914
Non-marketable stocks	920	777
Total stocks	1,824	1,691
Impairment applied to income statement (cumulative)	196	

Annex 1: Details of Assets for Investment-Linked Contracts and Other Financial Investments of Consolidated Insurance Companies Registered in Israel (Cont.)

2. Details of other financial investments (Cont.)

D. Other financial investments [1)]

NIS in millions	As of March 31, 2023 Book value	Cost
	Unaudited	
Marketable financial investments	**785**	**765**
Non-marketable financial investments	**4,030**	**2,787**
Total other financial investments	**4,815**	**3,552**
Impairment applied to income statement (cumulative)	**139**	

NIS in millions	As of March 31, 2022 Book value	Cost
	Unaudited	
Marketable financial investments	1,192	1,186
Non-marketable financial investments	3,318	2,289
Total other financial investments	4,510	3,475
Impairment applied to income statement (cumulative)	115	

NIS in millions	As of December 31, 2022 Book value	Cost
	Audited	
Marketable financial investments	861	868
Non-marketable financial investments	3,744	2,650
Total other financial investments	4,605	3,518
Impairment applied to income statement (cumulative)	174	

1) Other financial investments primarily include investments in ETF's, participation certificates in mutual funds, investment funds, financial derivatives, futures contracts, options and structured products.

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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.

Introduction

We have reviewed the separate interim financial information presented pursuant to Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970 for Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "Company") as of March 31, 2023, and for the periods of three months then ended. The Company's Board of Directors and Management are responsible for the separate interim financial information. Our responsibility is to express a conclusion regarding this separate interim financial information, based on our review.

Scope of the Review

We conducted our review in accordance with Review Standard (Israel) 2410 of the Institute of Certified Public Accountants in Israel, "Review of Interim Financial Information by the Entity's Auditor." A review of interim financial information consists of inquiries, mainly with the people responsible for financial and accounting matters, and of the application of analytical and other review procedures. This review is significantly limited in scope compared to an audit prepared according to generally accepted auditing standards in Israel, and therefore does not allow us to achieve certainty that we have become aware of all material issues that may have be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, we have not become aware of any matter which would have caused us to believe that the above separate interim financial information has not been presented, in all material respects, in accordance with the provisions of Regulation 38D of the Securities Regulations (Periodic and Immediate Reports), 1970.

Tel Aviv,
May 30, 2023

Kost Forer Gabbay and Kasierer
Certified Public Accountants

Somekh Chaikin
Certified Public Accountants

Joint Auditors

Interim Data Regarding the Financial Position

	As of March 31		As of December 31
	2023	2022	2022
NIS in millions	Unaudited		Audited
Assets			
Investments in investee companies	**8,014**	7,175	6,684
Loans and balances of investee companies	**609**	587	606
Other accounts receivable	**1**	1	-
Other financial investments:			
Marketable debt assets	**4**	9	4
Stocks	**9**	14	11
Others	**177**	-	181
Total other financial investments	**191**	23	195
Cash and cash equivalents	**121**	663	529
Total assets	**8,935**	8,449	8,013
Capital			
Share capital	**167**	162	162
Premium on shares	**2,389**	2,127	2,127
Capital reserves	**908**	1,117	921
Retained earnings	**4,697**	5,034	4,785
Total capital	**8,161**	8,441	7,995
Liabilities			
Other accounts payable	**380**	6	8
Balances of investee companies	**4**	1	1
Current tax liabilities	**2**	2	4
Deferred tax liabilities	**5**	-	5
Financial liabilities	**383**	-	-
Total liabilities	**774**	8	18
Total capital and liabilities	**8,935**	8,449	8,013

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

May 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

Interim Data Regarding Income

NIS in millions	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
Company's share in the income (loss) of investee companies, net of tax	**(97)**	377	89
Income (loss) from investments, net, and financing income from investee companies	**11**	11	46
Others	**7**	-	10
Total income	**(80)**	389	145
General and administrative expenses	**5**	2	15
Financing expenses	**2**	-	-
Total expenses	**7**	2	15
Income (loss) before taxes on income	**(87)**	386	130
Taxes on income (tax benefit)	**2**	2	9
Income (loss) for the period	**(89)**	384	121

The attached supplementary information constitutes an inseparable part of the Company's separate interim financial data.

Interim Data Regarding Comprehensive Income

NIS in millions	For the period of three months ended March 31 2023 Unaudited	For the period of three months ended March 31 2022 Unaudited	For the year ended December 31 2022 Audited
Income (loss) for the period	**(89)**	384	121
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 applied to capital reserves	**-**	1	(3)
Other comprehensive income (loss) with respect to investee companies which has been or will be transferred to the statement of income, net of tax	**(13)**	(170)	(362)
Other comprehensive income (loss) for the period which has been or will be transferred to the statement of income, before tax	**(13)**	(169)	(365)
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	**(13)**	(169)	(365)
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	**-**	6	8
Other comprehensive income for the period which will not be transferred to profit and loss, net of tax	**-**	6	8
Other comprehensive income (loss) for the period	**(13)**	(163)	(357)
Total comprehensive income for the period	**(102)**	221	(237)

The attached supplementary information constitutes an inseparable part of the Company’s separate interim financial data.

Interim Data Regarding Cash Flows

NIS in millions	For the period of three months ended March 31		For the year ended December 31
	2023	2022	2022
	Unaudited		Audited
Cash flows from operating activities			
Income (loss) for the period	**(89)**	384	121
Adjustments:			
Company's share in the income (loss) of investee companies	**97**	(377)	(89)
Dividends from investee companies	**3**	-	13
Accrued interest with respect to bank deposits	**(6)**	-	(8)
Accrued interest with respect to capital note to investee company	**(3)**	-	(36)
Accrued interest, amortization of issuance costs, and bond discounting	**2**	-	-
Loss (profit) from other financial investments	**0**	-	(1)
Taxes on income	**2**	2	9
	95	(376)	(112)
Changes to other items in the data regarding financial position, net:			
Change in other accounts receivable	**-**	-	-
Change in other accounts payable	**-**	-	3
	(1)	-	3
Cash which was received during the period for:			
Net cash from operating activities with respect to transactions with investee companies	**4**	(1)	7
Interest received	**6**	-	8
Income tax received (paid)	**(4)**	(5)	(5)
Net cash from operating activities	**11**	2	21
Cash flows from investing activities			
Repayment of capital regime interest to investee company	**-**	-	22
Investments in investee companies	**(819)**	-	-
Investment in available for sale financial assets	**(8)**	-	(181)
Consideration from sale of available for sale financial assets	**12**	2	7
Net cash from (used in) investing activities	**(815)**	2	(151)
Cash flows from financing activities			
Consideration from issuance of share capital (after deducting issuance costs)	**-**	492	492
Consideration from issuance of bonds (after deducting issuance costs)	**396**	-	-
Net cash used in financing activities	**396**	492	492
Increase (decrease) in cash and cash equivalents	**(407)**	497	362
Cash and cash equivalents at beginning of period	**529**	166	166
Cash and cash equivalents at end of period	**121**	663	529

Additional information

1. General

The separate interim financial information is presented pursuant to Regulation 38D to the Securities Regulations (Periodic and Immediate Reports), 1970, and does not contain all of the information which is required according to Regulation 9C and the Tenth Addendum to the Securities Regulations (Periodic and Immediate Reports), 1970, regarding a corporation's separate financial information. The separate interim financial information should be read in conjunction with the separate financial information as of and for the year ended December 31, 2022, and with the condensed consolidated interim financial statements as of March 31, 2023 (hereinafter: the "**Consolidated Interim Statements**").

2. Closing of transaction involving the acquisition of Cimax Holdings Ltd.

Further to that stated in Note 42(J) to the consolidated financial statements for 2022, on March 27, 2023, the Company completed its acquisition of Cimax Holdings Ltd. In these financial statements, The Company first consolidated the assets and liabilities of Cimax and companies under its control. For additional details, see Note 5 to the consolidated financial statements.

3. Bond issuance in the Company and rating

In February 2023, the Company performed an issuance of NIS 249.1 million par value of bonds (Series A), and of NIS 150 million 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 6 to the consolidated financial statements.

In January and February 2023, Maalot announced a rating of (AA-), stable rating outlook, for the Company and for the bonds it has issued, as stated above. For additional details, see Note 6 to the consolidated financial statements.

Quarterly report regarding the effectiveness of internal control over financial reporting and disclosure in accordance with Regulation 38c(a)

Management, under the supervision of the Board of Directors of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") is responsible for establishing and implementing adequate internal control over financial reporting and disclosure in the corporation.

For this purpose, the members of management include:

1. Yoram Naveh, CEO of the Company and of Clal Insurance, and CEO of Clal Finance Ltd.;
2. Eran Cherninsky - Financial Division Manager (Officer in Clal Insurance and in Clal Holdings);
3. Hadar Brin Weiss - Legal Counsel (Officer in Clal Insurance and in Clal Holdings);
4. Eran Shahaf - Internal Auditor (Officer in Clal Insurance and in Clal Holdings);
5. Barak Benski - Investment Division Manager (Officer in Clal Insurance and in Clal Holdings);
6. Avi Ben Nun - Chief Risk Officer (Officer in Clal Insurance and Clal Holdings);

Internal control over financial reporting and disclosure includes controls and policies which are currently established in the corporation, which were planned by the CEO and the most senior corporate officer in the finance department, or under their supervision, or by the individuals who effectively perform the aforementioned positions, under the supervision of the corporation's Board of Directors, and which were intended to provide a reasonable measure of assurance regarding the reliability of financial reporting and the preparation of the reports in accordance with the provisions of the law, and to ensure that the information which the corporation is required to disclose in the reports which it publishes in accordance with the provisions of the law was collected, processed, summarized and reported in accordance with the deadline and framework prescribed in law.

Internal control includes, inter alia, controls and policies which are intended to ensure that the information which the corporation is required to disclose, as stated above, is accumulated and transferred to the management of the corporation, including to the CEO and to the most senior corporate officer in the finance department, or to the person who effectively performs the aforementioned positions, in order to allow the reaching of decisions on the appropriate date, with respect to the disclosure requirement.

Due to its inherent restrictions, internal control over financial reporting and disclosure is not intended to provide absolute assurance that the presentation is incorrect, or that the omission of information in the reports will be prevented or discovered.

Clal Insurance Company Ltd. ("Clal Insurance"), a subsidiary of the corporation, is an institutional entity, which is subject to the directives of the Commissioner of the Capital Markets, Insurance and Savings Division in the Ministry of Finance, with respect to the evaluation regarding the effectiveness of internal control over financial reporting.
With respect to internal control in the aforementioned subsidiary, the corporation implements the following provisions: institutional entities circular 2009-9-10, regarding "responsibility of management for internal control over financial reporting", institutional entities circular 2010-9-6, regarding "responsibility of management for internal control over financial reporting - amendment", and institutional entities circular 2010-9-7, regarding "internal control over financial reporting - certifications, reports and disclosures".

Max IT Finance Ltd., a subsidiary of the corporation, is a credit card company which is subject to directives issued by the Commissioner of Banks regarding the assessment of the effectiveness of internal control over financial reporting.
With regard to internal control in the aforementioned subsidiary, the corporation applies the following directives: Proper Conduct of Banking Business Directive 309.

In the annual report regarding the effectiveness of internal control over financial reporting and disclosure, which was attached to the periodic report for the period ended December 31, 2022 (hereinafter: the "**Last Annual Report Regarding Internal Control**"), the Board of Directors and management evaluated the internal control in the corporation;

Based on this evaluation, the Company's Board of Directors and management have concluded that the internal control described above, as of December 31, 2022, is effective.

Until the reporting date, no event or matter was brought to the attention of the Board of Directors and management which could have changed the assessment regarding the effectiveness of internal control, as presented in the annual report regarding internal control.
As of the reporting date, based on the evaluation of the effectiveness of internal control in the last annual report regarding internal control, and based on the information which was brought to the attention of management and Board of Directors, as stated above: internal control is effective.

Executive Certification
Certification of the CEO

I, Yoram Naveh, hereby certify the following:

1. I have evaluated the quarterly report of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the first quarter of 2023 (hereinafter: the "**Reports**").
2. To the best of my knowledge, the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports;
3. To the best of my knowledge, the financial statements and the other financial information included in the reports adequately reflect, in all material respects, the corporation's financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the corporation's auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:
   A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure, which may reasonably have an adverse effect on the corporation's ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of financial reporting and the preparation of the financial reports in accordance with the provisions of the law; And:
   B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting;
5. I, alone or together with others in the corporation:
   A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:
   B. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
   C. I have not been made aware of any event or matter which occurred during the period between the date of the periodic report and the date of this report, which could change the conclusion reached by the Board of Directors and management with respect to the effectiveness of internal control over financial reporting and disclosure in the corporation.

The foregoing does not derogate from my liability, or from the liability of any other person, in accordance with any applicable law.

Yoram Naveh
Chief Executive Officer

May 30, 2023

Executive Certification
Certification of the Most Senior Position Holder in the Finance Department

I, Eran Cherninsky, hereby certify the following:

1. I have evaluated the financial statements and the other financial reports which is included in the interim reports of Clal Insurance Enterprises Holdings Ltd. (hereinafter: the "**Corporation**") for the first quarter of 2023 (hereinafter: the "**Reports**").
2. To the best of my knowledge, the interim financial statements and the other interim financial information which is included in the reports do not include any incorrect representation of any material fact, and do not lack any representation of any material fact which is required in order for the representations which are included therein to not be misleading with respect to the period of the reports;
3. To the best of my knowledge, the interim financial statements and the other financial information which is included in the interim reports adequately reflect, in all material respects, the Company's financial position, results of operations and cash flows as of the dates and for the periods to which the reports refer;
4. I have disclosed to the corporation's auditor, to the Board of Directors and to the Balance Sheet Committee of the Company's Board of Directors, based on my most current assessment regarding internal control over financial reporting and disclosure:
   A. All material deficiencies and material weaknesses in the establishment or implementation of internal control over financial reporting and disclosure insofar as it pertains to the interim financial statements and to the other financial information which is included in the interim reports, which may reasonably have an adverse effect on the corporation's ability to collect, process, summarize or report financial information in a manner which could cast doubt on the reliability of the preparation of the financial reports and the preparation of the financial reports in accordance with the provisions of the law; And:
   B. Any fraud, whether material or immaterial, in which the CEO or any of his direct subordinates are involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.
5. I, alone or together with others in the corporation-
   A. I have established controls and policies, or have verified the establishment and implementation, under my supervision, of controls and policies which are intended to ensure that material information pertaining to the corporation, including its consolidated companies, as defined in the Securities Regulations (Annual Financial Statements), 2010, is brought to my attention by others in the corporation and in the consolidated companies, particularly during the preparation period of the reports; And:
   B. I have established controls and policies, or have verified the establishment and implementation, under our supervision, of controls and policies which are intended to reasonably ensure the reliability of financial reporting and the preparation of the financial statements in accordance with the provisions of the law, including in accordance with generally accepted accounting principles.
   C. I have not been made aware of any event or matter which occurred during the period between the date of the periodic report and the date of this report, which pertains to the interim financial statements and to any other financial information which is included in the interim period, which could change, in my assessment, the conclusion of the Board of Directors and management with respect to the effectiveness of internal control over financial reporting and disclosure in the corporation.

The foregoing does not derogate from my liability, or from the liability of any other person, in accordance with any applicable law.

Eran Cherninsky
Executive VP
Finance Division Manager

May 30, 2023

Certifications regarding controls and policies with respect to disclosure in the financial statements of Clal Insurance Company Ltd.
Clal Insurance Company Ltd.
Certification

I, Yoram Naveh, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended March 31, 2023 (hereinafter: the "**Report**").
2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.
3. Based on my knowledge, the quarterly financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.
4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; And:
   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;
   B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and in accordance with the directives of the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law - 1981.
   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:
   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:
   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:
   B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

The foregoing does not derogate from my liability, or from the liability of any other person, in accordance with any applicable law.

Yoram Naveh
Chief Executive Officer

May 30, 2023

Clal Insurance Company Ltd.
Certification

I, Eran Cherninsky, hereby certify the following:

1. I have reviewed the quarterly report of Clal Insurance Company Ltd. (hereinafter: the "**Company**") for the quarter ended March 31, 2023 (hereinafter: the "**Report**").
2. Based on my knowledge, the report does not include any incorrect representation of any material fact, and does not lack any representation of any material fact which is required in order for the representations which are included therein, in light of the circumstances in which those representations were included, to not be misleading with respect to the period which is covered in the report.
3. Based on my knowledge, the quarterly financial statements and the other financial information which is included in the report adequately reflect, in all material respects, the Company's financial position, results of operations, changes in equity and cash flows as of the dates and with respect to the periods covered in the report.
4. I, and others in the Company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure and control over financial reporting in the Company; And:
   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the Company, including its consolidated companies, is brought to our attention by others in the Company and in those companies, and particularly during the preparation period of the report;
   B. We have established internal control over financial reporting, or have overseen the establishment of internal control over financial reporting, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements have been prepared in accordance with IFRS and in accordance with the directives of the Commissioner of Capital Markets, Insurance and Savings, pursuant to the Control of Financial Services (Insurance) Law - 1981.
   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; And:
   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the Company who are making this certification, have disclosed to the auditor, to the Board of Directors and to the balance sheet committee of the Company's Board of Directors, based on our most current assessment regarding internal control over financial reporting:
   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the Company's ability to record, process, summarize and report financial information; And:
   B. Any fraud, whether material or immaterial, in which management is involved, or in which are involved employees who have significant positions in the Company's financial reporting control over financial reporting.

The foregoing does not derogate from my liability, or from the liability of any other person, in accordance with any applicable law.

Eran Cherninsky
Executive VP
Finance Division Manager

May 30, 2023

Certification

I, Ron Fainaro, hereby certify that:

1. I have reviewed the quarterly report of Max IT Finance Ltd. (hereinafter: the "Company") for the quarter ended March 31, 2023 (hereinafter: the "Report").
2. To the best of my knowledge, the report does not include any incorrect representation of any material fact, and is not missing any representative of any material fact which is required in order to for the representations which are included therein, in light of the circumstances in which those representatives were included, to not be misleading with reference to the period covered in the report.
3. To the best of my knowledge, the financial statements and the other financial information which is included in the report adequately reflects, in all material respects, the Company's financial position, operating results, changes in equity and cash flows, as of the dates and for the periods which are presented in the report.
4. I, and others in the company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure(1) and control over financial reporting(1) in the Company; and
   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the company, including its consolidated companies, is brought to our attention by others in the company and in those companies, and particularly during the preparation period of the report;
   B. We have established internal control over financial reporting as described above, or have caused the establishment, under our supervision, of financial reporting as described above, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements for external purposes have been prepared in accordance with generally accepted accounting principles, and directives and guidelines issued by the Commissioner of Banks;
   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented, in our report, our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; and
   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the company who are making this certification, have disclosed to the auditors, to the board of directors and to the balance sheet committee of the company's board of directors, based on our most current assessment regarding internal control over financial reporting:
   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the company's ability to record, process, summarize and report financial information; And:
   B. Any fraud, whether material or immaterial, which involves management, or which involves other employees who hold significant positions in the Company's internal control over financial reporting.

The foregoing does not derogate from my responsibility, or from the responsibility of any other person, in accordance with any applicable law.

Ron Fainaro

Chief Executive Officer

May 23, 2023

(1) As defined in the public reporting regulations regarding the "report of the board of directors and management".

Certification

I, Sharon Gur, hereby certify that:

1. I have reviewed the quarterly report of Max IT Finance Ltd. (hereinafter: the "Company") for the quarter ended March 31, 2023 (hereinafter: the "Report").
2. To the best of my knowledge, the report does not include any incorrect representation of any material fact, and is not missing any representative of any material fact which is required in order to for the representations which are included therein, in light of the circumstances in which those representatives were included, to not be misleading with reference to the period covered in the report.
3. To the best of my knowledge, the financial statements and the other financial information which is included in the report adequately reflects, in all material respects, the Company's financial position, operating results, changes in equity and cash flows, as of the dates and for the periods which are presented in the report.
4. I, and others in the company who are making this certification, are responsible for the establishment and implementation of controls and policies with respect to the disclosure(1) and control over financial reporting(1) in the Company; and
   A. We have established the aforementioned controls and policies, or have caused the establishment of the aforementioned controls and policies under our supervision, which are intended to ensure that material information pertaining to the company, including its consolidated companies, is brought to our attention by others in the company and in those companies, and particularly during the preparation period of the report;
   B. We have established internal control over financial reporting as described above, or have caused the establishment, under our supervision, of financial reporting as described above, which is intended to provide a reasonable measure of assurance regarding the reliability of the financial reporting, and that the financial statements for external purposes have been prepared in accordance with generally accepted accounting principles, and directives and guidelines issued by the Commissioner of Banks;
   C. We have evaluated the effectiveness of controls and policies with respect to the Company's disclosure, and we have presented, in our report, our conclusions regarding the effectiveness of the controls and policies with respect to the disclosure, as of the end of the period covered in the report, based on our evaluation; and
   D. We have disclosed in the report any change in the Company's internal control over financial reporting which occurred during this quarter, and materially influenced, or which could have been reasonably expected to materially influence, the Company's internal control over financial reporting; And:
5. I, and others in the company who are making this certification, have disclosed to the auditors, to the board of directors and to the balance sheet committee of the company's board of directors, based on our most current assessment regarding internal control over financial reporting:
   A. All material deficiencies and material weaknesses in the determination or implementation of internal control over financial reporting, which can reasonably be expected to harm the company's ability to record, process, summarize and report financial information; And:
   B. Any fraud, whether material or immaterial, which involves management, or which involves other employees who hold significant positions in the Company's internal control over financial reporting.

The foregoing does not derogate from my responsibility, or from the responsibility of any other person, in accordance with any applicable law.

Sharon Gur

CFO,
Comptroller
May 23, 2023

(1) As defined in the public reporting regulations regarding the "report of the board of directors and management".

Economic Solvency Ratio Report of Clal Insurance Company Ltd.

As of December 31, 2022

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Somekh Chaikin
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Building a better working world

Attn.:
Board of Directors of
Clal Insurance Company Ltd.
Dear Sir / Madam,

Re: Examination regarding the adoption of certain directives issued by the Commissioner of Capital Markets, Insurance and Savings, regarding the Solvency II-based economic solvency of Clal Insurance Company Ltd. (hereinafter: the "Company") as of December 31, 2022

We examined the solvency capital requirement (hereinafter: "**SCR**") and economic capital of Clal Insurance Company Ltd. as of December 31, 2022 (hereinafter: the "**Information**"), which are included in the Company's attached economic solvency ratio report (hereinafter: the "**Report**").

The board of directors and management are responsible for the drafting and presentation of the prepared information in accordance with the directives of the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the "**Commissioner**") regarding the Solvency II-based economic solvency of an insurance company, as included in Circular No. 2020-1-15 of the Commissioner dated October 14, 2020, and in accordance with the Commissioner's directives regarding principles for the calculation of the deduction for the distribution period in the Solvency II-based economic solvency regime, dated October 15, 2020 (hereinafter: the "**Directives**").

The board of directors and management are responsible for the underlying calculations, forecasts and assumptions which were used in the preparation of the information.

Our examination was conducted in accordance with the International Standard for Assurance Engagements (ISAE) 3400 - The Examination of Prospective Financial Information, and in accordance with the Commissioner's directives, as included in insurance circular 2017-1-20, dated December 3, 2017, which specifies provisions regarding the audit of an economic solvency ratio report.

We have not examined the adequacy of the deduction amount during the distribution period as of December 31, 2022, as presented in section 3.1.2 of the report, except for evaluating that the deduction amount does not exceed the expected deduction amount of the risk margin and the solvency capital requirement with respect to life and health insurance risks, with respect to existing business operations during the distribution period, in accordance with the future pattern of development of required capital, which affects both the calculation of the release of expected capital, and the release of the expected risk margin, as specified in the provisions regarding the calculation of the risk margin.

Save for the foregoing regarding the adequacy of the total deduction during the distribution period, based on an examination of the evidence to support the calculations, on the forecasts, and on the assumptions, as presented below, which were used by the Company's board of directors and management in preparing the information, we have not become aware of any information which would have caused us to believe that the forecasts and assumptions, in their entirety, do not constitute a reasonable basis for the information, in accordance with the directives. Furthermore, we believe that the information, including the method used to determine the assumptions and forecasts, was prepared and presented, in all material respects, in accordance with the directives.

It is emphasized that the forecasts and assumptions 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 information 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 information. Additionally, actual results may differ significantly from the information, 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 information.

We hereby draw attention to that stated in section 1.6.2.4 - comments and clarifications regarding the solvency ratio, with respect to the uncertainty due to regulatory changes and the exposure to contingent liabilities, the effects of which on the solvency ratio cannot be estimated.

Sincerely,

Tel Aviv	Somekh Chaikin Certified Public Accountants	Kost Forer Gabbay and Kasierer Certified Public Accountants
May 30, 2023		

Joint Auditors

1. Background and disclosure requirements

The information presented below was calculated in accordance with the provisions of circular 2020-1-15 of the Commissioner of Capital Markets, Insurance and Savings (hereinafter: the “Commissioner”), “amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies”, (hereinafter: the “**Provisions of the Economic Solvency Regime**”). The information has been prepared and presented in accordance with the provisions of chapter 1, part 4, volume 5 of the consolidated circular, as updated in circular no. 8-1-2022 (hereinafter: the “**Disclosure Provisions**”).

With respect to the calculation of the solvency ratio as of December 31, 2022, an audit was conducted by the auditor in accordance with the Commissioner’s directives.

The audit was conducted in accordance with ISAE 3400 - The Examination of Prospective Financial Information.

1.1. Economic solvency regime

The provisions of the economic solvency regime are based on the provisions of Pillar 1 of the European directive Solvency II, following adjustments for the local market, and establish a standard model for the calculation of recognized equity and the solvency capital requirement, in order to ensure that the insurance company maintains a buffer to absorb losses which may result from the materialization of unexpected risks to which it is exposed at a given probability rate. This regulatory framework is based on the economic measurement of the Company’s assets and liabilities, and does not necessarily correspond to presentation in accordance with generally accepted accounting principles by which the Company prepares its financial statements. The solvency ratio is the ratio between recognized equity and the solvency capital requirement (hereinafter: the “**Solvency Ratio**”).

Recognized equity for the purpose of the economic solvency regime will be comprised of Tier 1 capital and Tier 2 capital. Tier 1 capital includes equity which is calculated by estimating the values of an insurance company’s assets and liabilities in accordance with the circular’s provisions and additional Tier 1 capital. Additional Tier 1 capital and Tier 2 capital include capital instruments with loss absorption mechanisms, including Tier 2 subordinated, Tier 2 hybrid capital and Tier 3 capital instruments which were issued before the application date. The circular includes restrictions on the composition of equity for the purpose of the SCR (see below), such that the rate of the components which are included in Tier 2 capital will not exceed 40% of SCR (will not exceed 50% during the distribution period as specified below).

Recognized current capital should be compared to required capital, whereby capital requirements apply on two levels:

- The capital required to maintain the insurance company's solvency (hereinafter: "SCR"). SCR is risk-sensitive, and is based on a forward looking calculations regarding the materialization of various scenarios, while taking into account the correlation level of the different risk factors, based on the guidelines specified in the solvency circular.
- Minimum capital requirement (hereinafter: "MCR"). In accordance with the provisions of the economic solvency regime, the minimum capital requirement will be equal to the higher of either the total Tier 1 capital which is required of an insurance company pursuant to the Capital Regulations, or an amount derived from insurance reserves and premiums (as defined in the provisions of the economic solvency regime) within the range of 25% and 45% of SCR.

Current capital is calculated using data and models for the calculation of the economic solvency ratio which are based, inter alia, on forecasts and assumptions which are mostly based on past experience. The calculations which are made as part of the calculation of economic equity and capital requirements are highly complex.

Forward looking information

The data included in this economic solvency ratio report, including recognized equity and the solvency capital requirement, are based, inter alia, on estimates and approximations regarding future events which are uncertain to materialize, and which are not under the Company's control, and should be regarded as "forward looking information", as defined in section 32A of the Securities Law, 1968. Actual results may differ from the data presented in this economic solvency ratio report, due to the fact that all or some of these forecasts, estimates and approximations may not materialize, or may materialize differently from the forecast, including, inter alia, with reference to actuarial assumptions (including the release rate of the risk margin, mortality, morbidity and recovery rates, cancellations, expenses, annuity realization and the rate of underwriting profit), assumptions regarding future activities of management, assumptions regarding the future pattern of development in the capital requirement and the risk margin, risk-free interest rates, capital market returns, future revenues and damages in catastrophe scenarios.

1.2. Provisions regarding disclosure and reporting in connection with the economic solvency ratio report

The disclosure circular determined, inter alia, that the economic solvency ratio report as of December 31 and as of June 30 will be included in the periodic report published subsequent to the calculation date, and will be published on the Company's website on those dates. The economic solvency ratio report as of December 31 of each year will be audited by the Company's auditor, beginning with the report as of December 31, 2018. The circular also includes provisions in connection with the structure of the economic solvency ratio report, the approval thereof by the appropriate organs in the Company, the audit thereof by the Company's auditor, and the relevant disclosure requirements.

1.3. Provisions during the distribution period

The provisions of the economic solvency regime include, inter alia, transitional provisions for the distribution period, during which the following instructions will be implemented:

- The capital requirement with respect to the stock risk sub-component, as defined in the provisions, will be gradually increased over seven years, beginning with a rate of 22% and increasing to rates of 30%, 39% and 49%, with respect to the investment in type 1 and type 2 infrastructure stocks, respectively. The gradual increase will also apply to the counter-cyclical adjustment, as defined in the provisions.
- There is also a choice of one of the following alternatives:
  1. Gradual distribution of the capital requirement until 2024 (hereinafter: the "Distribution Period"), such that the capital requirement will increase gradually, by 5% each year, from 60% of SCR in 2017, up to the full SCR;
  2. Increasing recognized capital by deducting from the insurance reserves the amount specified in section 3.3.2. The deduction will decrease gradually, until 2032 (hereinafter: the "Deduction During The Distribution Period"). The deduction amount may also be updated during the distribution period due to additional changes, in accordance with the provisions pertaining to the insurance company's conduct during the distribution period, as determined in the letter dated October 15, 2020, regarding "principles for the calculation of the deduction during the distribution period for the Solvency II-based economic solvency regime" (the "**Principles Letter**").

The Company chose the second alternative, after receiving the Commissioner's approval for this purpose, as required.

Additionally, regarding the composition of recognized equity, it was determined that the maximum scope of Tier 2 capital during the distribution period will amount to 50% of the solvency capital requirement during the distribution period.

1.3.1. Update to the deduction amount in subsequent periods

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 as a minimum, in case of a significant change 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. The Company recalculated the deduction amount as of June 30, 2022, and received the Commissioner's approval for the recalculation and for the amount of the deduction, in the scope of NIS 6,634 million - see section 3.1.2 below.

1.4. Definitions

Company -	Clal Insurance Company Ltd.
Commissioner -	The Commissioner of the Capital Markets, Insurance and Savings Authority.
Provisions of the Economic Solvency Regime -	Insurance circular 2020-1-15, "Amendment to the consolidated circular regarding provisions for the implementation of a Solvency II-based economic solvency regime for insurance companies", and related instructions given by the Commissioner regarding the implementation of the economic solvency regime.
Recognized Equity / Economic Capital -	The total Tier 1 capital and Tier 2 capital of an insurance company, after deductions and subtractions in accordance with the provisions of the economic solvency regime.
Basic Tier 1 Capital -	The excess of assets over liabilities, as calculated according to the provisions regarding the economic balance sheet, including the following components: issued and paid-up ordinary share capital, premium paid at the time of the share issuance, retained earnings, capital reserves less negative capital reserves and the change in the excess of assets over liabilities due to differences in the methods used to estimate assets and liabilities according to the directives (reconciliation reserve), after deducting unrecognized assets, self investment in ordinary shares and dividends announced after the reporting date.
Additional Tier 1 Capital -	The total of all of the above, with their value estimated in accordance with the provisions of the economic solvency regime – perpetual capital notes, non-accruing preferred shares, additional Tier 1 capital instruments, Tier 1 hybrid capital instruments.
Tier 2 Capital -	Tier 2 capital instruments, Tier 2 subordinated capital instruments, Tier 2 hybrid capital and Tier 3 hybrid capital - according to their value as estimated in accordance with the provisions of the economic solvency regime.
Solvency Capital Requirement (SCR) -	The total capital required in order for the insurance company to maintain solvency, calculated in accordance with the provisions of the economic solvency regime.
Basic Solvency Capital Requirement (BSCR) -	The capital required in order for the insurance company to maintain solvency, calculated in accordance with the provisions of the economic solvency regime, without taking into account the required capital with respect to operational risk, the adjustment for loss absorption due to deferred tax, and the capital requirement with respect to managing companies.

Economic Solvency Ratio -	The ratio between recognized equity and the solvency capital requirement.
Best Estimate -	The future cash flows which are expected to arise from the insurance contracts and investment contracts during their entire period of validity, without margins of conservatism, discounted by an adjusted risk-free interest rate.
Risk Margin -	An additional amount, beyond the best estimate, reflecting the total cost of capital which another insurance company or reinsurer would be expected to require for the purpose of accepting the insurance company's insurance liabilities, calculated in accordance with the provisions of the economic solvency regime.
Deduction During the Distribution Period -	An amount which is deducted from the insurance reserves during the distribution period, calculated in accordance with the provisions of section 4(C) of the provisions of the economic solvency regime. The deduction will gradually decrease until 2032.
Unrecognized Asset -	An asset which is held against non-investment-linked liabilities in a manner which is not compliant with the Rules of Investment Regulations, or which is not compliant with the Commissioner's directives, after deducting the tax reserve which was created for it.
Minimum Capital Requirement (MCR) -	The minimum capital requirement of an insurance company, calculated in accordance with the economic solvency regime.
Expected Profits Included in Future Premiums (EPIFP) -	The expected future profit on retention, which is included in the insurance liabilities, with respect to premiums which have not yet been received as of the reporting date.
UFR -	Ultimate Forward Rate, the last future interest rate as derived from the long term expected real interest rate and the long term expectations regarding inflation, towards which the adjusted yield curve converges, in accordance with the provisions of the economic solvency regime.
Volatility Adjustment (VA) -	A counter-cyclical component reflecting the margin represented in the portfolio of representative debt assets of insurance companies, which is added to the adjusted yield curve in accordance with the provisions of the economic solvency regime.
SLT Health -	Health insurance which is managed similarly to life insurance.
NSLT Health -	Health insurance which is managed similarly to non-life insurance.

Stock Scenario Adjustment -	A reduced capital requirement with respect to certain types of investment, which will gradually be increased until 2023, when the capital requirement with respect to such investments will reach its full rate.
Impact of the Distribution between Risk Components -	The impact of the partial correlation between different risks in the model, including their schemas; the impact of the distribution is the difference between a simple schema of the risk components, and a schema which takes into account the partial correlation between them. The greater the distribution between the operating segments in the portfolio and between the risk components, the greater the impact of the distribution on reducing the total risk.
Authority -	Capital Market, Insurance and Savings Authority
Rules of Investment Regulations -	The Control of Financial Services Regulations (Provident Funds) (Investment Rules Applicable to Institutional Entities) - 2012.
Audited -	This term refers to an audit which has been conducted in accordance with ISAE 3400 - The Examination of Prospective Financial Information.

1.5. Calculation methodology

1.5.1. General

The provisions of the economic solvency regime specify guidelines for the economic calculation of recognized equity and the solvency capital requirement. Presented below are the main details of the provisions, and changes therein:

1.5.2. Economic balance sheet

In accordance with the provisions of the economic solvency regime, in general, the items of the economic balance sheet are estimated according to economic value, and particularly, insurance liabilities are calculated based on the best estimate of the entire future cash flows which are expected from existing business activities, without margins of conservatism. Plus a risk margin reflecting the total cost of capital which another insurance company or reinsurer would be expected to require for the purpose of accepting the insurance company's insurance liabilities in the economic balance sheet. In accordance with the provisions, the risk margin is calculated according to the cost of capital method, at a rate of 6% per year of the expected required capital, with respect to insurance risks, throughout the lifetime of existing business lines. As stated below, the economic balance sheet was prepared based on the Company's separate financial statements, plus those of investee companies which are exclusively engaged in the holding of land rights, plus subsidiary insurance companies whose data are consolidated with the insurance company's data, and in accordance with the instructions does not include the economic value of the insurance company's provident and pension fund activity, Additionally, a value of zero was attributable to intangible assets and deferred acquisition costs (except for investments in InsurTech, as defined in the solvency circular, in accordance with the approval which the Company received from the Commissioner for this purpose).

As stated above, the Company chose the alternative which is available under the transitional provisions, according to which economic equity may be increased by deducting from the insurance reserves with respect to the deduction amount, which will be deducted gradually until 2032 (hereinafter: the "**Deduction During the Distribution Period**"). In accordance with the principles letter, the deduction during the distribution period will be calculated based on a distribution into homogeneous risk groups, with respect to policies which were issued until December 31, 2016. The above deduction will be calculated as the difference between insurance reserves on retention in the economic balance sheet, including the risk margin attributed thereto, after deducting an adjustment for the fair value of designated bonds, and insurance reserves on retention according to the financial statements. This difference will be reduced on a linear basis until December 31, 2032. The remaining deduction on each reporting date (the "**Value of the Deduction During the Distribution Period**") will be re-calculated every two years, and if a significant change has occurred in the risk profile, or in the insurance company's business structure. The value of the deduction during the distribution period will also correspond to the expected growth rate of the solvency ratio, calculated without the expedients during the distribution period - see section 3.2.2 below.

1.5.3. Solvency capital requirement

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 reference to the specific risks to which the insurance company is exposed. The estimated exposure of economic equity to each risk sub-component is performed based on a defined scenario which has been determined in the provisions of the economic solvency regime. The determination of the solvency capital requirement is based on a schema of the capital requirements with respect to the risk components and risk sub-components, as stated above, in consideration of the partial factors which are attributed to them. The calculation of the solvency capital requirement also includes calculating components of required capital with respect to operational risk and the capital requirement for managing companies, after deducting a loss absorption adjustment with respect to deferred tax, as specified in the provisions of the economic solvency regime.

The loss absorption adjustment with respect to deferred tax assets, beyond the balance of the deferred tax reserve which is included in the economic balance sheet, is limited up to 5% of the basic solvency capital requirement (BSCR), upon the fulfillment of the following conditions:

- The insurance company is able to demonstrate to the Commissioner that future taxable profits are likely to be available, and that the tax assets will be usable against them.
- The future profits may arise from the non-life insurance or NSLT health insurance activity only.

It is emphasized that the results of the models which are used to calculate the recognized equity and the solvency capital requirement are highly sensitive to the forecasts and assumptions which are included therein, and to the manner of implementation of the provisions of the economic solvency regime. The economic solvency ratio is highly sensitive to market variables and other variables, and accordingly, it may be volatile.

The capital requirement with respect to each risk is calculated in accordance with the Company's exposure to that risk, and in consideration of the parameters which were determined in accordance with the provisions of the economic solvency regime. The amount of required capital represents, in accordance with the directives, the scope of equity which will allow the insurance company to absorb unexpected losses in the coming year, and to service its liabilities to policyholders and beneficiaries when they come due, with a confidence level of 99.5%.

1.5.3.1. Provisions regarding disclosure

In accordance with the update to the provisions of the consolidated circular regarding "public report - disclosure regarding economic solvency ratio", beginning from the current reporting date, the disclosure includes the results of the following sensitivity tests: decrease of 50 base points in the yield curve, decrease of 25% in the value of capital assets, increase of 5% in the morbidity rate, decrease of 5% in mortality rates, and increase of 10% in cancellation rates. The report also includes details of changes in the capital surplus.

<u>Amendment to the provisions of the consolidated circular - Chapter 3, Part 4, Volume 5, "Reporting to the Commissioner of Capital Markets - HETZ bonds"</u>

Allocations of HETZ bonds are based on the amount of the insurance liability which is recorded in the financial statements with respect to insurance contracts, where beginning on January 1, 2025 (the date of initial adoption of IFRS 17), the method used to calculate the insurance liability will change significantly (transition from measurement based on traditional actuarial methods to measurement based on future cash flows discounted by a risk-free interest rate). In light of the above, in March 2023 the Commissioner published a circular entitled "Amendment to the provisions of the consolidated circular - Chapter 3, Part 4, Volume 5, reporting to the Commissioner of Capital Markets - HETZ bonds". The circular provides guidelines regarding the method used to perform the allocation of designated government bonds of the HETZ type, beginning on January 1, 2025 (the date of initial adoption of IFRS 17). The change in the allocation method which will apply beginning from the adoption date of the standard also affects the calculation of the asset with respect to designated bonds in the economic balance sheet as of December 31, 2022. The effect of the adoption of the foregoing circular's provisions on the Company's economic solvency ratio is an increase of approximately 3%, without the adoption of the transitional provisions during the distribution period, and an increase of approximately 4% upon their adoption.

In November 2022, the Commissioner published his position regarding the principles for the recognition of complex and material transactions involving improvement of the economic solvency ratio (the "Transactions").

Additionally, as a supplementary measure, the Commissioner published a circular entitled "Amendment to the provisions of the consolidated circular - Chapter 3, Part 4, Volume 5, Reporting to the Commissioner of Capital Markets - report regarding complex and material transactions involving the improvement of the economic solvency ratio", which formalizes the reporting requirement to the Commissioner regarding complex and material transactions to improve the capital ratio, before signing them.

As of December 31, 2022, the Commissioner's position had no effect on the Company's economic solvency ratio.

1.6. Notes and clarifications

1.6.1. General

The solvency ratio report includes, inter alia, forecasts which are based on assumptions and parameters in accordance with past experience, based on actuarial studies which are conducted from time to time, and on the Company's estimates regarding the future, insofar as the Company has relevant and concrete information which can be relied upon. The information and studies are the same ones which served as the basis for the Company's annual report for 2022. Information or studies after the publication date of the Company's annual report for 2022, if and insofar as any were made, were not taken into account.

This solvency ratio report was prepared based on the conditions and best estimates which were available to the Company as of December 31, 2022.

It is further emphasized that, inter alia, in light of the reforms in the capital, insurance and savings market, and the changes in the business and economic environment, historical data does not necessarily predict future results, and the Company is unable to reliably estimate these effects. The calculation is sometimes based on assumptions regarding future events and on the actions of management, 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 model's assumptions.

The model, in its current version, is extremely sensitive to changes in market and other variables, and particularly to changes in the yield curve, and therefore the solvency ratio reflected therein may be highly volatile.

1.6.2. Future effects of legislative actions and regulations which are known as of the publication date of the report and exposure to contingent liabilities

1.6.2.1. The insurance industry is subject to frequent changes in legislative arrangements, and to frequent regulatory directives. The legislation and regulatory directives affect the Company's profitability and cash flows, and consequently, its economic solvency ratio as well.

1.6.2.2. The calculation of the solvency ratio does not include the entire possible effect of the aforementioned legislative actions and regulatory directives, as well as other developments which have not yet been practically reflected in actual data, since the Company is unable, at present, to estimate their entire effect on the business results and on the solvency ratio.

1.6.2.3. For details regarding the main regulatory changes whose future impact is uncertain, see, inter alia, sections 2.5.2, 2.5.3, 2.5.4, 2.5.5, 2.5.6, 6.2, 7.1.1, 8.1.2.1, 8.1.2.2, and 8.2 of the report regarding the description of the corporation's business as of December 31, 2022, and section 4 in the Company's board of directors' report as of March 31, 2023.

1.6.2.4. In accordance with the provisions of the economic solvency regime, the value of contingent liabilities in the economic balance sheet is determined according to their value in the accounting balance sheet, in accordance with the provisions of International Accounting Standard (IAS) 37. This measurement does not reflect their economic value. See Note 37 to the Company's consolidated financial statements for 2022, and Note 7 to the financial statements as of March 31, 2022, regarding the exposure to contingent liabilities, and the method used to measure it, as well as immediate reports which were published from that date onwards. The extinguishment or settlement of those contingent liabilities could amount to sums which are significantly higher than the amounts which were included in the economic balance sheet. It is not possible to estimate the consequences of the uncertainty due to the exposure to the aforementioned contingent liabilities.

2. Economic solvency ratio and minimum capital requirement

2.1. Economic solvency ratio

	As of December 31, 2022	As of December 31, 2021
	Audited*	Audited*
	NIS in thousands	
Equity for the purpose of the solvency capital requirement - see section 4	14,340,642	15,520,405
Solvency capital requirement - see section 5	8,075,939	9,261,086
Surplus	6,264,703	6,259,319
Economic solvency ratio (in %)	178%	168%
Impact of significant equity transactions which took place during the period from the calculation date until the publication date of the economic solvency ratio report:		
Raising / redemption of capital instruments	-	-
Equity for the purpose of the solvency capital requirement	14,340,642	15,520,405
Surplus	6,264,703	6,259,319
Solvency ratio (in %)	178%	168%

* Any use of the term “audited” in this report refers to an audit which has been conducted in accordance with International Standard for Assurance Engagements (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 the stock scenario adjustment, and regarding the target solvency ratio and restrictions which apply to the Company regarding dividend distributions, see section 10 below.

<u>Main changes in the capital surplus and in the economic solvency ratio relative to last year:</u>

- A significant increase in the risk-free interest rate curve had a significant positive effect on the capital surplus and the economic solvency ratio.
- The health insurance reform, which allows a green track involving the automatic adjustment of premiums if the LR crosses the limit specified in the reform, positively affected the Company’s capital surplus
- The raising of Tier 2 capital in the amount of NIS 495 million during 2022 positively affected equity and the solvency ratio.

- The adoption of the provisions of the circular regarding the allocation of HETZ bonds with respect to the initial adoption of IFRS 17 positively affected the solvency ratio.
- Following the update to the set of demographic assumptions in life insurance and for pension funds, mortality tables for retirees were updated, which negatively affected the Company’s capital surplus.
- During the reporting period the Company adopted, inter alia, the study regarding the continuity of assumptions, and the study regarding cancellations and annuity realization. The results of these studies have a negative impact on the Company’s solvency ratio.
- Negative returns in the nostro portfolio and in investment-linked portfolios reduced the Company’s Tier 1 capital, and in parallel also reduced the capital requirements, inter alia, due to a decrease in the symmetric adjustment, which reduced the capital requirements in the stock risk sub-component. The total effect on the capital surplus was negative.
- The containment of risks due to insurance activity which was sold in the past (mostly life and long-term care insurance) led to an increase in economic equity and a decrease in capital requirements and the risk margin (RM), and in total, had a positive effect on the capital surplus and the solvency ratio.
- The deduction amount was re-calculated as of June 30, 2022, and was reduced over time as of December 31, 2022. The foregoing updates negatively affected the Company’s equity.

2.2. Minimum capital requirement (MCR)

	As of December 31, 2022	As of December 31, 2021
	Audited	Audited
	NIS in thousands	
Minimum capital requirement (MCR) - see section 6.1	2,018,985	2,315,271
Equity for the purpose of MCR - see section 6.2	10,706,470	11,575,088

3. Economic balance sheet

		As of December 31, 2022		**As of December 31, 2021**	
		NIS in thousands			
		Balance sheet according to accounting standards	**Economic balance sheet**	**Balance sheet according to accounting standards**	**Economic balance sheet**
		Audited	**Audited**	**Audited**	**Audited**
Assets:	**Explanatory section**				
Intangible assets	3	799,170	123,067	820,389	-
Deferred acquisition costs	4	1,945,288	-	1,839,909	-
Fixed assets	8	177,372	153,041	189,584	160,262
Investments in investee companies which are not insurance companies:					
Managing companies	5	740,866	254,846	737,965	337,368
Other investee companies	5	78,058	81,936	101,594	99,163
Total investments in investee companies which are not insurance companies		**818,924**	**336,782**	**839,559**	**436,531**
Investment property for investment-linked contracts		3,778,012	3,778,012	3,140,825	3,140,825
Other investment property		1,475,111	1,475,111	1,250,884	1,250,884
Reinsurance assets		4,524,108	3,399,592	4,418,206	3,241,846
Other accounts receivable	13	4,420,040	4,420,040	1,255,664	1,255,664
Financial investments for investment-linked contracts		77,131,277	77,131,277	81,745,557	81,745,557
Other financial investments:					
Marketable debt assets		6,897,140	6,897,140	6,324,448	6,324,448
Non-marketable debt assets, excluding designated bonds	6	6,448,286	6,576,974	6,127,097	7,117,249
Designated bonds	7	14,252,011	20,284,701	13,596,180	23,531,420
Stocks		1,824,254	1,824,254	2,037,280	2,037,280
Others		4,536,319	4,536,319	4,512,852	4,512,852
Total other financial investments		**33,958,010**	**40,119,388**	**32,597,857**	**43,523,249**
Cash and cash equivalents for investment-linked contracts		8,458,337	8,458,337	9,992,795	9,992,795
Other cash and cash equivalents		2,830,472	2,830,472	3,763,948	3,763,948
Other assets	14	335,879	647,292	333,559	680,075
Total assets		**140,652,000**	**142,872,410**	**142,188,736**	**149,191,636**
Total assets for investment-linked contracts		**92,457,831**	**92,122,357**	**95,449,889**	**95,134,192**

Economic balance sheet (Cont.)

		As of December 31, 2022		As of December 31, 2021	
		NIS in thousands			
		Balance sheet according to accounting standards	Economic balance sheet	Balance sheet according to accounting standards	Economic balance sheet
		Audited	Audited	Audited	Audited
Capital:	Explanatory section				
Basic Tier 1 capital		6,562,165	9,889,390	6,860,168	10,647,023
Total capital		**6,562,165**	**9,889,390**	**6,860,168**	**10,647,023**
Liabilities:					
Liabilities with respect to non-investment-linked insurance contracts and investment contracts	10,1	31,373,641	32,147,037	30,376,383	35,857,779
Liabilities with respect to investment-linked insurance contracts and investment contracts	10,1	89,862,885	84,057,957	93,463,075	86,461,161
Risk margin (RM)	9		7,384,624		9,037,089
Deduction during the distribution period	2		(5,102,956)		(6,780,303)
Liabilities with respect to deferred taxes, net	11	550,487	2,528,551	744,718	2,922,746
Other accounts payable	13	6,868,058	6,757,422	5,603,595	5,505,416
Financial liabilities	12	5,033,638	4,614,360	4,741,021	4,923,300
Other liabilities	14	401,125	596,025	399,776	617,425
Total liabilities		**134,089,835**	**132,983,019**	**135,328,568**	**138,544,613**
Total capital and liabilities		**140,652,000**	**142,872,410**	**142,188,736**	**149,191,636**

Significant changes relative to last year:

During the reporting period, the Company first recognized, in the economic balance sheet, intangible assets which are classified as InsurTech, as defined in the provisions of the

economic solvency regime, after the Commissioner's approval was received, as required.

For details regarding significant changes in Tier 1 capital, and the significant effects on components of the economic solvency ratio, see sections 2.1 and 3 below.

3.1. Information regarding the economic balance sheet

The fair values of the assets and liabilities in the economic balance sheet were calculated in accordance with the provisions specified in the chapter regarding the measurement of assets and liabilities for the purpose of the financial statements, in the consolidated circular (Chapter 1, Part 2, Volume 5) (hereinafter: the "Measurement Chapter in the Consolidated Circular"), excluding items for which other provisions were determined in Part A of the economic solvency regime, as follows:

3.1.1. Explanatory section 1 - Liabilities with respect to insurance contracts and investment contracts

The calculation of insurance liabilities was done on a best estimate basis, based on assumptions which are mostly the result of the implications of past experience regarding the future, within the Company's operating environment, and without conservative factors. The calculation of insurance liabilities was done in accordance with the provisions of the economic solvency regime, which, in general, with reference to life and SLT health insurance, was performed in accordance with the standard practice for calculating EV in Israel[1], and with reference to non-life insurance, was performed based on the part pertaining to BE in the measurement chapter of the consolidated circular.

The measurement of insurance liabilities in the economic balance sheet is based on discounting the future expected cash flows, including future profit, by the risk-free interest rate, plus VA, and in consideration of UFR, based on a best estimate which does not include margins of conservatism, where this risk was reflected in the RM component, which is a separate liability. This is different from the financial statements, in which the insurance liabilities are estimated with margins of conservatism, using methods and discount rates as described in Note 35 to the Company's annual statements for 2022.

Insurance liabilities with respect to life and long term health insurance were calculated by discounting the Company's estimated future cash flows, using a model based on data existing in the Company's operational systems, with respect to the insurance covers. The assumptions which are used in the model include, inter alia, assumptions with respect to cancellations, operating expenses, mortality and morbidity, and are determined based on past experience and other relevant studies.

The calculation of the liabilities does not include cash flows with respect to future sales, but does include an assumption regarding the continued receipt of premiums with respect to existing business (except with respect to policies without insurance risk, including insurance contracts). The calculation also assumes continued activity as a going concern, i.e., that the Company's structure will not change, and therefore, some of the fixed expenses in the future will not be attributed to the currently existing portfolio, but rather new business which is expected to be sold in the future.

The actual cash flows are likely to differ, to varying degrees, from the estimates which were made on a best estimate basis, even if no changes have occurred in the underlying parameters of the calculation. See also section 1.6 above.

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[1] The calculation of embedded value (EV) in Israel is conducted in accordance with the rules and principles which have been determined by the Commissioner, who adopted the rules and principles which were established in the report released by the joint committee of the insurance companies, which worked with the accompaniment of consultants from Israel and abroad.

3.1.1.1. Limits and reservations regarding the calculation of the best estimate

3.1.1.1.1. In general, the models' underlying assumptions were primarily formulated based on studies and analyses which are based on the experience of the Company over recent years, which did not include extreme events. The possibility therefore exists of extreme scenarios, with a very low probability of occurrence, which the Company is unable to estimate, nor the extent of the impact that such events could have. Events of this kind were not taken into account when determining the model's underlying assumptions.

3.1.1.1.2. due to the absence of sufficient data, when calculating the best estimate, an assumption was not made, and the Company did not evaluate, the correlation rate between demographic and operational assumptions, and assumptions pertaining to market conditions (such as the interest rate). This correlation could significantly affect the best estimate.

3.1.1.1.3. The determination of the best estimate is meant to be based on an estimate of the distribution of the estimate's possible results. In the absence of clear statistical data which are appropriate for evaluating the distribution of the best estimate for all demographic and operational factors in life and SLT health insurance, the Company used real assumptions for each individual parameter per se, according to the mean of each relevant factor, and without taking into account dependence or adjustment between the different assumptions, or between the assumptions and external economic parameters such as taxation, interest or employment rate in the economy.

3.1.1.1.4. In many cases, future cash flows are forecasted several decades in the future. The underlying assumptions of the cash flow forecast are based on studies, mostly in accordance with experience in recent years, and according to the best knowledge of management. There is a great deal of uncertainty regarding whether the assumptions underlying the forecast will indeed materialize.

3.1.1.1.5. In this regard, it should be emphasized that the extreme scenarios which are calculated within the framework of the solvency model (the standard model), and the model's underlying correlations with respect to the capital requirements, were defined by the Commissioner, and do not reflect the Company's actual experience.

3.1.1.2. Assumptions in the calculation of insurance liabilities

3.1.1.2.1. Method used in determining the assumptions

All of the underlying assumptions of the calculation were determined according to the Company's best estimates regarding the relevant demographic and operational factors, and reflect the Company's forecasts for the future with respect to those factors. The demographic assumptions included in the calculation were taken from internal studies conduced by the Company, insofar as these are available, and from conclusions resulting from professional judgment, which is based both on relevant experience and on a combination of information from external sources, such as information received from reinsurers and mortality tables which were published by the Commissioner.

The operational assumptions (general and administrative expenses) were calculated in accordance with the results of an internal pricing model which the Company prepared with respect to expenses associated with the relevant insurance liabilities, including the allocation of expenses to the various segments and to the various operations (production, routine management, investments, etc.) regarding their future manner of development (in accordance with the index, scope of premiums, scope of assets, etc.).

The main assumptions on which the Company relied in the calculations were as follows:

3.1.1.2.2. Economic assumptions

- Discount rate - adjusted risk-free solvency interest rate curve. This curve is based on the yield to maturity of Israeli government bonds ("risk-free interest rate") until the last liquidity point in the 10th year (hereinafter: "LLP"), with long term convergence to a fixed real rate of 2.6% (UFR), plus a margin (VA) which is calculated by the Authority, as determined by the Commissioner.
- The rate of return on backing assets of investment-linked life insurance products is identical to the discount rate.
- Designated bonds are estimated according to their fair value, which takes into account their stated interest rate and the best estimate regarding the Company's future eligibility to purchase them.
- The inflation rate was determined as the difference between the yield to maturity of NIS government bonds, and the yield to maturity curve of CPI-linked government bonds. It is noted that the inflation assumption is relevant to products with CPI-linked insurance amounts, premiums and/or interest rates, and to expenses, claims and/or premiums which the Company believes will change in the CPI rate or in another rate which is CPI-linked.

3.1.1.2.3. Operational assumptions (with respect to life and health insurance)

- General and administrative expenses - The Company analyzed the expenses which are attributed to the relevant insurance segments in the financial report, and attributed them to different products and types of coverage, and to various actions such as routine operation of the coverages, investment management, claims handling, pension payments, etc. The expense study is updated periodically, and the various expense types are loaded onto the future cash flow with respect to the relevant variables such as number of covers, amount of premiums, reserves or number of claims. The determination of future expenses, and the method used to allocate them to future cash flows, include within them many estimates and judgments of the Company which affect the total amount of liabilities.

3.1.1.2.4. Demographic assumptions

- Cancellations (discontinuation of premium payment, policy removals, withdrawals)
- Mortality of retirees and active employees
- Morbidity (rate and length of claims) with respect to long-term care, loss of working capacity and health products
- Realization rates and annuity tracks

3.1.1.2.5. Assumptions in non-life insurance

Cost of claims with respect to future damages and unpaid damages - in accordance with the Company's past experience in the various branches in connection with claim rates, claim amounts and the pace of claim payment in long-tail branches.

3.1.2. Explanatory section 2 - Deduction during the distribution period

The deduction during the distribution period was recalculated as of June 30, 2022, as the sum of the positive differences between insurance reserves on retention in the economic balance sheet, including the risk margin after deducting an adjustment for the fair value of designated bonds), and insurance reserves on retention according to the financial statements as of that date. These differences were calculated on the level of product groups, in accordance with the provisions which are included in the principles letter, after receiving the Commissioner's approval, as required.

The foregoing deduction is amortized on a linear basis over 13 years until December 31, 2031, such that its amortized balance as of December 31, 2022 was NIS 5,103 million.

In accordance with the principles letter, the Company evaluated the need for decreasing the value of the reduced deduction balance, relative to the expected growth rate of the solvency ratio, calculated without the deduction and the stock scenario adjustment.

Accordingly, the Company did not consider it necessary to decrease the value of the subtracted deduction balance as of December 31, 2022.

The amount of the deduction during the distribution period in the future will be subject to changes in the foregoing assumptions, the development of businesses, and periodic approval from the Commissioner.

3.1.3. Explanatory section 3 - Intangible assets

The insurance company will estimate intangible assets at zero value, except for investments in InsurTech, as defined in the solvency circular, which have received the Commissioner's approval for this purpose, as required.

3.1.4. Explanatory section 4 - Deferred acquisition costs

Estimated at zero value, consistently with the estimate of insurance liabilities, as specified in section (1) above.

3.1.5. Explanatory section 5 - Investments in investee companies which are not insurance companies

Investee companies which are not insurance companies are evaluated according to the adjusted equity method. In other words, the insurance company's proportional part in the investee company's excess of assets over liabilities, without taking into account intangible assets. In managing companies of provident and pension funds, 35% of the balance of goodwill which is created upon the acquisition is added to the economic value. The economic value of investee companies does not include the embedded profit in those companies.

3.1.6. Explanatory section 6 - Non-marketable debt assets which are not designated bonds

Presented in the economic balance sheet at fair value, in accordance with the principles in Note 14(F) to the Company's annual financial statements.

3.1.7. Explanatory section 7 - Designated bonds

Estimated according to their fair value, which takes into account their stated interest rate and the best estimate regarding the Company's future eligibility to purchase them, based on the assumptions which were used to calculate the BE of the insurance liabilities in respect of which is eligible for the designated bonds.

3.1.8. Explanatory section 8 - Fixed assets

Assets for which an active market exists are revalued at fair value. Assets for which, according to the Company's assessment, an active market does not exist, are revalued at zero value.

3.1.9. Explanatory section 9 - Risk margin

In addition to the insurance liabilities on a best estimate basis, the risk margin component is calculated, which reflects the total cost of capital which another insurance company or reinsurer would be expected to require for the purpose of accepting the insurance company's insurance liabilities, calculated on a best estimate basis, in their entirety. The risk margin is calculated in accordance with the Commissioner's directives, based on a cost of capital of 6%, and discounted by an adjusted risk-free interest rate, but without the VA component. The future capital requirement is calculated according to the "risk factors method", by changing the capital requirement components which were calculated as of the reporting date, in accordance with the projected development of the risk factors which were attributed thereto. These factors are intended to reflect the development of the risks of the standard model over time. The calculation does not take into account the capital requirement with respect to market risks[2].

[2] In accordance with the directive, it should be assumed that the buying company will choose assets which will reduce the solvency capital requirement with respect to market risk.

3.1.10. Explanatory section 10 - Contingent liabilities

For details regarding the value of contingent liabilities in the economic balance sheet, see section 1.6.1 above.

3.1.11. Explanatory section 11 - Liability with respect to deferred taxes, net

The calculation is based on the difference between the value attributed to assets and liabilities in the economic balance sheet, including with respect to the deduction amount, and the value attributed thereto for tax purposes in accordance with the provisions regarding recognition, measurement and presentation in International Accounting Standard (IAS) 12. Deferred tax assets can only be recognized if the Company fulfills the tests which are included in the directive, in addition to the tests which are included in the aforementioned accounting standard.

3.1.12. Explanatory section 12 - Financial liabilities

Revalued according to the risk-free interest rate, plus the margin on the issuance date, without the recognition of changes in the Company's credit risk.

3.1.13. Explanatory section 13 - Other payables and receivables with average lifetimes of less than one year

In accordance with the directive, the Company did not calculate fair value for components with average lifetimes of less than one year.

3.1.14. Explanatory section 14 - Other assets and other liabilities

Assets and liabilities which are accounted for in accordance with IFRS 16 are revalued at fair value.

3.2. Composition of liabilities with respect to insurance contracts and investment contracts

	As of December 31, 2022		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	NIS in thousands		
	Audited		
Liabilities with respect to non-investment-linked insurance contracts and investment contracts:			
Life insurance and SLT health insurance contracts	24,991,590	(195,310)	25,186,901
Non-life and NSLT health insurance contracts	7,155,446	3,594,965	3,560,482
Total liabilities with respect to non-investment-linked insurance contracts and investment contracts	32,147,036	3,399,654	28,747,382
Liabilities with respect to investment-linked insurance contracts and investment contracts - life insurance and SLT health insurance contracts	84,057,957	(63)	84,058,019

Total liabilities with respect to insurance contracts and investment contracts	**116,204,993**	**3,399,591**	**112,805,401**

	As of December 31, 2021		
	Best estimate (BE) of liabilities		
	Gross	Reinsurance	Retention
	NIS in thousands		
	Audited		
Liabilities with respect to non-investment-linked insurance contracts and investment contracts:			
Life insurance and SLT health insurance contracts	28,801,322	(216,831)	29,018,153
Non-life and NSLT health insurance contracts	7,056,465	3,458,911	3,597,554
Total liabilities with respect to non-investment-linked insurance contracts and investment contracts	**35,857,779**	**3,242,080**	**32,615,700**
Liabilities with respect to investment-linked insurance contracts and investment contracts - life insurance and SLT health insurance contracts	86,461,161	(234)	86,461,394
Total liabilities with respect to insurance contracts and investment contracts	**122,318,940**	**3,241,846**	**119,077,094**

Significant changes relative to last year:

The significant increase in the risk-free interest rate curve affected the decrease in the Company’s insurance liabilities. For additional explanations regarding other significant changes, see section 2.1.

4. Equity for the purpose of the solvency capital requirement

	As of December 31, 2022			
	Audited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Equity	9,889,391	460,742	4,153,618	14,503,751
Deductions from Tier 1 capital (A)	(47,460)	-		(47,460)
Subtractions (B)	-	-	-	-
Deviation from quantitative limits (C)	-	-	(115,649)	(115,649)
Equity for the purpose of the solvency capital requirement (D)	9,841,931	460,742	4,037,969	14,340,642
Of which - Total expected profits included in future premiums (EPIFP) after tax	6,847,331			6,847,331

	As of December 31, 2021			
	Audited			
	Tier 1 capital			
	Basic Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Total
Equity	10,647,023	514,930	4,408,371	15,570,324
Deductions from Tier 1 capital (A)	(49,919)	-		(49,919)
Subtractions (B)	-	-	-	-
Deviation from quantitative limits (C)	-	-	-	-
Equity for the purpose of the solvency capital requirement (D)	10,597,104	514,930	4,408,371	15,520,405
Of which - Total expected profits included in future premiums (EPIFP) after tax	7,440,630			7,440,630

<u>Significant changes relative to last year:</u>

<u>Factors which supported the creation of the capital buffer</u>

- The significant increase in the risk-free interest rate curve positively affected the Company's Tier 1 capital.
- The containment of the underwriting capital requirements for existing businesses positively affected the Company's Tier 1 capital.
- New business sales positively affected the Company's Tier 1 capital.

- The adoption of the provisions of the circular regarding the allocation of HETZ bonds due to the initial adoption of IFRS 17 positively affected the Company's Tier 1 capital

<u>Factors which eroded the capital buffer</u>

- Following the update to the set of demographic assumptions in life insurance and for pension funds, mortality tables for retirees were updated, which negatively affected
  The Company's capital, as stated above.
- The adoption of the studies specified in section 2.1 negatively affected the Company's capital.
- negative returns in the nostro portfolios and in investment-linked portfolios reduced the Company's Tier 1 capital

(A) **Deductions from Tier 1 capital (A)** - in accordance with the definitions of "basic tier 1 capital" in the annex to Section B, Chapter 2, Part 2, Volume 5 of the consolidated circular - "economic solvency regime" (hereinafter: the "Annex to the Economic Solvency Regime"), these deductions include the amount of assets held against liabilities with respect to non-investment-linked insurance contracts and investment contracts, as opposed to the Rules of Investment Regulations, the amount of self investment in ordinary shares and the dividend amount which was announced after the reporting date and until the initial publication date of the report.

(B) **Subtractions** - In accordance with the provisions of Chapter 6 in Part B, "provisions regarding the equity of insurance companies" of the annex "economic solvency regime".

(C) **Deviation from quantitative limits** - In accordance with the provisions of Chapter 2 in Part B, "provisions regarding the equity of insurance companies" of the annex "economic solvency regime".

(D) Composition of equity for the purpose of the solvency capital requirement –

	As of December 31, 2022	As of December 31, 2021
	Audited	Audited
	NIS in thousands	
Tier 1 capital:		
Basic Tier 1 capital after deductions	**9,841,931**	**10,597,104**
Additional Tier 1 capital:		
Perpetual capital note and non-accruing preferred shares	0	0
Additional Tier 1 capital instruments	0	0
Tier 1 hybrid capital instruments	460,742	514,930
After deduction due to deviation from quantitative limit	0	0
Total additional Tier 1 capital	460,742	**514,930**
Total Tier 1 capital	**10,302,673**	**11,112,034**
Tier 2 capital:		
Additional Tier 1 capital which was not included in Tier 1	0	0
Tier 2 capital instruments	2,481,656	2,369,514
Tier 2 hybrid capital instruments	1,671,962	2,038,857
Tier 3 hybrid capital instruments	0	0
Tier 2 subordinated capital instruments	0	0
After deduction due to deviation from quantitative limit	(115,649)	0
Total Tier 2 capital	**4,037,969**	**4,408,371**
Total equity for the purpose of the solvency capital requirement	**14,340,642**	**15,520,405**

For details regarding significant changes relative to last year, see section 4 above.

4.1. Composition of recognized capital

The provisions of the economic solvency regime establish provisions regarding the composition of recognized equity on an economic basis, according to which recognized equity will be the total sum of Tier 1 capital and Tier 2 capital, as defined above:

The rate of components which are included in Tier 1 capital, after subtractions, will be no less than 60% of SCR and 80% of MCR, at all times.

The rate of components which are included in Tier 2 capital, after subtractions, will be no more than 40% of SCR, and 20% of MCR, at all times. However, under the distribution provisions, during the period until December 31, 2032, the rate of Tier 2 capital will not exceed 50% of SCR.

5. Solvency capital requirement (SCR) -

	As of December 31, 2022	As of December 31, 2021
	Audited	Audited
	Capital requirement	
	NIS in thousands	
Basic solvency capital requirement (BSCR):		
Required capital with respect to the market risk component[3]	4,602,790	5,170,942
Required capital with respect to the counterparty risk component	319,018	351,314
Required capital with respect to the underwriting risk component in life insurance	4,454,279	5,009,072
Required capital with respect to the underwriting risk component in non-life insurance (SLT + NSLT)	4,993,456	6,035,096
Required capital with respect to the underwriting risk component in non-life insurance	955,605	944,594
Total	**15,325,149**	17,511,016
Impact of the distribution between risk components	(5,098,458)	(5,739,893)
Required capital with respect to the intangible assets risk component	61,534	-
Total basic solvency capital requirement (BSCR)	**10,288,224**	11,771,123
Required capital with respect to operational risk	408,459	427,391
Loss absorption adjustment with respect to deferred tax asset	(2,830,272)	(3,131,918)
Required capital with respect managing companies:		
Clal Pension and Provident Funds Ltd.	201,257	185,702
Atudot Pension Fund for salaried Employees and Self-Employees Ltd.	8,270	8,788
Total required capital with respect managing companies	**209,527**	194,490
Total solvency capital requirement (SCR)	**8,075,939**	9,261,086

3 In the stock scenario adjustment.

Significant changes in the solvency capital requirement relative to last year:

- The decrease in the capital requirement, in the life and health risk components, was mostly due to the impact of the interest rate increase.
- The decrease in capital requirements in market risks was mostly due to the decrease in the interest rate risk sub-component, due to the increase of the risk-free interest rate curve and the stock risk sub-component, due to the decrease in the symmetric adjustment.

5.1. Principles underling the calculation of the solvency capital requirement

- The Company is operating as a going concern;
- Refers to risks due to existing assets and business, and from non-life insurance and NSLT health insurance activities which are expected to be signed during the 12 months after the reporting date;
- Regarding existing business, it will cover unexpected losses only;
- Reflects the scope of equity which will allow the insurance company to absorb unexpected losses and to service its liabilities to policyholders and beneficiaries when they come due, and constitutes the value-at-risk (VaR) of the Company’s basic Tier 1 capital, with a confidence level of 99.5%, over a 12 month period;
- Covers the following risk components: life insurance, health insurance, non-life insurance, market, counterparty and operational risk, and controlled managing companies;
- Includes taking into account means and methods for mitigating risks, in accordance with the instructions;
- The calculation of scenarios is based on the estimated deviation from the estimated value of basic Tier 1 capital, based on the estimated deviations in the value of the assets and liabilities in the economic balance sheet, upon the materialization of the scenario. In particular, in the life and SLT health risk components, the estimated scenario results are based on the results of the models for obtaining best estimates, and are subject to the restrictions and limits specified above.

6. Minimum capital requirement (MCR)

6.1. Minimum capital requirement (MCR)

	As of December 31, 2022	As of December 31, 2021
	Audited	Audited
	NIS in thousands	
Minimum capital requirement in accordance with the MCR formula	1,932,188	1,956,226
Lower limit (25% of the solvency capital requirement during the distribution period)	2,018,984	2,315,271
Upper limit (45% of the solvency capital requirement during the distribution period).	3,634,172	4,167,489
Minimum capital requirement (MCR)[4]	**2,018,984**	**2,315,271**

6.2. Equity for the purpose of MCR

	As of December 31, 2022		
	Audited		
	NIS in thousands		
	Tier 1 equity	**Tier 2 equity**	**Total**
Equity for the purpose of the solvency capital requirement in accordance with section 4	10,302,673	4,153,618	14,456,291
Deviation from quantitative limits regarding the minimum capital requirement *)		(3,749,821)	(3,749,821)
Equity for the purpose of MCR	**10,302,673**	**403,797**	**10,706,470**

	As of December 31, 2021		
	Audited		
	NIS in thousands		
	Tier 1 equity	Tier 2 equity	Total
Equity for the purpose of the solvency capital requirement in accordance with section 4	11,112,034	4,408,371	15,520,405
Deviation from quantitative limits regarding the minimum capital requirement *)	-	(3,945,316)	(3,945,316)
Equity for the purpose of MCR	**11,112,034**	**463,054**	**11,575,088**

*) In accordance with the provisions of Chapter 3 in Part B of the economic solvency regime annex, Tier 2 capital may not exceed 20% of MCR.

4 **If this amount is less than Tier 1 capital in accordance with Regulation 2 of the Capital Regulations, the minimum capital requirement will be the Tier 1 capital.**

7. Impact of the implementation of the provisions during the distribution period

For a description of the transitional provisions which apply to the Company during the distribution period, see section 1.3, "provisions during the distribution period", and section 3.1.2, "deduction during the distribution period", above.

	As of December 31, 2022				
	Audited				
	NIS in thousands				
	Includes implementation of the transitional provisions in the distribution period and the stock scenario adjustment	Impact of the inclusion of the deduction during the distribution period	Impact of the stock scenario adjustment	Impact of 50% Tier 2 capital during the distribution period	Without implementation of the transitional provisions in the distribution period and the stock scenario adjustment
Total insurance liabilities, including risk margin (RM)	118,486,662	(5,102,956)	-	-	123,589,617
Basic Tier 1 capital	9,841,931	3,358,255	-	-	6,483,675
Equity for the purpose of the solvency capital requirement	14,340,642	2,660,375	(111,605)	807,594	10,984,278
Solvency capital requirement	8,075,939	(1,744,701)	(279,012)	-	10,099,651

	As of December 31, 2021				
	Audited				
	NIS in thousands				
	Includes implementation of the transitional provisions in the distribution period and the stock scenario adjustment	Impact of the inclusion of the deduction during the distribution period	Impact of the stock scenario adjustment	Impact of 50% Tier 2 capital during the distribution period	Without implementation of the transitional provisions in the distribution period and the stock scenario adjustment
Total insurance liabilities, including risk margin (RM)	124,575,733	(6,780,303)	-	-	131,356,036
Basic Tier 1 capital	10,597,104	4,462,117	-	-	6,134,987
Equity for the purpose of the solvency capital requirement	15,520,405	3,940,099	(181,918)	703,936	11,058,287
Solvency capital requirement	9,261,086	(2,318,186)	(454,795)	-	12,034,067

<u>Significant changes relative to last year:</u>

- The recalculation of the deduction amount as of June 30, 2022 reduced the impact of the inclusion of the deduction during the distribution period.
- Decrease in the impact of the adjustment of the stock scenario, in light of the decrease in the scenario's intensity, due to the decrease of the symmetric adjustment (SA) component

8. Report regarding changes in the capital surplus

	Equity for the purpose of the solvency capital requirement	Solvency capital requirement (SCR) -	Capital surplus (deficit)
		NIS in thousands	
As of January 1, 2022	**15,520,404**	**9,261,086**	**6,259,318**
Neutralization of the transitional provisions for the distribution period and stock adjustment	(4,462,117)	2,772,981	(7,235,098)
As of January 1, 2022, without implementation of the transitional provisions in the distribution period and the stock scenario adjustment	**11,058,287**	**12,034,067**	**(975,780)**
Impact of operating activities (A)	(1,160,700)	(816,335)	(344,365)
Impact of economic activities (B)	1,163,085	(1,229,830)	2,392,915
New businesses (C)	523,135	291,034	232,102
Impact of capital instrument issuances (after deducting redemptions) and declared dividends (D)	208,181	-	208,181
Impact of changes in deferred tax, additional Tier 1 capital and Tier 2 capital	(807,710)	(179,285)	(628,425)
As of December 31, 2022, without implementation of the transitional provisions in the distribution period and the stock scenario adjustment	10,984,278	10,099,651	884,627
impact of the transitional provisions for the distribution period and the stock adjustment	3,356,364	(2,023,712)	5,380,076
As of December 31, 2022	**14,340,642**	**8,075,939**	**6,264,704**

(A) This section includes the impact of:

1. The forecasted cash flows which were included in the opening balance, and which were expected to be released during the reporting year;
2. Deviations from demographic and operational assumptions during the reporting year;
3. Changes in regulatory rules;
4. Changes in the demographic and operational assumptions relative to those which were in use on the date of the previous report;
5. Model updates;
6. New insurance contracts (non-life insurance and NSLT) health) which were signed during the reporting year, and insurance portfolios in those branches which were purchased or sold during the reporting year;
7. Investment in intangible assets;
8. Other changes which are not included in the other sections.

(B) This item includes the impact of routine economic activity, including:

1. Changes in the values of investment assets;
2. Changes in required capital with respect to the market risk component, including changes in the symmetric adjustment (SA);
3. The impact of inflation;
4. The impact of changes in the risk-free solvency interest rate curve.

(C) This section includes the impact of new insurance contracts (life and health SLT) which were signed during the reporting year and insurance portfolios in those branches which were acquired or sold during the reporting year, including their impact on market risks, counterparty risk and operational risk.

(D) This section includes capital transactions, including the issuance and redemption of Tier 1 and Tier 2 capital instruments, and a dividend which was declared after the publication date of the solvency ratio report as of December 31, 2022, and until the publication date of the report as of December 31, 2022.

Significant effects reflected in changes in the Company's capital surplus:

Impact of economic activity - In 2022, the Company was affected by two significant changes in the economic environment: on the one hand, the significant increase in the risk-free interest rate curve in 2022 had a significantly positive effect on the Company's capital surplus. On the other hand, the negative returns (in the investment portfolios) significantly contributed to a decrease in the Company's Tier 1 capital.

Impact of operating activities - The underwriting results were negatively affected by, inter alia, the update to mortality tables, the level of competition in the branch in risk products, which was also reflected in an update to cancellation studies, together with the update to additional studies, including cancellations in savings policies, assumptions regarding retention and annuity realization. The total effect on the solvency ratio is negative. On the other hand, regulatory changes, including the circular regarding the allocation of HETZ bonds with respect to the initial adoption of IFRS 17, and the health insurance reform, which allows a green track of automatic premium adjustment, together with the positive impact of the containment of the risks and release of grounded capital due to an insurance operation which was sold in the past, contributed to the offsetting of the negative effect and a positive capital surplus in 2022.

Impact of new business activities - New businesses which were sold in 2022 are having a positive contribution to the Company's profitability, and on the other hand, are creating capital requirements.

Impact of the transitional provisions for the distribution period and stock adjustment - The capital surplus was negatively affected during the distribution period due to the recalculation of the deduction amount in the first half, and the annual amortization, as specified in section 1.3.1.

9. Sensitivity tests

Presented below is a sensitivity analysis of the economic solvency ratio relative to various risk factors as of the reporting date. This analysis will reflect the effects of various risk factors, both on equity, including the quantitative restrictions which apply to equity, and the solvency capital requirement. The sensitivity tests only reflect direct effects, assuming that all other risk factors remain constant, and do not include secondary effects, or consequent changes on other risk factors.

It is noted that the sensitivity is not necessarily linear, such that the sensitivity in other rates is not necessarily a simple extrapolation of the presented sensitivity test.

	As of December 31, 2022
	Effect on the economic solvency ratio (in percentage points)
Decrease of 50 base points in the risk-free interest rate curve	**(12%)**
Decrease of 25% in the value of capital assets	**(8%)**
Increase of 5% in the morbidity rate	**(10%)**
Decrease of 5% in mortality rates	**(12%)**
Increase of 10% in cancellation rates	**(3%)**

- The sensitivity tests were applied to the economic balance sheet with reference to assets and liabilities which are directly affected by the assumption which is evaluated as part of each sensitivity test specified above, and by the recalculation of the risk margin. The impact on the Company’s capital requirements were also taken into account.
- Sensitivity tests to interest rates and mortality rates included an evaluation of the sensitivity to the scenario which is relevant to the Company, whether increase or decrease.
- The sensitivity test regarding interest rates reflects a decrease in the risk-free interest rate curve of 50 base points, down to the last liquidity point (LLP), and is then calculated in accordance with the Smith–Wilson method of extrapolation, with reference to the ultimate forward rate (UFR), which is constant according to the circular.
- It is noted that the impact of the sensitivity on the deduction amount in the relevant scenarios was not taken into account.
- The demographic sensitivity tests were applied to all of the Company’s policies which are the relevant to that sensitivity test.
- The sensitivity test to an increase of 5% in the morbidity rate refers to the prevalence of claims, and does not refer to the duration or severity of claims.
- The sensitivity test to impairment of capital assets was applied to all of the shares which are handled under the stock risk sub-component, including the effect of the symmetric adjustment (SA) in the capital requirements.

10. Restriction on dividend distributions

The Company’s policy is to maintain a stable capital basis in order to guarantee its solvency and its ability to fulfill its undertakings to policyholders, to maintain the Company’s ability to continue its business activity, to generate returns for its shareholders, and to support future business activity. The Company, by virtue of its status as an institutional entity, is subject to capital requirements which are determined by the Commissioner.

10.1. Dividend

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 solvency circular, calculated without the transitional provisions, and subject to the 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.

Presented below are data regarding the Company's economic solvency ratio, calculated without the transitional provisions and subject to the target solvency ratio which was determined by the Company's Board of Directors. This ratio is lower than the solvency ratio which is required according to the letter.

10.2 Capital management policy

The Board of Directors of Clal Insurance established a capital 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 the distribution period, until the end of 2032. 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 December 31, 2022, the last calculation date, the Company is above 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 the current policy is comes in place of the policy which was published in March 2020, and does not pertain, at this stage, to the dividend distribution targets.

10.3 Solvency ratio without implementation of the transitional provisions in the distribution period, and without the stock scenario adjustment:

	As of December 31, 2022	As of December 31, 2021
	Audited	Audited
	NIS in thousands	
Equity for the purpose of the solvency capital requirement	10,984,278	11,058,287
Solvency capital requirement (SCR)	10,099,651	12,034,067
Deficit	884,627	(975,779)
Economic solvency ratio (in %)	109%	92%
Impact of significant equity transactions which took place during the period between the calculation date and the publication date of the economic solvency ratio report:		
Raising / redemption of capital instruments	-	-
Equity for the purpose of the solvency capital requirement	10,984,278	11,058,287
Surplus (deficit)	884,627	(975,779)
Economic solvency ratio (in %)	109%	92%
The capital surplus after 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:		
Target economic solvency ratio of the Board of Directors (in percent) *)	-	-
Capital deficit relative to target (NIS thousands) *	-	-

It is noted that targets were not determined with respect to the solvency ratio without adopting the transitional provisions for the distribution period, and this ratio will be created for those targets until the end of 2032, as specified above in section 10.2.

<u>Significant changes relative to last year:</u>

For details regarding the significant changes see section 2.1, except for the impact of the deduction amount, which is not relevant to the calculation without the implementation of the transitional provisions in the distribution period, and without the stock scenario adjustment.

May 30, 2023	________________	________________	________________
	Haim Samet	Yoram Naveh	Avi Ben Nun
	Chairman of the Board	Chief Executive Officer	Chief Risk Officer

Glossary of Terms:

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, the Company's investment in which 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 whose financial and operational policy are subject to the Group's significant influence, although control thereof 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.
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 pursuant thereto.
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) accepts a significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder in case of the occurrence of an uncertain, pre-defined future event (the insurance event) which negatively 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 mostly 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.
B2B	-	Business to Business - Sales which are made vis-à-vis companies or vis-à-vis businesses.
B2C	-	Business to Customer - Sales to individual consumers.
CVA	-	Credit Valuation Adjustment - Calculation of the credit risk in derivatives which reflects the Company's expected loss in case the counterparty in the transaction enters a state of credit default.
CECL	-	The model regarding provisions for current expected credit losses in accordance with US GAAP, which is applied in Max's reports.
Troubled Debt Restructuring	-	Debt regarding which, for economic or legal reasons associated with the debtor's financial difficulties, the Company has allowed changes to the repayment terms of the debt.
Basel	-	Risk management directives for banks, as determined by the Basel Committee on Banking Supervision, which is engaged in the supervision and establishment of standards for the supervision of banks around the world. The Basel committee's directives constitute a benchmark for leading standards, which are intended to ensure the stability of financial institutions.
Tier 1 equity	-	Issued and paid-up share capital, plus accumulated profits, premiums and capital reserves.
Issuance	-	Operation of the entire credit card system, including, inter alia, the issuance of credit cards, the provision of services to credit card holding customers, and conducting routine settling of accounts vis-à-vis clearing entities, in exchange for issuer fees.
Specific Provision	-	A provision which is determined in accordance with a specific evaluation of each debt, and which is determined according to the cash flow forecast, discounted by the original interest rate of the debt.

Collective Provision	-	A provision which is applied to large groups of relatively small and homogeneous debts, and to debts which have been specifically evaluated, and which have been identified as non-impaired. The collective provision with respect to off-balance sheet credit instruments is based on the provision rates which were determined for the balance sheet credit, while taking into account the expected realization of credit of off-balance sheet credit risk.
Flattening	-	Short term interest rate increase and long term interest rate decrease.
Steepening	-	Short term interest rate decrease and long term interest rate increase.
Debt	-	A contractual right to receive funds on demand or on fixed or fixable dates, which is recognized as an asset in the banking corporation's balance sheet.
Credit Under Special Supervision	-	Credit under special balance sheet supervision is credit with potential weaknesses which require special attention from Company management.
Subordinated Debt	-	Credit which is insufficiently secured by the substantiated present value and the debtor's ability to pay or the collateral, if any. Balance sheet credit risk which has been given this classification has a well defined weakness or weaknesses, which endanger the realization of the debt.
Impaired Debt	-	Impaired debt is debt regarding which, based on current information and events, the Company expects that it will be unable to collect all of the amounts (principal and interest) in accordance with the contractual terms of the agreement.

Note 1: General (Cont.)

Glossary of Terms (Cont.):

Capital Adequacy Ratio -	The ratio between the regulatory capital which is available to the Company and the risk weighted assets with respect to credit risk, market risk and operational risk, calculated in accordance with the Bank of Israel's instructions and reflecting the risk arising from the exposures accepted by the Company as part of the activity.
Leverage Ratio -	The ratio between capital and total exposures in the Company.
Clearing Margin -	The difference between the clearing fee which is collected from the business, and the cross-fee which is paid by the clearing entity to the issuer.
Average Lifetime -	The average lifetime for the repayment of assets and liabilities, measured in years.
Credit Risk -	The risk that a borrower or counterparty will not fulfill its contractual undertakings towards the banking corporation.
Liquidity Risk -	Risk to the Company's profits and stability due to its inability to satisfy its liquidity requirements.
Interest Rate Risk -	The exposure to interest rate changes due to the difference between the repayment dates and the date of changes in the interest rates of assets and liabilities.
Market Risk -	The risk of loss in balance sheet and off-balance sheet positions which is due to changes in the fair value of a financial instrument due to changes in market conditions.
Operational Risk -	Risk of loss due to the inadequacy or failure of internal processes. people or systems, or due to external events.
Clearing -	Transfer of payments to businesses against transaction slips for transactions made with credit cards, in exchange for clearing fees which are collected from the businesses.
Cross-Fee -	A fee which is paid by a clearing entity to an issuer.
EMV (Europay Mastercard Visa) Standard -	A technological standard for the clearing of credit cards containing a chip which contributes to the protection of the customer's credit details, created by the international credit card organizations shown in the standard's name.
Return on Equity	Net profit divided by average equity.